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Beneath the Surface of the Digital Euro

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Abstract

The digital euro is presented as a tool of technological progress and European sovereignty, yet behind the promises of efficiency lies an ambition for deeper control over citizens. The project raises fundamental questions about the future of freedom, privacy, and equality in a digital society.

Key Takeaways

- Political Motivations: The introduction of the digital euro is more of a strategic decision than an economic necessity.
- Risk of Misuse: The combination of digital transactions, identity, and profiling could pave the way for systems of social surveillance.
- The Role of Cash: Physical money remains a crucial safeguard against both technical failure and excessive centralization of power.

Introduction

The digital euro is undoubtedly one of the most ambitious projects undertaken by the European Central Bank in recent decades. Officially promoted as a "digital form of cash," it is intended as a response to shifting consumer behavior, emerging technologies, and growing geopolitical pressure. At first glance, it appears to be a modern upgrade of the currency—safe, universally accessible, and technologically competitive. Words like "innovation," "efficiency," and "European sovereignty" dominate official communications from both Brussels and Frankfurt. The digital euro is presented as nothing more than a digital equivalent of physical cash—a neutral tool meant to preserve freedom of choice and empower citizens.

Beneath the surface, however, lies a deeper political and economic agenda: strengthening the euro's role as a global currency, centralizing financial control, and building a new digital infrastructure whose reach could go far beyond anything we've known so far.

At the same time, the development of the digital currency is accompanied by increasing pressure within the European Union to limit the use of physical cash, phase out end-to-end encryption, and implement digital identities. These elements are becoming increasingly interconnected—technologically and politically—pointing toward the creation of a new financial and societal framework. While the ECB and European Commission claim these changes are about enhancing financial security and independence, the reality appears to be a strategic expansion of institutional power rather than a market-driven necessity.

The digital euro thus presents a fundamental dilemma: is it a step forward in the name of convenience and security—or a tool of hidden centralization, enabling widespread monitoring of citizens' behavior, finances, and life choices under the guise of technological progress? What is being presented as a means of modernization could easily become an instrument of control. And that calls for a broad and open societal debate—before the decisions become irreversible.

The Digital Euro: Europe's Answer to the Digital Age

The digital euro is being presented by the European Central Bank (ECB) as a key tool for modernizing payments and safeguarding Europe's monetary sovereignty. According to the ECB, it is meant to be a "digital version of cash"—secure, free of charge, and accessible to everyone, including in offline settings. But the project's ambitions go far beyond that: the ECB aims to create a comprehensive digital ecosystem (ECB 2025).

Philip R. Lane, a member of the ECB's Executive Board, has called the digital euro a vital instrument for maintaining monetary stability, sovereignty, and functionality in the digital age. Without a central bank digital currency, he argues, public trust in money could erode, the effectiveness of monetary policy could decline, and Europe could become increasingly dependent on unstable or foreign systems. He points to three major risks: the decline of cash usage, the rise of stablecoins (often pegged to the US dollar), and the growing dominance of closed platforms such as Apple Pay and Google Pay (Lane 2025).

The ECB's central argument is the weakening role of physical cash. At a time when digital payments dominate and nearly two-thirds of transactions flow through non-European platforms, the ECB is pushing for a European alternative. The digital euro is intended to be a universal means of payment for everyday use, fully overseen by a central authority, and developed in both retail and wholesale spheres.

Although the ECB promises that people will retain control over their money, it is introducing strict user experience standards. Every payment service provider will be required to ensure that the user interface for the digital euro is at least comparable to their current products. This will include a unified alias system (such as registering a phone number as a digital identity), a standardized onboarding process, and clearly defined accessibility and security limits. The digital euro will be equipped with tools for fraud detection and prevention, dispute resolution systems, backup mechanisms, and oversight procedures (ECB 2025). In doing so, the ECB is stepping beyond the role of a monetary authority and moving toward full-scale management of a pan-European system.

