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Even IMF Lacks This Much Money

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Peter Eavis is correct to question the capacity of the International Monetary Fund to serve as the "last lender of last resort," especially in a world characterized by increasingly extreme economic and financial events ("The IMF's Big Wager On Europe," *Heard on the Street*, May 13).

However, a critical point is that the IMF may actually have insufficient resources to fully finance its portion of the program. Within the European Financial Stabilization Package, the IMF has committed \$320 billion. However, the IMF's one-year forward commitment capacity is only \$239.5 billion, as of the latest data available for January 2010. This includes \$340.6 billion in uncommitted usable resources less a prudent reserve balance of \$103.5.

The alternative for the IMF would be to tap member governments for additional resources—as contemplated by the fund and G-20 nations. However, delivery might be tough in an environment of already stretched sovereigns.

Limited resources may go further with debt restructuring, which is what we learned in the transition from the Baker Plan to the Brady Plan.

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