

The Euro. An Idea Who's Time Is Up

As a unifying currency the Euro has been pretty divisive. The comprehensive plan that Sarkozy and Merkel devised only a couple of weeks ago has fallen apart.

It fell apart because it was held together by wishful thinking. For Greece, the alternative to default today is default tomorrow. The alternative to leaving the Euro today is leaving the Euro tomorrow. Currency forecasters would do better than fiddling with their charts and come up with some estimate for the value of a new Drachma. Good job all those old currency tickers haven't been reassigned. We might need them soon.

Everything is possible, at a price. Holding the Euro together is also possible, at a price. There will be winners and losers and there will always be an incentive to cheat and be subsidized by the collective. Policing the deadbeats, as we can now see, is difficult.

Some countries lived beyond their means, others within. Only the fiscally responsible or the lucky can help the profligate or unfortunate.

There are always solutions, but human beings are not always rational, reasonable, just or honorable. In certain emerging markets, driven by a weak economy, for whatever reason that economy is weak, the people leave to seek employment elsewhere. Not every brain surgeon or rocket scientist will find employment in their chosen field, but find employment they do.

Given the culture of entitlement, the over-developed sense of self worth, and generous welfare benefits, some countries will take longer to adjust to the new reality. They may face protracted depression. Or they may feel they have been treated unfairly. When people feel they have been done an injury, it usually matters little who is the cause of that injury.

The Europeans need to be very careful. This is no longer a problem of economics. There is no greater force than a bad idea whose time is up.