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Acting Head Faces Host of Challenges

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WASHINGTON—During his first stint with the International Monetary Fund, John Lipsky helped the organization navigate the Latin American debt crisis.

Now, as acting head of the fund, he is facing a bigger challenge, leading the IMF through an internal leadership crisis as it responds to fiscal turmoil in Europe amid an uneven global economic recovery.

IMF Chief Strauss-Kahn is ordered held without bail following an arraignment. Plus, EU finance ministers meet to debate more bailout money for Greece, stocks end lower, Donald Trump decided not to run for U.S. president and new life-saving methods.

Mr. Lipsky, a 64-year-old American economist and the fund's No. 2 official, was named acting managing director Saturday after the arrest of IMF chief Dominique Strauss-Kahn in New York.

A criminal court judge denied bail to Mr. Strauss-Kahn Monday, leaving him in police custody at least through Friday.

Mr. Lipsky is unlikely to make any major changes in fund policies because those are determined by the fund's member governments—particularly its biggest shareholders, the U.S. and Europe. Mr. Lipsky also has given no indication that he would want to lead the fund in a different policy direction.

On the issue of Greece's debt woes, for instance, the IMF under Mr. Lipsky is likely to continue to press the Greek government to get its fiscal house in order, but not force a debt restructuring .

However, Mr. Lipsky lacks the political experience and force of personality that made Mr. Strauss-Kahn and the IMF key players in global economic policy in recent years.

Mr. Lipsky, a former Wall Street executive, has been regarded as more of a technical operator who ensures everything moves smoothly, rather than the chief executive type, said Cornell University economist Eswar Prasad.

"He's by no means visionary or a master strategist compared to someone like Strauss-Kahn," said Mr. Prasad, who formerly worked at the IMF.

Mr. Lipsky also will have less clout because he is a short-timer, having announced his plans to resign when his five-year term ends in August.

Mr. Lipsky was chosen for the No. 2 post by the Bush administration. The Obama administration didn't ask him to stay for another term, opting to find its own person to succeed him. A Treasury Department spokeswoman declined to comment.

Bloomberg News

John Lipsky, first deputy managing director of the International Monetary Fund.

Former IMF officials said one possible candidate could be David Lipton, a former Treasury undersecretary for international affairs in the Clinton administration who is now a White House aide for international economics. A White House spokesman declined to comment.

Early in his career, Mr. Lipsky spent a decade at the IMF managing its oversight of exchange rates and analyzing international capital markets. He also participated in negotiations with nations and worked in Chile from 1978-80 as the IMF's representative there.

He rejoined the IMF in 2006 and was a key architect of the IMF's response to the 2008 financial crisis.

Former fund officials said his deep understanding of the fund's procedures and culture, as well as his experience handling sensitive issues, should benefit him in his new role.

"He's very down to earth," said Simon Johnson, a Massachusetts Institute of Technology professor and former IMF chief economist who worked for Mr. Lipsky at the fund. "He's very experienced. He's gone through the entire crisis."

The acting managing director is generally well-regarded by fund staff, said former Federal Reserve and Treasury Department official Edwin Truman.

Mr. Lipsky has directed the IMF's role in the Group of 20 nations and has worked closely with international financial leaders as the fund effectively became the G-20's staff.

"He has those skills of diplomacy, which is important when you're dealing with prickly officials and trying to persuade them to do things they don't want to do," Mr. Truman said.

Before taking his latest post in September 2006, Mr. Lipsky was vice chairman of J.P. Morgan Investment Bank. Before that, he was J.P. Morgan's chief economist and held the same role at Chase Manhattan Bank and Salomon Brothers.

The appointment of a deputy managing director with such extensive Wall Street experience—rather than in policy or academia—marked a departure for the IMF, said Domenico Lombardi, a former IMF executive board member now at the Brookings Institution. "That was new to the IMF culture," Mr. Lombardi said. "It played well in the fund. It provided a richer perspective."

—Ian Talley and Bob Davis contributed to this article.

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