

accentuate the region's challenges: Oxygen gets sucked out of the weaker economies and poured into healthier ones that do not need it, and some capital leaves the eurozone altogether, mostly ending up in Switzerland and the U.S.

How does the eurozone go from defense to offense? Growth and financial fragmentation challenges will intensify until Europeans make a strategic decision between a smaller and less imperfect eurozone—thus placing sensible economics above politics—or maintaining the current size and composition by having creditors commit upfront and unambiguously to many more years of large and highly concessional cross-subsidization.

So far, no European leader has been willing to make this decision. But in opting for the muddled middle, they are repeatedly pushed into urgent crisis management and, more generally, into playing defense with imperfect measures and inadequate teamwork.

As Europe reflects on the tragic case of Cyprus, it would be well advised to draw one critical lesson: The longer it defers difficult decisions and remains on an unstable path, the greater the risk of losing control. At that point, the choice between two unappealing alternatives would give way to even more disruptive and prolonged waves of economic, financial, political, and social instability.

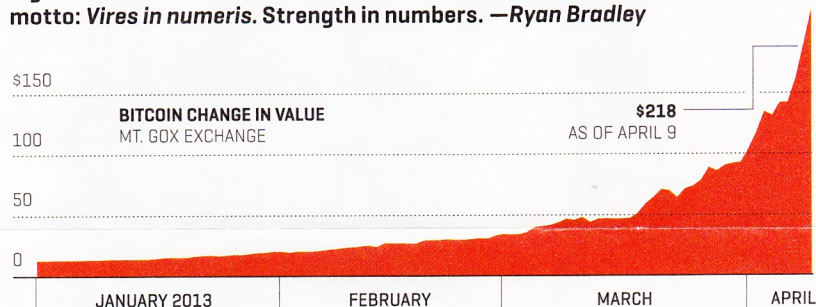
Mohamed A. El-Erian is CEO and co-chief investment officer of Pimco, a global investment management firm.



BRIEFING

Bitcoins Go Boom

A virtual "cryptocurrency" backed by no central bank, a bitcoin is a digital fiat—a data chain that changes with every transaction. Bitcoin's price is booming [the value of all bitcoins just shot past \$1 billion], and in the rush to buy, several of the biggest online exchanges crashed, revealing Bitcoin's weakness: a decentralized structure strains under such high demand. To prevent this, its creator, a mysterious cryptographer who goes by the alias Satoshi Nakamoto, carefully engineered the slow rollout of his (or her) currency since its introduction in 2009. But Nakamoto hasn't been heard from in more than a year. Today the question is whether the boom is a bubble, or if the market is discovering the true value of a nationless currency. The bubble argument sees a dangerous deflationary spiral in the price spike: As the price rises, people sit on their bitcoins, and depression ensues. Bitcoin believers see nothing more than an awkward but necessary growth spurt. Mike Caldwell produces physical bitcoins called Casascius coins [above] embedded with a key to the "real" digital bitcoins. Each Casascius features what has become Bitcoin's unofficial motto: *Vi res in numeris*. Strength in numbers. —Ryan Bradley



BURNING QUESTION OF OUR TIME

Can Tips to Strippers Be Tax-Deductible?

Several rappers have, after dropping tens of thousands of dollars at strip clubs ("making it rain," etc.), claimed they would write their exploits off as business expenses come tax season. Not so fast, says L.A. entertainment industry accountant Rick Norris. For it to qualify as deductible entertainment, the artists (or anyone) must prove that spending money at a strip club is an "active conduct of business," or that by paying strippers, they expect to receive some sort of future business benefit. "It has to be an ordinary and necessary expense," says Norris. Plus, receipts can't be easy to procure. —Omar Akhtar

J.P. LEY GRAPHIC SOURCE: BITCOIN CHARTS