

# FINANCIAL TIMES

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## Lunch with the FT: Christine Lagarde

By Gillian Tett

Christine Lagarde sits at a table in an Indian restaurant in the heart of Washington and smiles winningly at the waiter. She arrived barely a minute ago, precisely on time for our scheduled appointment, in a swirl of elegant cream: chic Chanel-style suit, matching shoes, silver filigree bracelet and shock of white hair.

But even before the waiter can wave a menu, she takes control. “Right, I know what I want! Spinach! Blackened cod! Quinoa! No sides! That’s all! Perfect!”

I feel tempted to say, “Me too”; she exudes such brisk authority and confidence, it feels hard to resist following in her wake. But I don’t want to seem like a groupie: as fast as I can, I order her spinach dish and some random curried okra.

“Oh, and water with bubbles, please!” Lagarde adds. She explains that she has chosen this restaurant for efficiency: it is next to her apartment in Washington and it is where she often orders take-out. “That’s all!” she tells the waiter. “Perfect! Thank you! Perfect!”

Lagarde and I are here because she recently celebrated an anniversary: just over three years ago she took over as managing director of the International Monetary Fund, the first woman to run the mighty \$760bn organisation that is charged with promoting global financial and monetary stability. She arrived, however, amid great instability. The IMF’s former managing director, Dominique Strauss-Kahn, had just resigned after becoming entangled in a sordid sex scandal in a New York hotel. “It was a very bizarre time,” Lagarde drolly observes, stressing her words. The world outside the IMF was also experiencing its own, financial, crisis.

So what would an IMF-style “review” of her own performance say? She pulls a face and chuckles. “Like most IMF programmes, I would say that there has been lots of progress – but there is still a lot more to do!” In 2011 her first priority was to restore the battered morale of the IMF. Oddly enough, the task felt somewhat familiar. Born

in 1956 into a middle-class family, Lagarde attended school in Le Havre, France, and studied in America and Europe before joining Baker & McKenzie, the world's largest law firm, in 1981. In 1999 she became its first female chairman. "I was elected when the firm was a complete mess. I had to deal with that," she says. "But women often end up in charge to sort things out when everything goes wrong. Just think of Iceland or Central Africa. Or look at Japan."

The waiter silently presents our starter: bowls of spinach with Indian spices sprinkled on top. Wine is not even discussed. "I stopped drinking more than 15 years ago," she explains. "I realised that I just couldn't do it all – travel and work and drink."

She pokes her spinach and declares she has hit her first target: morale at the IMF is dramatically better. "That [scandal] is over! Nobody talks about it now." But her next set of targets is far harder: the IMF's own "corporate governance", a euphemism for the bitter struggle that it faces in adapting to the modern world. Ever since its foundation in 1944, the fund – like the global economy – has been dominated by western nations. As part of that, Europeans, like Lagarde, have traditionally had the top job. "Although I think the fact that I was a woman helped to get this job," she admits. "It would have been hard [after the scandal] to give it to another French man."

Lagarde knows this pattern is an anachronism in a world where the west is losing economic power. "The under-representation of countries such as China and other emerging markets is just not right. Not right!" she declares with passion. Thus she is backing reform plans to give more power to non-western countries. But the American Congress has failed to ratify these. "This is very frustrating," she observes. "I spent a lot of time with members of Congress last year trying to show them how ridiculous it is to stand in the way of change. I will keep pushing and pushing on this – I will belly-dance if I have to, to get there."

In the meantime, she says, "I am trying to mitigate this by having Chinese officials in big IMF jobs." She is also forging alliances with regional groups and keeps pushing western governments to embrace a more inclusive approach. "As time goes by, the G8 will have to be enlarged . . . and if you start saying, 'Why don't you include India and China?' then you quickly see that the current configuration of the G20 includes some countries which are not important for the stability of the world.

"Then there is the question of how we co-ordinate better with the key central bankers in the world," she sighs. "They meet by themselves. They play by their own rules, they are so clubby and secretive. But we have to find ways to co-ordinate."

Another big challenge is men; or, more accurately, the lack of women. Lagarde has spent her life being a female pioneer: she was not only the first female chairman of a major global law firm but also the first female finance minister of France, between 2007 and 2011. Until arriving at the IMF, she rarely discussed her experience of juggling her career with her family life (she has two sons and, after two earlier marriages that ended in divorce, she now has a long-term partner, Xavier Giocanti, a Corsican businessman).

But Lagarde now feels growing responsibility to embrace women's issues. "I am so often the only woman in the room and I feel I should talk about it," she says. Thus she has repeatedly expressed her displeasure at the fact that all 24 members of the IMF board are men. "I can't change that [by] myself but I can name and shame."

Will she enlist other female leaders to this cause? Is she, I ask, about to create a sisterhood with, say, Angela Merkel? Lagarde chuckles. "That's really not Angela's kind of thing! . . . She came here and talked with the European team about technical things. She is very good at that. But I have never ever spoken to her about gender. It's not her."

In truth, some IMF staff also fear that gender issues are a distraction from the more pressing problems of financial stability, say, or monetary policy. But to Lagarde these naysayers miss the vital point: she thinks the IMF, like the rest of the policy world, urgently needs to overhaul how it does "economics". "When I got here I found silo-thinkers," she explains. "They thought that things like women's contribution to the economy, or climate change, or income inequality, didn't matter. But it does."

