

Lagarde Departure Stirs Succession Speculation at I.M.F.

By [Alan Rappeport](#) and [Amie Tsang](#) July 3, 2019

Central Bank Governors Meeting



Christine Lagarde last month in Japan. European officials have nominated her to succeed Mario Draghi as the European Central Bank's president. Kim Kyung Hoon/Reuters

WASHINGTON — With Christine Lagarde, the current leader of the International Monetary Fund, poised to become the next president of the European Central Bank, the big questions on Wednesday were who would succeed her and whether the United States would break with tradition and try to install an American in the post.

On Tuesday, [European officials nominated](#) Ms. Lagarde to succeed Mario Draghi as the European Central Bank's president. Ms. Lagarde, a stabilizing force who has lent star power to the monetary fund since taking over as its

managing director in 2011, plans to step away from her responsibilities while the nomination process moves forward.

The expected transition of power at the fund comes as the global economy slows and protectionism increases amid President Trump's multifront trade war. The next director of the fund will have to confront economic woes in Argentina, Venezuela and Turkey, as well as take over the kind of multilateral institution that Mr. Trump has long criticized as overstepping its authority.

“The key challenge for the next I.M.F. head is how to maintain the institution's relevance, influence and legitimacy in a world where multilateralism is breaking down amid trade tensions and shifting geopolitical alliances,” said Eswar Prasad, the former head of the monetary fund's China division. “The I.M.F. is the epitome of multilateralism in international finance, but it suffers from marginalization by the key advanced economies, a pool of resources dwarfed by global capital flows, and lack of trust among emerging market economies.”

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By tradition, the leader of the World Bank is an American, and a European heads the International Monetary Fund. When the World Bank president position came open, Mr. Trump tapped David Malpass to run the institution. But there has been some speculation that Mr. Trump might try to break with that longstanding practice with the fund.

Its 24-member executive board selects the managing director, and the appointments have always been decided by consensus. Ms. Lagarde was chosen after a six-week selection process.

“I suspect the Europeans are scrambling as we speak to ensure that Europe retains that position,” said Tim Adams, the president of the Institute of International Finance who was the Treasury Department’s under secretary for international affairs during the George W. Bush administration.

Most expect that the monetary fund will stay under European leadership because there was little foreign resistance to Mr. Trump’s choice of Mr. Malpass, a former Treasury Department official who had a long career on Wall Street.

Among the names that have emerged on early shortlists are Tharman Shanmugaratnam, who was the chairman of the International Monetary and Financial Committee; Agustín Carstens, a former deputy managing director of the monetary fund; and Mohamed El-Erian, the former chief executive of Pimco. Mark Carney, the departing governor of the Bank of England, is also among those rumored for the job.

Mr. Carney is a British citizen who was born in Canada. With Britain in the process of separating from the European Union, it is not clear if Mr. Carney would satisfy desires for a European managing director. Mr. Carney, who also has an Irish passport, could be nominated by another country, but his path to the job would still depend on some political wrangling.

“Then it comes down to, can the U.K. build an international coalition of support?” said Vasuki Shastry, an associate fellow for the Asia-Pacific program at Chatham House who worked at the monetary fund for 16 years until 2017. “The European vote is absolutely crucial. The Europeans have a higher voting share than the U.S.”

The International Monetary Fund monitors the global economy and financial system and provides loans to countries that are struggling to meet their debt obligations. Because it works so closely with emerging economies, there are sometimes suggestions that the fund’s director should come from outside the United States or Europe. However, because those countries tend to be more

dependent on the fund, they are often reluctant to press the issue.

“While they can see that it makes no sense for every director to be European, nonetheless they recognize that to make a fuss about it is to invite revenge so they don’t,” said Peter Doyle, an economist formerly at the fund.

Although the stature of international financial institutions has waned in recent years, Ms. Lagarde’s tenure at the fund has widely been viewed as a success. She replaced Dominique Strauss-Kahn, who [resigned amid a sex scandal](#), improved the fund’s transparency and helped steer Europe through a debt crisis.

“This time around, they’re really building on Christine Lagarde’s reputation,” Mr. Shastry said. “Someone of international stature, well known in the economics community.”

Alan Rappeport reported from Washington, and Amie Tsang from London.