Lane further argues that without a publicly governed system, alternative payment platforms could lead to a loss of monetary control and a fragmented payment environment—where access to payments would depend on corporate policies rather than the public interest. He warns that stablecoins pose a threat by bypassing the banking sector and weakening its role in the credit economy. In the event of a collapse or loss of confidence, they could trigger financial instability. If stablecoins pegged to the dollar were to gain significant traction, eurozone economies could face dollarization—meaning the ECB would lose its ability to influence inflation and economic conditions. For Lane, the digital euro is therefore not only a technological innovation but also a strategic asset: it would give the public direct access to "safe" central bank money in the online world, strengthen European (not just monetary) sovereignty, boost competition in the payments sector, and curb the dominance of global tech platforms (Lane 2025).

Currently, the digital euro is still in the preparatory phase. By the end of this year, the technical infrastructure is expected to be completed, key functionalities tested, and privacy protection rules finalized. The concept of the digital euro draws heavily on the architecture of existing stablecoins, which enable fast, low-cost, near-instant transactions. However, unlike stablecoins, it would be issued solely by the central bank, which would be responsible for the transaction system and data security. In March 2025, ECB President Christine Lagarde stated that, if preparations stay on track, the digital euro could launch as early as October this year. However, the ECB still lacks the necessary legal framework for implementation (EU Debates 2025, Huang 2025).

Significant Shifts in the Eurozone

The potential launch of the digital euro would trigger profound changes across the eurozone. Its introduction would not only reshape the technical landscape but also bring about significant institutional and societal transformation.

One of the most notable shifts would be the transformation of the European Central Bank's (ECB) role. Traditionally operating in the background as a monetary authority—mainly influencing money supply and lending through commercial banks—the ECB would evolve into an active operator of a digital platform directly connected to millions of users. This would mark a fundamental shift, placing the ECB at the heart of a digital infrastructure that is critical to the daily functioning of the European economy. This infrastructure would include not only the digital euro as a currency unit, but also an entire network of interconnected services: digital wallets, transaction authorization systems, user interfaces, alias systems, client identification processes, fraud prevention tools, and limit management mechanisms. The ECB would become the central authority within a digital payment ecosystem, responsible for technical standards, interoperability rules, security frameworks, and oversight of all system participants—including commercial payment service providers.

Another fundamental change would be the creation of an entirely new layer in the financial relationship between citizens and the state. Whereas today individuals typically hold their money in commercial banks, the digital euro would enable every European to have a direct account or wallet

with the central bank. This would represent a historic shift—allowing people, for the first time, to store digital money without intermediaries and to access a "risk-free" public institution directly. From the user's perspective, it would be a free, standardized, and secure way to make daily payments, receive wages, pay taxes, or transfer money—even offline.

Commercial banks would also feel the impact, as they would be forced to adapt to a new reality in which the central bank takes over some of their traditional functions. The direct holding of digital money with the ECB could lead to a partial outflow of deposits from the traditional banking sector, altering banks' business models. In response, banks would need to seek new sources of liquidity and innovate their services in order to remain competitive. This could accelerate market consolidation and strengthen the role of larger banks, with implications for regional access to financial services and the distribution of credit across the economy (Barton, Rosam, Bouchetob, 2025).

The rollout of the digital euro could also accelerate the harmonization of payment systems across the eurozone. Today, both citizens and businesses often face inconsistencies between national systems—particularly in cross-border payments or the use of payment cards. A digital euro would provide a unified foundation upon which European fintech companies could build new services and products, helping to create a more integrated and competitive market.

Overall, the digital euro would represent far more than just a new form of currency. It would act as a catalyst for a comprehensive restructuring of Europe's financial landscape, redefining the role of the ECB, reshaping the relationship between citizens and monetary authorities, and establishing a new digital infrastructure that could serve as the backbone for future innovation in both public and commercial services (Huang 2025).

The Digital Euro's Risks: Are We Heading Toward Digital Surveillance?

In In contrast to its proclaimed neutrality and security, the introduction of the digital euro could bring a range of risks that go far beyond technical or economic concerns. At stake are deeper socio-political issues—such as privacy protection, civil liberties, energy consumption, and dependence on digital infrastructure.

One of the most pressing concerns is the potential loss of privacy. Although the ECB (2025b) repeatedly claims that the digital euro will be "pseudonymous" and comparable to cash payments, the reality of digital transactions is inherently different—every payment leaves a trace. These can be easily analyzed, combined with other data, and used to build detailed user profiles. This trend is only accelerating with the rise of data aggregators and artificial intelligence.

