

Strauss-Kahn resigns as IMF chief, indicted in New York

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20 May 2011

In a rapid-fire series of events in New York City, International Monetary Fund (IMF) Managing Director Dominique Strauss-Kahn resigned his position late Wednesday, and then was indicted on seven counts of sexual assault by a Manhattan grand jury Thursday and granted bail of \$1 million in cash. Strauss-Kahn will be released on Friday, after which he will be under 24-hour home detention.

These developments took place amid a massive media crush at Manhattan Criminal Court, where more than 100 reporters jammed the courtroom and even filled up the jury box—perhaps appropriately, since the American press has pronounced Strauss-Kahn guilty on all counts before any evidence has been presented or tested in court.

Strauss-Kahn issued a brief statement announcing his resignation, denying the charges of sexual abuse and attempted rape, and claiming that he was stepping down from the IMF for the good of the institution and because “I want to devote all my strength, all my time, and all my energy to proving my innocence.”

The resignation was in direct response to pressure from the Obama administration. Treasury Secretary Timothy Geithner virtually demanded Strauss-Kahn’s ouster Tuesday, saying he was “obviously not in the position to run the IMF.”

Strauss-Kahn’s resignation appeared to be effectively a condition of his release from jail. A Manhattan judge initially denied bail Sunday, acceding to prosecution claims that as a multi-millionaire citizen of France, which has no extradition agreement with the United States, Strauss-Kahn was a flight risk.

At the earlier bail hearing, Chief Assistant District Attorney Daniel Alonso compared Strauss-Kahn to film director Roman Polanski, who fled the US in the 1970s to avoid a jail term for sex with an underaged girl. Polanski was detained in Switzerland in late 2009 and held for several months on a US arrest warrant in the three-

decades-old case, before Swiss authorities eventually refused to extradite him.

The IMF managing director was confined to a Rikers Island cell for three nights, but was granted bail within hours of his resignation. New York State Supreme Court Judge Michael Obus set bail at \$1 million cash, plus a \$5 million insurance bond, and has ordered Strauss-Kahn confined to a Manhattan apartment rented by his wife, where he will be under 24-hour home detention with armed guards and electronic monitoring.

Before the bail decision, New York City prosecutors announced that a grand jury had indicted Strauss-Kahn on seven counts related to an alleged sexual assault on a housekeeper at the Sofitel New York, a luxury hotel on 42nd Street. If convicted, Strauss-Kahn could face prison terms of up to 25 years on some of the counts.

While the grand jury met in secret, the bail hearing was a public spectacle, with Assistant District Attorney John McConnell joined by Alonso and the chief of the sex crimes unit, Lisa Friel. McConnell argued against any bail, an extraordinary posture in a non-capital case with a defendant who has no previous criminal record.

The assistant district attorney claimed that Strauss-Kahn had made an “unusually hasty” exit from the Manhattan hotel on the day of the alleged assault, although the latter then had a long lunch with his daughter. The French politician was later driven to JFK Airport to catch a flight home to France that had been booked the week before. Strauss-Kahn also called the hotel searching for a cellphone that he had left behind, and gave his location to the staff—an unlikely action for a supposed fugitive.

While the details of what took place in Strauss-Kahn’s hotel suite may be known only to the former IMF official and his accuser, the handling of the case by US authorities and its treatment in the media raise significant issues of democratic rights, as the *World Socialist Web Site* wrote yesterday. (See: “The serious questions raised by the

Dominique Strauss-Kahn affair”).)

Strauss-Kahn’s resignation from the IMF leadership has set off an intense struggle over his replacement, which demonstrates the level of antagonism between rival capitalist blocs that may well be one of the driving forces of the criminal charges brought against him.

Under the inter-imperialist understanding that has long governed the operations of the international financial institutions, an American always heads the World Bank, while a European always leads the IMF, with an American deputy.

The immediate result of Strauss-Kahn’s resignation is the installation of his American deputy, economist John Lipsky, as interim managing director. This represents only a temporary accession of power to the United States, however, as Lipsky has reaffirmed his planned retirement effective August 31.

The Obama administration reportedly has selected White House economic aide David Lipton as Lipsky’s replacement. The more important contest comes over a replacement for Strauss-Kahn, in which the European powers are lining up behind another French candidate, Finance Minister Christine Lagarde.

German Chancellor Angela Merkel, in her first comments on the affair, declared that Europe should retain its leading role in the IMF. The 24-member executive board of the IMF casts votes weighted by the financial contributions of the various countries. The US and the eight European powers on the executive board control more than 50 percent of the votes.

Press speculation on alternatives to Lagarde focused on Kemal Dervis, a former finance minister of Turkey. This would stretch the definition of Europe—Turkey is a NATO member but its application for European Union membership has been stalled by opposition from France, among other countries. Moreover, the selection of a Turkish managing director could inflame relations with Greece, currently the recipient of one of the largest IMF-supervised bailouts.

Talks are reportedly going on among the so-called BRIC countries (Brazil, Russia, India and China), which together control about 35 percent of the vote, on a possible challenge to the European and American monopoly control of the two leading international financial institutions. But the BRIC countries have not agreed on a common candidate for either of the two top positions at the IMF.

Linked to the raw struggle for power among the rival capitalist blocs are conflicting policy prescriptions for the

global financial crisis. Strauss-Kahn has come into conflict with Washington on at least two counts. As the *Wall Street Journal* pointed out Thursday, he stood for a softer line on China than that advocated by US Treasury officials, “shifting to less confrontational language and focusing on ways China could improve its growth prospects over the longer term.”

At the same time, he intervened aggressively in the European financial crisis, helping organize the EU bailouts of Greece, Ireland and Portugal. According to *Washington Post* financial columnist Steven Pearlstein, “At the time of his arrest, Strauss-Kahn was headed to a meeting with German Chancellor Angela Merkel, reportedly to talk her out of a debt restructuring plan for Greece. The official IMF view, like that of the European Central Bank, is that allowing any euro-zone country to restructure its debt will trigger another global financial crisis as investors rush to indiscriminately dump all their European bonds, forcing European banks, which hold large piles of them, into insolvency.”

Beyond the immediate policy disputes, Strauss-Kahn was also viewed in Washington as someone favorable to undermining the dollar’s role as the world’s principal reserve currency. In a speech in February, he suggested that Special Drawing Rights, the IMF credits that are based on the dollar, sterling, euro and yen, should also include the Chinese yuan and other “emerging market” currencies. A more comprehensive SDR could supplement the dollar “to price global trade and denominate financial assets,” he said.

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