This partly reflects her own background: unlike most of her predecessors, Lagarde has not had economic training. Some critics consider this a handicap. She disagrees. "There are three things," she says, ticking the points off her fingers, her spinach pushed aside. "Firstly, I am a quick learner. Secondly, I know when I am out of my depth. But thirdly, my management style is all about bringing people together. So I ask people to explain. And that is very important, because economics has too much jargon, so many models, that ordinary people just cannot understand it. And that is dangerous."

She is particularly concerned about what she sees as a structural disconnect between economic and political structures. On the one hand, she notes, the global economic system is becoming increasingly integrated; on the other hand, the global political system is fragmented and becoming more so because of a backlash against the way that globalisation is hurting some people. "What we are seeing with all this

regionalism, with the Scottish people wanting to go their own way, is going in the direction of less globalisation,” she says.

I say this makes for a dangerous cocktail, since it creates a world that is interconnected, in the sense that shocks can spread quickly, but nobody is actually in charge. Lagarde nods and her playful manner disappears. “It is not clear which of these trends [for economic integration or political fragmentation] will win. I am worried. Very worried. I don’t want my children, my grandchildren, to grow up in a world which is disaggregated and fragmented. The situation with Ukraine and Russia is very interesting. I just hope this will eventually demonstrate that economic integration and interdependence will prevent more isolationism and territorial nationalism.”

Can it?

“I don’t know. The jury is out.”

So what, I ask, is the solution?

She believes governments need to promote inclusive growth – and reform – to stave off the rising risk of popular backlashes. “We need a world where the big shots and small shots can coexist, with multilateralism – to me that is important.” She is, she says, very impressed by how Irish politicians have managed to implement tough reforms in recent years while maintaining social cohesion. “The way the Irish have played this is very clever. Portugal is the same – they have got everyone to pull together.”

Greece, though, is another matter: in the past year Lagarde has loudly criticised the failure of rich Greeks to pay their taxes properly. “I better not say too much because, you know, when I have talked about Greece and its taxes before, I got death threats and we had to increase security,” she mutters. “But is the shipping industry really paying its taxes? Are others? I don’t think so.”

But isn’t it part of the problem, I ask, that so many Greeks – or other wealthy elites – have moved to places such as London, in search of jobs or lower taxes. She sighs and acknowledges that this is not just a Greek problem. “I hear from the embassy that you have people in their thirties, say, leaving France,” she says. “When talented people feel they have to leave their own country because they don’t feel they can establish their businesses or find opportunities, it is very sad.”

The waiter appears with our main courses: Japanese-style blackened cod, Andean-style quinoa, Indian okra and cheese. It occurs to me that this dizzy blend of cultural influences is a rather apt symbol of the type of globalisation that the IMF wants to promote. “I feel so strongly about multiculturalism,” she has said more than once. Lagarde herself is a kind of fusion.

After all her years in America, she is adept at charming an Anglo-Saxon audience with her use of pithy idioms such as “Don’t let the bastards get you down!” But she is not above using the techniques of French-style seduction: when she ran the finance ministry in Paris she used to hand out Hermès ties to visiting foreign officials, a gift that sometimes made both the male bureaucrats and the female minister blush.

“Yes!” she laughs – and blushes a little herself at the memory. “But I cannot give French ties any more, since at the IMF you have to distance yourself from your nation.” Instead, she explains, she now gives visitors an IMF history book. She would like to give them pots of her home-made jam from the farm she owns in northern France. But that is hard to do in Washington because of import controls. She does not wish to risk becoming a jam-smuggler.

“I made jam there last week when I was on holiday – raspberry and redcurrant,” she observes, smiling at the memory. “But the pépin were difficult.” It is the only time over lunch she volunteers a French word.

The plates are cleared and dessert is offered; she briskly declines. “A quick coffee,” she declares, checking her watch.

Can she imagine retiring to her farm and jampots? Is she ever tempted to take August off, like the rest of France? Lagarde chuckles again. “I have never done it. The longest I have ever taken off in my life was three weeks when I had my first son.” But what about life after the IMF? Her term has two more years to run and could be extended. When the post of European president recently became vacant, however, she was mentioned as a possible candidate. While that opportunity has gone, there is speculation she could go into a leadership position in France.

“I don’t think that I could do a purely French job now,” she demurs. “I have been so multicultural.” There may be a practical obstacle, too: a French court has recently started investigations into whether she was unduly negligent – or generous – towards Bernard Tapie, a French businessman, back in 2007 when she helped resolve a scandal involving Crédit Lyonnais, the French bank. Lagarde vociferously denies wrongdoing; but it has clearly left her irritated by the twists of local French politics.

“I trust the judicial system of my country to do the right thing but I was very upset by the decision [to investigate] – it is highly political.

“I really have no idea what to do next. I have many things I would like to pursue – and a family that I have neglected.” As well as two grown sons, she has two step-grandchildren by Giocanti, whom she does not see much, since he lives in Marseille.

“But next week I am meeting Xavier for a holiday,” she explains, as we head out of the restaurant into the grey, damp Washington streets. With a cheeky grin she explains that she plans to visit Australia’s Great Barrier Reef en route to the G20 summit in Brisbane in November. “It’s Xavier’s 60th anniversary so I have booked some scuba diving for his birthday as a surprise! We are going for three days!”

And what happens, I ask, if there is another crisis? After all, the Middle East remains in turmoil and there is speculation that the IMF will soon face pressure to produce a new bailout package for Ukraine. She chuckles again. “Let’s hope not!” She sounds so briskly confident that I have no doubt that even if a crisis did arise she would somehow find a way to organise things with style and force.

*Gillian Tett is an FT columnist and assistant editor*

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