

# IMF head Christine Lagarde implicated in a financial scandal

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Christine Lagarde, the managing director of the International Monetary Fund (IMF)—the main organisation behind the austerity policies worldwide—is under investigation in France in relation to a financial scandal involving hundreds of millions of euros.

The main issue in the affair is compensation paid by the French state to businessman Bernard Tapie in 2008, after he brought charges against the state-owned Crédit Lyonnais bank over a complex swindle involving it and some of its subsidiaries.

Tapie ended up ruined in the mid-1990s due to this and several other affairs where he was accused of corruption and misuse of corporate assets. In 1997, he was sentenced to one year in prison.

He maintained that he was the victim of a swindle by Crédit Lyonnais. At the time, this state-owned bank had developed a policy of making high-risk, opaque investments through many subsidiary companies, requiring the injection of large sums of cash. In 1993, the bank announced losses of 130 billion francs (€20 billion), sparking one of the biggest scandals since the beginning of the Fifth Republic in 1958. The French state took over the debt administered by a public “Realisation Consortium.” The bank was partially reprivatised and recapitalised in 1999. This is why Tapie claimed compensation from the state.

The procedure ended in 2005 on appeal, with the state being condemned to pay Tapie €135 million. However, in 2006, the Court of Cassation quashed the verdict, asserting that in the case of Crédit Lyonnais no malpractice had been found and sending the case back to the appeals court.

On October 10, 2006, the state services accepted arbitration in the affair, but at that time, Tapie insisted that he wanted a retrial.

However, once Nicolas Sarkozy was elected president

in 2007, Tapie made an abrupt about-face and proposed another arbitration, which this time was accepted by Lagarde, who was Sarkozy’s economy minister.

The arbitration tribunal in charge of the mediation in 2008 boosted Tapie’s compensation, granting him €403 million, including €45 million for non-material damages (*préjudice moral*), a record in French legal history. This left him with €200 million, after paying off his debts. Although she was entitled to do so, Lagarde declined to contest this decision.

The ongoing investigation suggests that there may have been an understanding between the government, the arbitration judges, including associates of Tapie, and Tapie himself. One of the arbitration judges has himself been indicted, as well as Lagarde’s former chief of staff and the former president of the Realisation Consortium.

Indeed, Tapie admitted in an interview in *Le Parisien* of June 14 that he had “gone to the Elysée presidential palace several times” in advance to discuss this arbitration. This would at the very least place Sarkozy’s closest collaborator—Elysée general secretary Claude Guéant, nicknamed “the second prime minister” or “the vice president”—under suspicion.

For the moment, Lagarde has the status of an “assisted witness.” That means that the judges have evidence against her, but not yet “serious or consistent” enough to indict her. According to the press, favourable comments by current economy minister Pierre Moscovici were decisive in their decision not to indict her. He told *Le Monde*, “Mrs. Lagarde has the full confidence of the French authorities in her functions at the head of the IMF. I will repeat this if necessary, either in person or through a representative of France, to the board of the Fund.”

Moscovici’s intervention is all the more remarkable,

as the Socialist Party (PS) opposed the €403 million compensation when it was announced. Jean-Marc Ayrault, the present prime minister, declared at the time that “everything in this affair is state cronyism.” However, the leadership of the IMF is traditionally French—a prerogative that has already suffered since Dominique Strauss-Kahn lost his position as IMF head in 2011. In this situation, the higher interests of the bourgeois state prevail over political rivalries.

What Lagarde and Sarkozy got in return has not yet been clearly established. It could be that they primarily wanted Tapie’s support in media circles.

Tapie, the emblematic self-made man of the 1980s, was launched into politics by social-democratic president François Mitterrand in 1987, because he symbolised the union of social democracy and the business world. He masked this behind a populist image based mainly on the success of the Marseille football club, which he owned, and on his aggressive rhetoric against the neo-fascist National Front (FN), whose voters he called “swine”. He was deputy for the Bouches-du-Rhône district from 1989 to 1992 and urban minister in 1992-1993.

Later, Tapie, building on his image as an iconoclast, remained a celebrity in France and maintained some popularity with the public, notably around Marseille. It would be no surprise if he had sought to use this popularity to his financial advantage, when he backed Sarkozy in the 2007 presidential elections—though Sarkozy directed his campaign around appealing to FN voters.

The cynicism and corruption revealed at all levels by this affair are no accident. Affairs showing the generalised corruption of the political elites are multiplying in France, and they demonstrate many corrupt relations between the different camps of bourgeois politics.

All this plays into the hands of the far right, which is becoming increasingly bold in its provocative actions. The atmosphere of political corruption at all levels of the state and especially in the two main bourgeois parties—the PS and Sarkozy’s UMP (Union for a Popular Movement)—increasingly recalls the 1930s, the enrichment by legal or criminal means of the elite contrasting obscenely with the impoverishment of the mass of the people.



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