Leader's arrest could fetter IMF

Posted 5/15/2011 9:28:14 PM | By Paul Davidson, USA TODAY

The weekend arrest of International Monetary Fund chief Dominique Strauss-Kahn could hamper efforts to prop up Greece and prevent its debt crisis from spreading.

The charismatic IMF head was to meet with German Chancellor Angela Merkel Sunday to discuss the Greek crisis. Eurozone leaders are scheduled to address Greece's tottering economy and a proposed bailout for Portugal in Brussels today.

The IMF said in a statement it "remains fully functioning and operational." Strauss-Kahn's lawyers, William Taylor III and Benjamin Brafman, said he will plead not guilty and "denies all the charges."

STORY: Police: IMF chief picked out of lineup

But experts say Strauss-Kahn, 62, will likely be forced to step down, leaving a vacuum as Greece, Ireland and Portugal struggle to avoid default. "It couldn't be worse timing," says Jan Randolph, a sovereign debt analyst for IHS Global Insight.

Greece received a 110 billion euro ($157 billion) bailout from the European Union and the IMF last year after longstanding corruption and wasteful spending left it with a debt that's nearly 150% of its economic output. The rescue required the country to sell public assets to raise $50 billion, crack down on tax evasion and slash its deficit.

Greece has made little progress, especially in...
unloading its assets. Yet, Strauss-Kahn has supported doling out the bailout money or giving Greece more time to repay its debt, experts say. Merkel and other European leaders are more skeptical of further concessions until Greece lives up to the conditions.

"IMF support for Greece and other vulnerable economies in Europe can no longer be taken for granted," says Eswar Prasad, a Cornell University professor and former IMF official. Anticipation of a Greek default or debt restructuring would raise interest rates across Europe, he says.

That's why Randolph says the IMF will continue Strauss-Kahn's policies.

For more information about reprints & permissions, visit our FAQ's. To report corrections and clarifications, contact Standards Editor Brent Jones. For publication consideration in the newspaper, send comments to letters@usatoday.com. Include name, phone number, city and state for verification. To view our corrections, go to corrections.usatoday.com.

Ads by Google

2 Stocks to Hold Forever Buy these stocks and your grandchildren will love you forever. StreetAuthority.com


Advertisement

Mom Dilemma #36: Your daughter insists on wearing her princess costume to the grocery store. Allow it or not?

YES, at least she's dressed!

NO, I have some rules!

momslike.com where local moms meet

Print Powered By FormatDynamics