

Treasury Secretary Jack Lew pushes Europeans to focus on growth over austerity

By [Zachary A. Goldfarb](#), Published: April 8

BRUSSELS — [Treasury Secretary Jack Lew](#), quickly embracing his role as the leading U.S. diplomat on the economy, pushed his counterparts in Europe on Monday to do more to drive economic growth and enact stronger and more unified defenses against financial panics.

[Lew](#) was making his first official trip to Europe as [President Obama's second Treasury secretary](#) after serving as his budget director and chief of staff. In the first two months of his tenure, Lew's role is shaping up to be surprisingly focused on managing economic relations with the rest of the world.

Unlike his predecessor, [Timothy F. Geithner](#), who was an expert on international financial crises, [Lew's background is in domestic policy](#). He has been a key player in the nation's budget dramas for three decades.

But Lew, 57, is establishing himself as the nation's economic spokesman around the world. While Obama was back in Washington preparing to release [his 2014 budget](#) — due Wednesday — Lew hopped from Brussels to Frankfurt to Berlin for the first of two days of economic discussions. Last month, he made a similar visit to China — and on the plane ride there, he had to make calls dealing with Europe's latest financial flash point, [Cyprus](#).

Lew is encountering difficult challenges here. An [implosion of Cyprus's banking system](#) showed how close Europe remains to the edge of financial cataclysm years after the continent's crisis began — and how ill-equipped many officials remain in dealing with financial panics. (Lew personally briefed Obama on the problems in Cyprus in recent weeks, requiring a level of intimate knowledge that he did not need in his old job).

What's more, a third of the euro zone is in recession and unemployment is near record highs. Meanwhile, economic powerhouse Germany is reluctant to take the types of dramatic steps to bolster the continent's economy that the United States has long advocated — and it has been focused far more on austerity to get budgets in order.

“Lew's powers of persuasion and exhortation will be put to the test as the U.S. has little direct leverage over European leaders in persuading them to take more decisive and proactive measures to stem the crisis and revive growth,” said Eswar Prasad, a professor at Cornell University.

Lew is not well known in Europe, though he had opportunities to get to know many leading officials in the past four years as Obama's chief of staff and also as Hillary Rodham Clinton's deputy at the State Department.

In Brussels on Monday morning, Lew continued with the practice of applying subdued but steady pressure on the Europeans, meeting with a series of officials that included European Commission President Jose Manuel Barroso and European Council President Herman Van Rompuy. Afterward, Lew said the continent's fortunes will weigh heavily on the United States and that he expects the Europeans to continue to take steps to generate growth.

“Our economic strength remains sensitive to events beyond our shores, and we have an immense stake in Europe’s health and stability,” Lew said. “I was particularly interested in our European partners’ plans to strengthen sources of demand.”

Van Rompuy said Europe is committed to reducing unemployment and driving growth — describing the continent’s economic challenges with a sense of immediate concern that American officials have long sought.

“As a matter of urgency, we must fight unemployment, especially for youth,” he said.

Lew, like Geithner, edged his way into Obama’s inner circle through the ups and downs of the first term. Like Obama, he is calm, and like Geithner, he has political roots as a staffer, not an elected official — Geithner at the Treasury Department, Lew in Congress. Lew’s ascension to Treasury, where he is now being ferried around the world by military jet, represents the culmination of a career in economic policy.

On Tuesday morning, Lew is scheduled to meet with German Finance Minister Wolfgang Schaeuble, and he is expected to meet with French Finance Minister Pierre Moscovici in Paris before returning to Washington.

Carlos Bastasin, a visiting fellow at the Brookings Institution, said that Lew in many ways has more flexibility in confronting Europe than his predecessor. Geithner took over the Treasury Department when the United States was seen as the source of the forces that created the financial crisis and transatlantic relations were at a weak point.

“Today Lew finds himself in an easier position than Geithner in 2009 and can go public saying unequivocally what Washington expects from European policymakers,” Bastasin said.

Ahead of the meetings, a senior Treasury Department official said Lew had four broad goals in mind with his trip, including seeking a stronger defense mechanism in Europe to contain financial crises and working to shift the balance from austerity to growth.

“Meaningful progress on both of these fronts will enable Europe to contribute to the global recovery,” the official said.

Lew also was slated to discuss the [Transatlantic Trade and Investment Partnership](#), which would knock down remaining trade barriers between the United States and the European Union and bring into alignment financial regulatory changes on both sides of the Atlantic.

Analysts predicted it would be a difficult course ahead.

“My sense is that the Europeans will be very receptive to Lew but — as always — very sensitive to any recommendations from the [U.S.] Treasury Secretary on fiscal policy stance or banking oversight and supervision,” said Erik Jones, an expert on Europe at Johns Hopkins University. “This is true particularly given the ongoing tensions within Europe over the impact of austerity measures and the debate over who should pay for bank bailouts.”

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