

US urges EU to ease austerity in response to Brexit fallout

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9 hours ago

by: [Geoff Dyer](#) in Washington

The US wants European governments to “ease off on austerity” and focus on boosting economic growth to [contain](#) the populist backlash that provoked a British vote to leave the EU, according to senior US officials.

US officials said their short-term priority was to help calm tempers within Europe about the British vote and to encourage an orderly divorce negotiation that did not inflict greater damage on the transatlantic alliance.

But they are also concerned that the reluctance of leading economies such as Germany to do more to stimulate growth is helping to feed public frustration.

A senior administration official said Europe needed less fiscally rigid economic policies in order to deal with the “populism eating away at centrism and political moderation”.

“The conversation about how to stimulate economic growth, how to encourage greater efforts for fiscal flexibility ... is important,” the official said. “We continue to make the case that it would be wise from the perspective of job growth and economic growth more generally to ease off on austerity.”

The Obama administration admits that it was caught off-guard by the result of the British vote last week and is scrambling to recalibrate a [European strategy](#) without its closest ally present in EU councils.

In a radio interview on Tuesday, President Barack Obama played down the prospect of “major cataclysmic changes” as a result of the Brexit vote. “The basic core values of Europe, the tenets of liberal, market-based democracies — those aren’t changing. The interests that we have in common in Europe remain the same,” he told National Public Radio.

US officials said that at this stage it seemed unlikely that the UK would find a way to reverse last week’s vote to leave the EU, but they said the geopolitical impact would be limited if Britain and the rest of Europe found a way to recreate a close economic and political relationship.

“When we look back, we will see a changing of the geometry and a shuffling of the deckchairs, but not a fundamental recasting of either the nature of the west or its constituent members,” said a senior US official. “The EU will adjust, the UK will adjust and the US will adjust in a way that ends up having minimal impact on the health and vitality of the western community.”

The US is also encouraging the UK to “raise its game” in Nato through higher defence spending in order to maintain international influence once it has left the EU.

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Although the US relationship with Germany will become even more important once the UK leaves the EU,

the administration clashed with Berlin over the issue of austerity during the Greek debt talks and could do so again as Europe [debates](#) how to respond to Brexit.

With some in the British Leave camp arguing that the exit from the EU would free the government to be more active internationally, US officials said they would encourage the UK to spend more on defence and to play a larger role in Nato — something the administration has been urging all its European allies.

“It is completely conceivable that the UK could step up its game in Nato as a way of trying to compensate for the fact that it is no longer a member of the European Union,” a senior US official said.

The official said the US was better prepared to cope with a British departure from the EU because of the strong relations it now had with Germany and France.

“If we were having this conversation 20 years ago, the implications of Brexit would have been far greater for the US [when] Washington did use London as its conduit into intra-European debates,” he said.

During the presidency of Nicolas Sarkozy, for instance, France had “moved past Gaullism and the undercurrent of resentment of American power”, which meant the US could “work more directly with France rather than having to come through the back door, that is to say London”.