The ECB insists it will not store sensitive data directly, but will instead delegate this responsibility to commercial banks. However, this can be seen as little more than a smokescreen. If one of the digital euro's stated goals is to combat money laundering and ensure compliance with regulatory requirements, banks will inevitably be required to share data with the ECB. Any promise of privacy, then, becomes highly conditional. Moreover, in light of EU efforts to phase out end-to-end encryption, such privacy assurances appear increasingly cosmetic (Huang 2024, Huang 2025).

The combination of transaction data, digital identity, carbon footprint tracking, and purchase profiling could lead to a societal model where individuals are evaluated, incentivized, or even penalized. While the ECB claims the digital euro will not be linked to a social credit system, the underlying infrastructure seems to be moving in that direction. For example, if a system of carbon credits were implemented, digital euro transactions could be used to calculate environmental impact. A user who exceeds their carbon quota might be denied discounts or restricted from accessing certain services. Combined

with the ban on combustion engines, the rise of electric vehicles, digital IDs, and smart city platforms, the potential for comprehensive state surveillance over citizens increases dramatically.

Digital currency also relies on electricity, connectivity, compatible devices, software, and regular updates. The digital euro will require a massive infrastructure to operate and maintain, placing additional strain on energy consumption. The widespread power outage in Spain and Portugal in April 2025 demonstrated how quickly a digital system can collapse: ATMs, payment terminals, and mobile apps all went offline, and people were unable to pay even for basic necessities (iDnes 2025). While the ECB promises an offline mode, it still depends on users having access to working hardware, electricity, and an installed app. In real crisis situations, cash may prove to be the only fully autonomous and reliable instrument—indeed, Sweden's central bank, Riksbank, has stressed the importance of cash and urged citizens to keep a supply of notes and coins at home (Okasha 2025, Mazza 2025).

Finally, it is essential to recognize that using the digital euro will require a verified banking identity, functional digital devices, and stable internet access. What happens to those who do not have—or do not want—such access? For example, pensioners without smartphones or unhoused individuals could be excluded from the payment system if cash loses its role. This poses a real threat of financial exclusion and challenges the principle of equal access to money as a public good.

Conclusion

The digital euro is being promoted as a technological innovation and an inevitable step toward modernizing the European currency. In reality, however, it is less an economic necessity and more a political decision by the European Central Bank and the European Commission—an attempt to strengthen the euro's role in an era of geopolitical and technological challenges. The project has less to do with payment efficiency than with the ambition to expand the EU's power framework toward greater centralization, surveillance, and behavioral standardization.

While the European Union repeatedly assures the public that the digital euro will only serve as a "complement to cash," the actual steps taken by member states—ranging from restricting cash transactions to promoting cashless payments—point in the opposite direction. In an environment where digital freedoms and freedom of speech are increasingly under threat and censorship tendencies are on the rise, a dangerous scenario begins to emerge: the combination of a digital currency, a weakened role for cash, and a tightly controlled internet. This creates a technopolitical framework that strongly resembles the Chinese social credit model—one that stands in direct contrast to Europe's democratic traditions and civil liberties.

It's not difficult to imagine a future in which digital transactions are analyzed not only for tax or security risks but also for "social responsibility." Banks are already tracking the carbon footprints of their clients—if such data were tied to the digital euro, it could pave the way for carbon credits, exclusion from certain purchases, or differentiated pricing based on "eco-friendly behavior." When combined with digital IDs, electric vehicles, smart cities, and payment apps, it becomes remarkably easy to reconstruct a complete profile of every citizen—and to monitor and control them.

From a technical standpoint, the digital euro is also vulnerable. Blackouts, cyberattacks, or network outages have already shown that digital infrastructure is not universally available, reliable, or democratically managed. Cash, on the other hand, has none of these shortcomings—it is resilient, anonymous, direct, and requires no third-party approval. In the name of convenience, Europe risks sacrificing privacy, freedom, and equal access to money.

The digital euro is not a neutral technological tool. It represents a shift toward a new type of society—one that is managed, monitored, and standardized. It is not a currency for citizens; it is a currency for the system. And that is precisely why cash must be preserved—as a safeguard for democracy.

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