

Lagarde takes helm of IMF amid major challenges

By CHRISTOPHER S. RUGABER, AP Economics Writer – Jul 5, 2011

WASHINGTON (AP) — Christine Lagarde can count on at least one thing Wednesday during her first news conference as chief of the International Monetary Fund: few softball questions.

The former French finance minister is under pressure on many fronts. Lagarde must convince the developing world that her IMF will be a more open place for non-Western nations. At the same time, she'll have to persuade her fellow Europeans to take painful steps to avoid a default by Greece.

Lagarde is taking over after a scandal, so she will have to restore confidence in the institution. Dominique Strauss-Kahn, her predecessor, resigned in May to fight charges that he sexually assaulted a New York City hotel housekeeper.

If all that weren't enough, Lagarde is the first woman to lead the global lending giant.

"The IMF top job has never been in the spotlight like it is now," said Kevin Gallagher, a professor of international relations at Boston University.

Economists and former IMF officials say Lagarde would do well to make a few points clear when she answers questions Wednesday:

___ Take a tougher line with Europe. She should show a willingness to push her former European colleagues to accept that a default and restructuring of Greece's debt may be necessary. European governments fear such an approach would harm European banks, which have lent billions to Greece's government.

The European Union and IMF provided Greece with a \$159 billion bailout package last year — a third of that came from the IMF. Greece has received more assistance from the IMF, relative to its size, than any country in history. That has caused some grumbling among developing countries about favorable treatment.

"She needs to make it clear that she's taking off her French finance minister hat and putting on her global financial institutions hat," Gallagher said.

___ Change the subject away from Greece. One way to show her break from Europe would be to discuss issues other than the continent's debt problems. Many emerging economies, such as China and Brazil, are struggling with high inflation. They also want to know her plans for making the IMF a more open institution.

Eswar Prasad, a senior fellow at the Brookings Institution and former IMF official, said Lagarde could start by making a firm commitment to changing the governing structure. She should be willing to give emerging markets more voting rights and increased representation.

She could also commit to diversify the fund's staff, both in gender and expertise. Gallagher said the staff is "stacked" with European and American economists. She could promise to add more economists from China, Brazil and other developing nations.

— Restore confidence in the institution. Lagarde will likely try to address the IMF's reputation as male-dominated and insensitive to the concerns of some female employees.

Lagarde "can pledge to make the place more gender-balanced, more respectful of people from different countries and backgrounds," Gallagher said. "Those kinds of things are key signals."

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New IMF Managing Christine Lagarde, left, is met by IMF Acting Managing Director John Lipsky as she arrives at the IMF headquarters in Washington, Tuesday, July 5, 2011. (AP Photo/Cliff Owen)



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