THE EURO CENTRAL BANKS PROVIDE $270B VIA IMF

A European proposal to channel central bank loans through the International Monetary Fund may deliver as much as 200 billion euros ($270 billion) to fight the raging debt crisis, two people familiar with the negotiations said. At a November 29 meeting attended by European Central Bank President Mario Draghi, the euro-area finance ministers gave the go- ahead for work on the plan, said the people, who refused to be named because of the talks are at an early stage. The need for a new crisis-containment tool emerged as the effort to boost the 440 billion-euro rescue fund to 1 trillion euros, fell short. Under the proposal, national central banks would recycle funds through the IMF, potentially to underwrite precautionary lending programs for Italy or Spain, the two countries judged to be the most vulnerable right now, the people have said. ''We're looking for a maximum reinforcement with the IMF and the central bank,'' Belgian Finance Minister Didier Reynders told the reporters on November 30. No fewer than four ''comprehensive'' rescue packages over 19 month have failed to arrest the crisis, which is fueling speculation that a currency designed to last forever, may break up unless European leaders forge a more united economy. Central bank loans may be linked to an adoption of tougher budget policing by governments and tighter economic ties. The euro area's 17 national central banks operate under the ECB's small umbrella. On Thursday, Draghi hinted at a stepped-up-crisis-fighting role as long as governments move toward a ''fiscal compact'' that ensures healthy public finances. German Chancellor Angela Merkel laid out elements of that strategy on Friday, calling for European treaty amendments to create automatic, court-enforced sanctions on countries that overstep limits of 3 percent of gross domestic product on deficits and almost 60 percent of GDP on debt. The people said that, for governments in rich countries such as Germany that are unwilling to lend more to high-debt states, the IMF idea would unlock funds without violating European rules that bar central banks from offering direct budget financing. Spokesman for the ECB and the Budesbanks declined to comment. ''The IMF will need more resources should the crisis deepen further,'' Gerry Rice, who is a spokesman for the IMF, said in a statement on Friday. ''Such loans could indeed come from member country central banks, and indeed these central banks are already lending to the fund under the New Arrangements to Borrow and bilateral agreements signed since 2009.'' ''It is an easy solution because bilateral loans coming from the central banks, they haven't to ask for money from the taxpayers,'' the European Union President Herman Van Rompuy said in Brussels on Thursday. ''But we are exploring these avenues. It deepens also on the amount of money we can raise.'' New from the possible IMF lending channel boosted the shared currency. The euro rose as much as 0.7 percent before erasing the gain on a disappointing US jobs report. At 11:00 am in New York, it slid 0.2 percent to $1.3431, paring its advance for the week to 1.4 percent.