ANDREW MARR:
Historically, the head of the International Monetary Fund has always been a figure of immense influence. With the election of Christine Lagarde to the role of "world finance minister", the Fund's first female director has really made her mark. Last year, the IMF caused a furore by accusing George Osborne of "playing with fire" by insisting on austerity inside the UK. The Fund has since recanted on this. Christine Lagarde came to the Treasury last week to deliver her annual report on the UK economy. When I met her there she told me why the IMF's now inclined to give Britain a fairly clean bill of health.

CHRISTINE LAGARDE:
We do see the UK economy as growing well and it's one of the highest growth rates of the advanced economies at the moment. Added to which that growth is fuelled both by consumption, but also now by investment. And not just public investment, as we had recommended earlier on, but also with private investment. Export is lagging behind a little bit, but those two big cylinders for growth, if you will – consumption and investment – are fuelling growth, which in our view makes it more sustainable
than if it was fuelled exclusively by consumption …

**ANDREW MARR:**

*(over)* Sure.

**CHRISTINE LAGARDE:**

… as was feared a few months back. So that’s a pretty sustainable and good position to be in, but there are obviously risks on the horizon. And we see two categories of risks: the domestic risks; the external risks. The domestic risks are, number one, relatively low productivity, which might go away and I’m happy to discuss that; and the second is the housing rising prices, which could be …

**ANDREW MARR:**

*(over)* You say “rising prices”. You don’t think a boom at this point or a bubble?

**CHRISTINE LAGARDE:**

No, no. It … You know what our team has clearly seen and acknowledged is that the housing market in the UK is multi-faceted.

The second category of risks that I mentioned are the external risks.

**ANDREW MARR:**

The Eurozone and so forth?

**CHRISTINE LAGARDE:**

Eurozone. You know great slowdown in the emerging market economies…

**ANDREW MARR:**

But overall … I mean we read that you’re a friend of George Osborne. Have you taken him to one side and said, “George, I’m terribly sorry. A year ago when we accused you of playing with fire, we were wrong; you were right”? I mean do you by and large endorse the Osborne approach to the economy?

**CHRISTINE LAGARDE:**
We said very clearly that we had underestimated growth for the UK and that we had … our forecast had been proven wrong by the reality of economic developments.
And I’m happy to repeat it for you and to repeat ad nauseam ...

ANDREW MARR:
(over) Yes. No I was just wondering have you apologised to George Osborne for what was said a year ago because he got a lot of flak for that? It gave him a very hard …

CHRISTINE LAGARDE:
(over) But he resisted very strongly, as … as he would.

ANDREW MARR:
Sorry, I’m going to come on… Did you apologise to him for it though?

CHRISTINE LAGARDE:
You know I completely acknowledge that we underestimated growth. Now do I have to go on my knees and bend over backwards to say …?

ANDREW MARR:
(over) No, no, that’s enough humble quiche.

CHRISTINE LAGARDE:
But we underestimated. Look, you know we got it wrong. We acknowledged … we acknowledged it. We were not the only one to get it wrong. We were in good company actually.

ANDREW MARR:
Yes, yes.

CHRISTINE LAGARDE:
Most forecasters got it wrong and clearly the (Marr tries to interject) confidence building that has result… resulted from the economic policies adopted by the Government has surprised many of us.
ANDREW MARR:
I promise, this is not ritual media flagellation. The reason I’m asking you about it is some people say actually the British economy has some serious problems with its very fragile … There’s too much consumer debt; there’s still far too much boom aspect in the housing market and so forth??; exports aren’t strong enough, industrial investment isn’t very good and so forth. Are you in danger of being too positive this time, just as you were too negative last time?

CHRISTINE LAGARDE:
You see if the recovery had been boosted essentially by consumption, our take would have been different. The fact that it is … it was consumption led and now private investment is taking the baton of that race for growth, I think it’s comforting and leads us to believe that it is much more sustainable going forward. Now you’re right to mention exports because exports is …

ANDREW MARR:
(over) Quite poor.

CHRISTINE LAGARDE:
… subdued and could certainly be improved over time. If productivity increases going forward, that should help with exports.

ANDREW MARR:
Overall what you’re saying sounds like … very much like an endorsement of George Osborne’s chancellorship.

CHRISTINE LAGARDE:
You know we’re not focusing on endorsing one group or the other – taking sides if you will – which is often what journalists would like …

ANDREW MARR:
(over) Yes.
CHRISTINE LAGARDE:
… to corner us in.

ANDREW MARR:
I mean he’s the man who’s taken these decisions, after all. I mean he’s the … it has been under his watch and he’s been quite steely in the face of criticism, including from the IMF and others, in sticking to his course.

CHRISTINE LAGARDE:
We have to look at numbers. And what the numbers are telling us is that, number one, growth is one of the strongest in the advanced economies and seems to be sustainable based on its you know two strong engines going forward.

ANDREW MARR:
Yes.

