



Replacing Strauss-Kahn; "Pro-bank bailout" Lagarde is a shoo in

By Mike Whitney

May 25, 2011 "Information Clearing House" – French Finance Minister Christine Lagarde has emerged as the front-runner in the race to replace ex-IMF chief Dominique Strauss-Kahn. She is a champion swimmer, an accomplished attorney, and a competent bureaucrat. She's also a friend of Wall Street who will ferociously defend the interests of big capital. Research assistant for the far-right American Enterprise Institute Jurgen Reinholdt notes that under "France's free-market oriented economics minister"..."the top income tax rate was cut and, in a frontal assault on the 35-hour workweek, overtime work for hourly workers was made tax-free." (Don't Give Up on Sarkozy Just Yet, AEI)

But Lagarde has not moved to the head of the pack due to her anti-worker bias alone, but because she's a trusted insider who will implement the IMF's privatization and structural adjustment programs without challenging their merit. Strauss-Kahn's promises of "reform" at the fund were a constant source of anxiety for big finance. Lagarde won't make that same mistake. She won't go off the reservation, consort with progressives like Joseph Stiglitz, or veer from her script. Here's how The Guardian summed up Lagarde's impressive resume:

"Christine Lagarde stands for protecting big banks.....she's the most pro-bank bailout of the lot.

"The Americans are going to try and put in [White House adviser] David Lipton as number two. Lipton is Mr Bank Bailout. He worked for Citigroup. If they put in Lagarde and Lipton, what does that say? We are going with the total bank protection plan. That would be a disaster." ("IMF under growing pressure to appoint non-European head", The Guardian)
<http://www.guardian.co.uk/business/2011/may/19/imf-pressure-appoint-non-european-head>

According to the New York Times Lagarde is not only a snappy dresser, but has plenty of friends in Washington and Wall Street. Here's an excerpt from the NYT:

"Ms. Lagarde, the former head of the Chicago-based law firm Baker & McKenzie, lived in the United States for 25 years. Tall and stylish, with a shock of silver hair and a penchant for Chanel jackets, she is as connected and as respected in Washington and on Wall Street as in Europe." (A Favorite Emerges for Helm of I.M.F., New York Times)

Not surprisingly, Lagarde supports weaker regulations so that banks and other financial institutions can continue to rake in windfall profits while increasing the risks to the broader economy. According to Reuters:

"I see the danger that too strict regulation at the center leads to a flight to the borderlands," Lagarde said in an article published in the Friday edition of German newspaper Handelsblatt." ("Too strict regulation risks flight", Reuters)

Lagarde has also taken a hardline approach to problems in Greece and rejects the idea of debt forgiveness or restructuring. She believes that bondholders and bankers must be repaid regardless of the costs to Greek workers who have suffered through 3 years of Depression, 18% unemployment, savage cutbacks in social services, massive privatization of public assets, and a debt-to-GDP ratio that gets worse every year the belt-tightening continues. Lagarde appears to believe that the people who blew up the financial system should be rewarded for their efforts. Here's an excerpt for the Wall Street Journal:

"French finance minister Christine Lagarde said late Monday, after a meeting with finance officials from the European Union, that a rescheduling or reprofiling of Greek debt is NOT an option..... Executing the planned austerity program, proper

implementation of privatization, and commitments across the political spectrum in Greece are the key for a solution in Greece, Lagarde said." ("France's Lagarde: Option Of Rescheduling Greek Debt Not On Table", Wall Street Journal)

So the belt-tightening will intensify under Lagarde, which is a signal to bankers that she can be trusted to protect their interests, and all the talk about "soft restructuring" or reforms a la Strauss-Kahn will end.

There will be no more talk about replacing the dollar with SDRs (Special Drawing Rights) either. Lagarde is not going to rock the boat. The only reforms she'll be working on are "labor reforms", a familiar buzzword among the financial elite for union busting.

It's worth noting that the normally-subdued Lagarde could hardly contain herself when Bin Laden was assassinated. She even suggested that it might help to boost sales in the US. Here's the report from Reuters:

"French Finance Minister Christine Lagarde welcomed the killing of al Qaeda leader Osama bin Laden and said his death could bolster consumer confidence and economic growth in the United States.

"The U.S. economy is like the American people. It reacts very quickly either positively or negatively," Lagarde told France 2 television. "I wouldn't be surprised if this event prompted a pick-up in confidence." ("France sees U.S. economic lift from bin Laden death", Reuters)

Of course, Lagarde's enthusiasm was not tempered by the fact that international law forbids targeted assassinations of non-state actors. After all, "real" leaders are never constrained by something as trivial as the law.

So, it looks like Wall Street may have found their replacement for the mercurial Strauss Kahn. There won't be any debt-restructuring, bondholders will be paid in full, and the dollar's dominant role as the world's reserve currency will go unchallenged.

Lagarde just announced her candidacy this morning (May 25), but already she's won the approval of Washington, Wall Street, the big banks, and the EU heads of state. She's a shoo in.