

WORLD

Lagarde Says U.S. Is at Risk of Losing Global Leader Role

Incoming ECB head warns of consequences from U.S.-China trade war and urges President Trump not to push for lower interest rates



'The risk I see is that the United States is at risk of losing leadership,' Christine Lagarde said in a '60 Minutes' episode aired Sunday. PHOTO: SAUL LOEB/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Kate O'Keeffe

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Christine Lagarde, former head of the International Monetary Fund who takes the helm of the European Central Bank next month, said in an interview that the U.S. risks diminishing its role as a global leader and warned of dire consequences of its trade war with China.

"I was brought up as a citizen of this world. The risk I see is that the United States is at risk of losing leadership. And that would be just a terrible development," Ms. Lagarde said in a "60 Minutes" program that aired Sunday.

Ms. Lagarde also warned President Trump against pushing the Federal Reserve for lower interest rates because it could spur inflation. "When the unemployment rate is at 3.7%, you don't want to accelerate that too much by lowering interest rates," she said. "Because the risk you take is that then prices begin to go up. You have to be very careful. You know, it's like navigating a plane."

She said she would tell Mr. Trump: “Market stability should not be the subject of a tweet here or a tweet there. It requires consideration, thinking, quiet and measured and rational decisions.”

A White House spokesman responded Monday by saying Mr. Trump’s trade policies were aimed at leveling the economic playing field after decades of unfair competition at the expense of American workers and businesses. The spokesman said, “It’s clear the president’s policy of fair and reciprocal trade along with lower taxes and deregulation are working.”

Ms. Lagarde, who made the comments in interviews in September, said the U.S. has been a force for good, fostering the principles of rule of law, democracy, free markets and respect for the individual.

She urged policy makers to work to end the trade war between the U.S. and China, which she said is seriously affecting the global economy. “If you shave off, you know, almost a percentage point of growth that means less investment, less jobs, more unemployment, reduced growth.”

Finance ministers and central bankers who gathered in Washington for the IMF’s fall meetings this past week said the biggest risks to the global economy are trade-related uncertainties. Global economic growth has shrunk this year to its slowest pace since the 2009 recession, the IMF said.

Ms. Lagarde, in the interview, lamented both the U.S. and the U.K.’s retreat from international ties, saying that the U.K.’s attempt to leave the European Union in particular has caused her “great sadness.”

“International trade, connections, movement of people and movement of capital has taken hundreds of millions out of poverty. Now, some people in the advanced economies might say, ‘Pooh. What do I care?’” she said.

She added: “What can walls do about pandemics? What can walls do about terrorism? What can walls do about climate change and destruction of the environment? This is not the answer to the global questions and issues that interconnect, whether we like it or not.”

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