

Global Financial Safety Net: the IMF as a lender of first resort?

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The GFSN

Broad contours

1. Objectives

2. Building blocks

- Flexible Credit Line
- Precautionary Credit Line
- Global Stabilization Mechanism

Lending-in-last-resort

- The IMF as lender in last/final/first/early resort

Two basic points

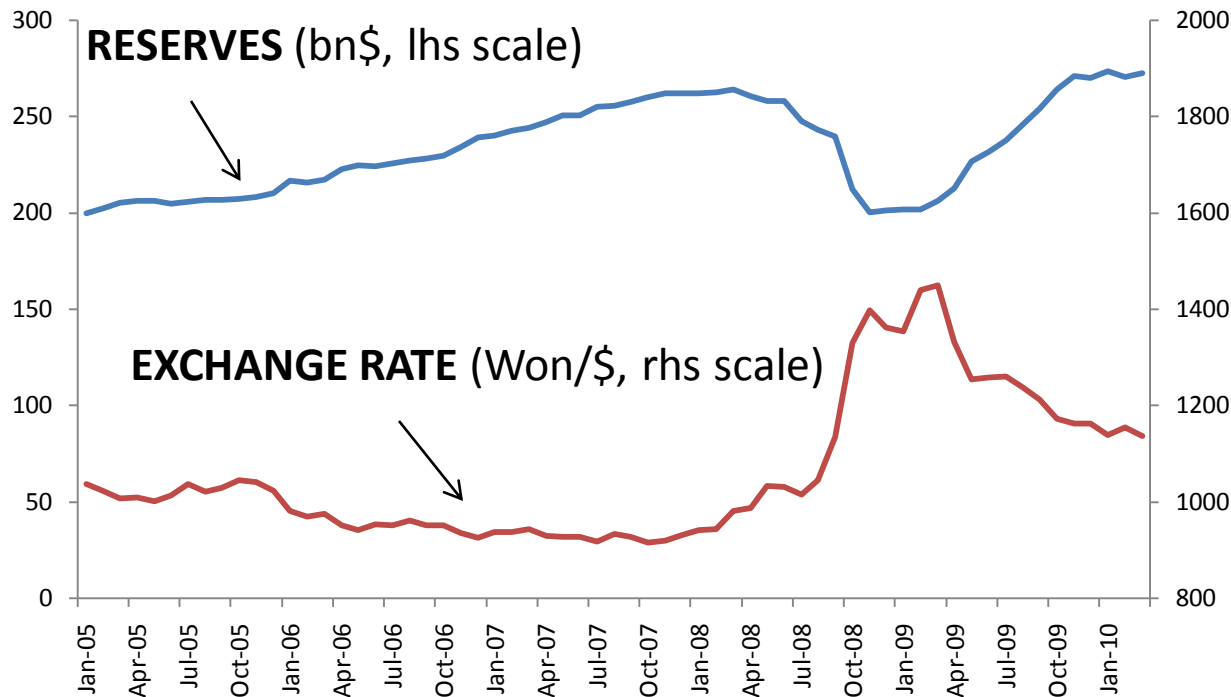
- The IMF is not a LOLR because it does not create liquidity.
- The question is: how well can the IMF mimick a LOLR?

2 questions about the G20-IMF approach

Question 1: Have we erred on the side of
commitment/prequalification?

- Countries ask for commitment
 - Implies pre-qualification
- All the complications of courtship (even though time is of the essence)

When would Korea have asked for an FCL?



- Isn't it going to end up like old-style discretionary crisis lending?

2 questions about the G20-IMF approach

- Question 2: is the GFSN “politically viable” in the long run?
- Unlike traditional LOLR, the liquidity is created ex ante
- For how long will it be left sitting there?