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The monkey's paw [1]

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One way to catch a monkey, it is alleged in parts of Africa, is to place fruit at the bottom of a narrow-necked jar. The monkey reaches in for the fruit, but when it makes a fist holding it, its hand is too big to withdraw. The monkey is trapped, and remains so until the villagers come to collect the jar. Of course the monkey could just let go of the fruit, but it wants it so bad that it will not do that.

There are some parallels with the euro. The single currency was created for political, not primarily economic, reasons. Its purpose was to bond its members into a closer union that can be translated into closer political union. And it had the side aim of challenging and later unseating the dollar as the world?s reserve currency of choice, thereby elevating what were perceived as European interests over American ones.

Their hand closed around it, and now they are trapped, like the monkey in the jar. Danger approaches, but they want unity so bad that they won?t let go. If Greece, and maybe others, had left two years ago, there would have been defaults and devaluations, and the basket-case economies would probably by now be lifting themselves up and starting to grow again. But they won?t let go because they are reluctant to loosen their hold on the fruit of ever closer union. To let go of that fruit would be to dispel the myth of one-way progress.

Economic growth in the eurozone might be gone for a Japanese-style wasted decade. Some of the EU?s bigger economies might be unable to finance themselves. The euro itself might ultimately go down. But even if it took the EU down with it, and even the whole world?s economic prospects, they won?t let go. They prefer to convince themselves that if they simply keep trying, they?ll be able to keep the fruit of unity and extricate themselves from the trap. The monkey didn?t escape.

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