IMF chief Christine Lagarde let off scot-free after negligence conviction

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Christine Lagarde, a finance minister under former French President Nicolas Sarkozy who now heads the International Monetary Fund (IMF), was convicted yesterday of negligence in a long-running corruption case involving large state payments to businessman Bernard Tapie.

According to the Justice Court of the Republic (CJR) ruling, Lagarde "personally involved herself in the decision not to launch any appeals against the payoff." Nevertheless, the CJR imposed no penalties on Lagarde for failing to do due diligence and defend taxpayers' interests as Tapie pushed for a €405 million payoff from state funds in 2008.

The 2008 payoff came after Tapie, a corporate raider and favorite of Socialist Party (PS) President François Mitterrand in the 1980s and 1990s, jumped ship and supported Sarkozy, the winning conservative candidate, in the 2007 presidential elections.

Tapie claimed that he had been defrauded in 1994 by a state-owned branch of the Crédit Lyonnais bank, *Société de Banque Occidentale*, when he sold off sportswear company Adidas. While another group of private investors, including Robert Louis-Dreyfus, apparently benefited from the sale, Tapie demanded state compensation. While he received the payoff after Sarkozy's election, the Paris appeals court ruled last year that the payment was illegitimate and that Tapie had to return the funds to the state.

Yesterday evening in Washington, the IMF shrugged off Lagarde's conviction and kept her on as managing director. "In this context, the Executive Board reaffirms its full confidence in the managing director's ability to continue to effectively carry out her duties," the IMF Executive Board declared in a statement. "The Executive Board looks forward to continuing to work with the managing director to address the difficult challenges facing the global economy."

The ruling underscores the judicial impunity enjoyed by leading officials supported, as Lagarde is, by the leading imperialist powers in North America and Europe. It also contrasts sharply with the removal of Strauss-Kahn in 2011, amid a trumped up sex scandal involving a hotel chambermaid in New York City that was stoked by US and Sarkozy administration officials.

Despite the massive defrauding of the public involved in the Tapie-Crédit Lyonnais scandal, the judiciary and France's current PS government supported Lagarde. This is above all due to the vast power wielded by Lagarde—a former corporate lawyer in Chicago, who has served as IMF managing director since the resignation of Dominique Strauss-Kahn in 2011.

Remarkably, state prosecutor Jean-Claude Marin denounced his own case against Lagarde, stating that "pieces of evidence necessary to justify a penal condemnation … [had] not been assembled." He added, "The court sessions have not borne out an accusation that is weak, or even simply incantational."

During the trial, Lagarde maintained her innocence based on absurd claims that, despite her financial expertise, she had been manipulated by lower-ranking officials and failed to understand the workings of the French finance ministry. She also claimed that she had not seen 22 notes sent to her from finance ministry officials on the Tapie-Crédit Lyonnais affair, or revelations on the scandal in the *Canard Enchaîné* weekly paper.

Lagarde's defense manifestly failed to convince the CJR judges, who ruled against Lagarde despite the advice of the public prosecutor. At one point, CJR presiding judge Martine Ract Madoux sarcastically said, "You said you didn't read those notes, that you discovered them later. You must have been unhappy when reading them."

"A finance minister is often unhappy," Lagarde replied.

She did not even bother to wait in Paris for the verdict to be rendered, but left after testifying in order to return to IMF headquarters in Washington.

By failing to impose any penalties despite convicting Lagarde, the CJR bowed to broad political pressure from officials and press outlets across Europe to keep her in place as IMF managing director—a post traditionally held by a European, and often by a Frenchman.

After Lagarde's conviction, France's PS government hailed Lagarde's public service. "Christine Lagarde holds her office at the IMF with distinction, and the government still has full confidence in her capacity to fulfill her responsibilities," declared Economy Minister Michel Sapin.

In an editorial comment, the *Financial Times* declared: "The last thing the IMF now needs is a leadership vacuum. There is a running debate over the process by which the managing director is appointed—and justified resentment among emerging markets of the convention by which the post is given to a European.… This is not the moment to resolve such questions. The Greek bailout is at a delicate juncture, and Donald Trump's election raises much broader questions over the future of the international financial institutions."

The *Financial Times* ' remark points to some of the vast financial, political and geo-strategic stakes involved in the selection of the IMF's managing director. As a US- and European-led body that has intervened for decades to impose deep austerity against working people to restructure economies passing through financial crises in the interests of finance capital, it plays a critical role in the strategic affairs of world imperialism.

It has been at the heart of increasingly bitter divisions between the European powers, as well as with the United States over the financial conditions of bailouts and debt haircuts in Greece and across southern Europe.

Particularly as US president-elect Donald Trump signals that he will pursue an aggressive economic nationalist line against China once he is inaugurated next month, Lagarde's position is increasingly sensitive. The economic weight of China and more broadly of Asia has risen enormously over the last 15 years—leading to sharp battles over the distribution of influence between various countries inside the IMF, and demands for Asian countries to be granted greater power.

Already in 2014, Chinese officials were demanding that Washington stick to its pledges to "enhance the voice and representation of developing countries within the IMF."

In an October 2015 working paper, IMF officials wrote that conflicts over international influence inside the IMF reflect the fact that world capitalism is "on the cusp of an epochal change in terms of economic power, the type of which has not been witnessed in the past 200-250 years."

Between the foundation of the IMF after World War II and the year 2000, they wrote, "The share of the AEs [advanced economies] in global GDP was around 60-70 per cent … The pace of change since 2000 has, however, accelerated with the fulcrum of economic weight rapidly shifting from the North Atlantic to Asia after more than 200 years. It is this dramatic development becoming manifest in the past 15 years that is fueling the current vigorous debate. With the expectation of such change accelerating further over at least the next couple of decades, changes in global economic governance will have to be more substantive than the current incremental change envisaged."

Under these fraught international conditions, the French courts have intervened to let off Lagarde scot-free and keep the current leadership in power.