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After the Scandal, More of the Same at the I.M.F.

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AS the world struggles to emerge from the greatest financial crisis since the Depression, the institution at the heart of the global economic system is facing a profound crisis of governance. Since the International Monetary Fund's inception at the end of World War II, Europe and the United States have dominated decision-making. Incredibly, and possibly dangerously, decisions are now being made to keep the backward-looking status quo for at least another five years.

True, the final stage of the [race for the top job](#) at the I.M.F. still offers the possibility that a Mexican candidate might beat out the French front-runner. Unfortunately, with Europe still controlling an excessive voting share, the outcome has all the suspense of a Soviet-era election. Worse, the I.M.F. board does not seem to feel the need to establish even a pretext of legitimacy for the powerful No. 2 position; everyone takes for granted that the board will rubber-stamp whomever the Obama administration nominates.

In a world where markets already pay more attention to what happens in China than in Europe, and where loans from emerging economies are keeping the debt-challenged United States economy on life support, the I.M.F.'s outdated governance practices have become an accident waiting to happen. The I.M.F. has long been the last line of defense in emerging-market debt crises, combining big short-term loans with technical assistance that has proven effective far more often than not. Today it is on the front lines of the European debt crisis, with Greece, Ireland and Portugal teetering on the brink. Given Japan's huge debts and demographic implosion, and China's runaway growth boom, it is not hard to imagine a vast I.M.F. program in Asia in the next decade. Even the United States is a potential customer if it continues for another 10 or 15 years to neglect its soaring debt burden.

If the fast-growing economies of Asia and Latin America feel disenfranchised from the I.M.F. — there is still a strong undercurrent of hostility in Asia over the fund's handling of the 1997-98 Asian financial crisis — it will be difficult for the I.M.F. to raise money to deal with Europe and potentially Japan and to credibly do its work in emerging markets now and in the future. And because American and European leaders do not want to hear when their monetary, fiscal or regulatory policies are out of whack, the I.M.F. is really the only strong voice that can deliver the message; a non-European is best-equipped to deliver it.

Until a few weeks ago, everyone seemed to agree that it was high time for a change. The presumption was that the I.M.F. board would choose its next managing director from the handful of supremely qualified candidates from emerging markets, thereby strengthening its claim to be a truly global institution. The incumbent, Dominique Strauss-Kahn of France, was on record supporting a transparent, merit-based approach for choosing his successor. Given the prestige he had amassed leading the I.M.F. during the crisis, it was assumed that he would use his influence to shepherd in the new era.

Everything changed in mid-May. Mr. Strauss-Kahn was forced to resign after being accused of sexually assaulting a hotel housekeeper. Suddenly, the I.M.F. became tabloid fodder and the plans for an open and meritocratic selection process were tossed out the window. With the I.M.F.'s legitimacy now under unexpected attack on a second front, gender inequality, European leaders inventively coalesced around the French finance minister, Christine Lagarde.

Just a short while ago, the fact that Ms. Lagarde is French would surely have been disqualifying, given that the French have held the I.M.F. leadership for most of the last three decades. Ms. Lagarde's training as a lawyer, rather than as an economist, might also have been an obstacle. The head of the I.M.F. is like the head of a central bank, and is frequently confronted with difficult judgments on the sizing and timing of debt programs, not to mention on monetary policy and regulation.

Ms. Lagarde has provided a strong and clear voice on the need for dramatic financial sector reform. But weighed against Mexico's candidate, Agustín G. Carstens, she might have come up short, at least prior to the Strauss-Kahn debacle. Mr. Carstens, who has a Ph.D. from the University of Chicago, has a golden C.V. for the job. The head of the I.M.F. routinely deals with central bankers as well as finance ministers, and Mr. Carstens had held both positions in Mexico. He has also served as a deputy managing director of the I.M.F. and knows the institution inside and out.

Mr. Carstens has rightly argued that a European is going to be hugely conflicted in managing the central challenge facing the I.M.F. today: Europe. Soon, the I.M.F. will likely have to help manage government debt defaults in more than one European nation, starting with Greece. European leaders want to kick the can down the road by bribing the Greeks with more loans to prevent them from defaulting. This is where the I.M.F. normally preaches tough love.

The I.M.F. board has given itself until June 30 to decide. The circumstances of Mr. Strauss-Kahn's departure have to be taken into consideration, and the fallout on gender issues is not over. There has never been a woman as head of a major multilateral lending institution, and Ms. Lagarde is a highly credible candidate. It seems a done deal, though perhaps there is some way to cap the length of her tenure and improve the selection process next time.

And the managing director is not the only position that matters. At the end of August, John P. Lipsky, the first deputy managing director, who was named to the job by the Bush administration, is due to step down. Why not see if one of the top emerging-market candidates can be a replacement? An effective No. 2 would also be well-positioned to take over when Ms. Lagarde herself steps down. (The last three I.M.F. managing directors have departed without completing their terms.)

There is still time to set in place a merit-based selection process that could eventually form the basis for filling the top job. The I.M.F. may be a poorly understood institution, but it does not have to be a poorly governed one.

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