



Honorary doctorate for Christine Lagarde

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Laudatio for Christine Lagarde, delivered by Professor Filip Abraham, promotor 'Leadership in Troubled Times'

The world economy is grinding to a halt in what appears more and more to be a deep recession if not a depression. The latest forecast of the International Monetary Fund is worrying. World growth has slowed to 3.3% this year and is forecasted to be 3.6% next year. Output in the Eurozone is shrinking this year and stagnating next year. There is some light at the end of the tunnel for the US economy but the recovery remains fragile. The growth engine of the emerging economies is cooling down. In short, all elements are in place for a 'perfect storm' or, one might say, a sustained deep freeze.

In times of trouble institutions and people matter. The International Monetary Fund is the world's most influential multilateral institution dealing with macro-economic policy-making. Its core mandate is to strengthen global stability by providing advice, technical assistance and financing. In recent months it has played a leading role at the forefront of the battle against the global crisis. This is in part due to the leadership of its managing director, whom we honour today.

Three factors drive leadership. Successful leaders possess the expertise needed to tackle the challenges their organisations are facing. They formulate a sound vision and strategies on how to move forward. And they communicate and implement those strategies in a way that convinces others to join forces.

Throughout her long and distinguished career, Christine Lagarde has developed the expertise required to lead the International Monetary Fund. After studying law in France, she joined the

international law firm Baker & McKenzie. Over nearly a quarter-century she became intimately acquainted with the inside workings of the corporate world and built a network in Europe, on Wall Street and beyond. This expertise allows her to understand and connect with the main corporate players in worldwide financial markets. Lagarde left New York in 2005 to join the French government. In 2007 she was appointed Minister of Finance and Economy, a position she held for four years during what has become the worst economic crisis since the Great Depression. Assuming political responsibility for the financial and macro-economic management of a major European country in troubled times and being closely involved in the efforts to reform the Eurozone and the international monetary system are key competences for the managing director of an institution with global macro-economic reach.

Leadership in today's turbulent times requires a clear vision on how to manage the global economy. Lagarde's approach is built on the view that worldwide economic growth will only resume if major global imbalances are dealt with. This requires sustained macro-economic policy efforts by all major trading blocks in the world economy. Lagarde's message is clear: action is needed now; we cannot wait any longer. Her daily responsibility is to lead the IMF to act by assisting member countries in the key areas of monetary policy, fiscal policy and monetary and economic reform.

Lagarde is an advocate for sustained action in the area of monetary policy. The US Federal Reserve Bank and the European Central Bank are providing massive monetary support to stimulate economic growth and to prevent the fragile banking system from collapsing. They should continue to do so in the coming months because the European and US economies are not yet ready to do without this monetary lifeline.

Lagarde is keenly aware that the current global imbalances cannot be dealt with by monetary policy alone. Action is needed in the area of fiscal policy. The United States and several European countries are dangerously balancing on the edge of a fiscal cliff and should get their fiscal house in order. But Lagarde argues that the reduction of government deficits should be

coordinated and gradual in order to avoid an austerity trap where budget cuts slow down economic growth and force governments to impose even more austerity measures. She steers the IMF's efforts to assist countries going through this painful adjustment process.

Action and reform is needed in the financial sector and in the international monetary system. The financial sector and the international monetary system remain fragile and vulnerable. Ailing banks should be recapitalized or closed. A new regulatory framework should be constructed that reigns in the excesses of the past and takes into account the interdependence between national financial markets.

Finally, action is needed in countries that must now put their house in order. The Eurozone faces the challenge of implementing the decisions that are taken to reform the shaky foundations of the unstable Maastricht construction. The US must find the path to higher growth. Emerging economies must avoid a 'hard landing' and be encouraged to open their economies and to give a greater role to internal demand as an engine of economic growth. Countries with poorly functioning labour markets should find solutions to the massive unemployment problem, especially unemployment among young people. The risk of creating a lost generation is real.

Successful leadership involves the effective communication and implementation of strategies followed to reach shared objectives. Christine Lagarde is a skilled communicator. During her years in New York, before becoming well-known in Europe, she regularly appeared on BBC late evening news programmes and responded calmly and clearly to even the toughest questions on financial reform and financial markets. Reading and watching her speeches as head of the IMF, one is struck by the effective format with which she conveys her message. A gracious acknowledgment to the local organisers of the event is followed by a transparent analysis of the global imbalances in the world economy. The situation in the host countries is integrated in the global picture. The audience is then urged to act and support the common effort. The promise is made that the IMF stands shoulder to shoulder to help. A well-chosen quote of a famous writer,

visionary thinker or leading statesman underscores the main message.

Ms. Lagarde does not only urge others to act. She leads by example. One can only be impressed by her relentless energy to spread her message around the globe, to convince member countries to cooperate and to assist countries in trouble with financial support, advice and technical assistance. Her views are not always popular everywhere. When the tide of criticism moves against her, she does not back down.

Ultimately, the career of any person is judged by its successes. Her performance as a finance minister was recognised when she was selected in 2009 by the Financial Times as the year's most effective European finance minister. As managing director of the Fund she has been successful in attracting additional financial commitments from the member states to increase the IMF's 'firepower', as she calls it. She has increased the visibility of the IMF and strengthened its role as the leading organisation promoting policies aimed at strengthening global stability. And she is viewed inside and outside the academic world as an example of successful leadership.

To sum up: Christine Lagarde has displayed leadership throughout her long and distinguished career. She has a clear view on how to tackle the current global imbalances based on her experiences in the private financial sector, as a finance minister in the government of a major European country and in her current position as the Managing Director of the IMF. She skilfully communicates this view to the global financial community and guides her organisation in carrying out its role in the effort to combat the global crisis. With the conviction of a true believer and the foresight of a prophet, she acts and urges others to act. Or to quote Lagarde, quoting Albert Einstein: she "learned from yesterday, lives for today, and hopes for tomorrow". For all of these reasons, I ask you, honoured Rector, on the recommendation of the Faculty of Economics and Business, as ratified by the Academic Council, to confer the degree of *doctor honoris causa* of KU Leuven on Christine Lagarde, Managing Director of the International Monetary Fund.