CHRISTINE LAGARDE:
We’re seeing inflation lowered. It shouldn’t be too low, but it’s been lowered. We’re seeing a financial sector that has been made healthier and we hope that reforms will continue. And I personally hope that there will be a strong emphasis on the change of culture in that particular sector. You know strengthened supervisory institutions, well-resourced and totally independent, are the key to that happening, and we believe that that’s important. But that’s … that’s the overall landscape as we see it at the moment and it’s rather good.

ANDREW MARR:
Good. Though we’re not of course back to where we were pre-Lehman and pre the crash in this country yet, are we? We’re growing fast, but we haven’t recovered all the way?

CHRISTINE LAGARDE:
No, that’s … Getting there, getting there.
ANDREW MARR:
Getting there, getting there.
The European Commission famously quite recently said that there should be higher
taxes in this country to build more public investment and so forth. Do you agree with
that?

CHRISTINE LAGARDE:
The mixture between tax and spending cuts is something that we regard as fairly
balanced and at the right … the right mix if you will.

ANDREW MARR:
So no, you don’t really agree with that – yeah?

CHRISTINE LAGARDE:
We don’t … we don’t see massive increased tax as … as recommendable at the
moment.

ANDREW MARR:
Can I turn to your own position? I guess you are the most powerful woman in the
world - it depends how you measure these things, but you must be one of them – and
when you’re in that position lots of people try to find you other jobs and you’ve had a
lot of conversations since you’ve come to London about are you interested in the top
European job. Can I ask you what you think of Mr Juncker as a possible leader for the
European Union?

CHRISTINE LAGARDE
You know I think the only position that has not been debated for me at the moment is
the Vatican.

ANDREW MARR:
Queen? Queen of England? I don’t think …
CHRISTINE LAGARDE:
I don’t want to offend Her Majesty (*Marr laughs*) who is on the shores of my region, Normandy, at the moment. Look, I … I have a job.

ANDREW MARR
Yes.

CHRISTINE LAGARDE:
I’m not a candidate to any other position. I think it’s a rather important job at the moment.

ANDREW MARR:
Yes.

CHRISTINE LAGARDE:
We’re not done yet with the crisis. We need to continue helping countries out of the crisis. The IMF I believe is a strong institution that needs continuity going forward and I intend to participate in that.

ANDREW MARR:
I can see this is very irritating to carry on being asked about it (*Lagarde laughs*) but again the reason is, as you know there is dis…

CHRISTINE LAGARDE:
*(over)* Well it’s very persistent, I have to say.

ANDREW MARR:
There’s a disagreement going on at the moment between the UK and Mr Juncker and allies of Mr Juncker and there’s lots of people around London who would love you to be a candidate for the job, desperate for you to help save the British bacon on this. Are you saying there’s no chance of that at all?

CHRISTINE LAGARDE:
Well it’s very kind of them and I’m really flattered, honoured and all of that. But you
know what – I would … I would very much hope, being a European at heart, born on
the … on … you know in France and …

ANDREW MARR:
(over) Yeah because that …

CHRISTINE LAGARDE:
… having been brought up in Normandy, I would hope that everybody would spend as
much time on what do we do with Europe, where is Europe heading – which is critical
for the future …

ANDREW MARR:
(over) It’s a huge, hu…

CHRISTINE LAGARDE:
(over)… rather than …

ANDREW MARR:
Yes.

CHRISTINE LAGARDE:
… you know what is she going to do, what is he going to do, and all the rest of it?

ANDREW MARR:
We’ve talked about Europe and the top job in Europe and so on. What about the
structures of Europe at the moment? Do you think that there is a serious disconnect
between the peoples of Europe and the so-called European elites? In France, in
Britain, in many other countries, we’ve seen a kind of revolt of anti-European parties
or anti-Brussels parties I should say. Do you think there is a serious problem to be
addressed?

CHRISTINE LAGARDE:
You know where … where I see the strongest connection is when I talk to my
children - they are you know in their mid-twenties - they feel very much French, but
they feel Europeans. Many of their friends are going on those Erasmus programmes, moving from one country to the other without border checking points for Europeans, using the same currency when they are within the Eurozone, and that’s … we regard that as a given, as a … you know it’s granted. Well when I look at the seventieth anniversary of D-Day, it wasn’t granted in those days and I think we should highly value the journey that our grandparents, parents have taken for us, and be a bit inventive about how we build the future.

ANDREW MARR:
At some point clearly you’re going to leave this job. Do you see any future for yourself in French politics?

CHRISTINE LAGARDE:
I’ll be a happy grandmother.

ANDREW MARR:
Happy grandmother. You’re going to kind of retire and watch the waves in Normandy, are you?

CHRISTINE LAGARDE:
From my hometown in Normandy.

ANDREW MARR:
Great. Christine Lagarde, thank you very much indeed.

CHRISTINE LAGARDE:
Thank you.

INTERVIEW ENDS