



EURO DIGITAL CURRENCY - ECONOMY

NEWS: The European Central Bank (ECB) began developing a digital currency, intended as a government-backed alternative to current cashless payment methods, including credit cards, mobile apps, cryptocurrencies, and bank transfers.

WHAT'S IN THE NEWS?

Background of the Digital Euro

- **Development Timeline:** The European Central Bank (ECB) began developing a digital currency, entering its "preparation phase" in November 2023.
- **Purpose:** Aimed as a government-backed alternative to cashless payment options like credit cards, cryptocurrencies, and bank transfers.
- **Functionality:** Users will be able to make payments directly from digital wallets on devices without relying on banks or payment gateways.
- **Technical Transfers:** Transactions will be possible via Bluetooth, browser extensions, or smartphone contacts, depending on the device.

Unique Features of the Digital Euro

- **Central Bank Issuance:** Unlike other digital payment methods managed by third-party financial service providers, the ECB issues the digital euro directly.
- **Cost Efficiency:** Expected to facilitate faster, cost-effective payments for both national and international transactions, and enable cheaper micropayments.
- **Direct Payment:** The digital euro allows direct transactions between users, freeing the digital payment space from intermediaries like banks or services like PayPal.
- **Offline Payments:** Designed to function offline, the digital euro will allow anonymous transactions, aiming to match the privacy level of cash payments.

Comparison with Traditional Money

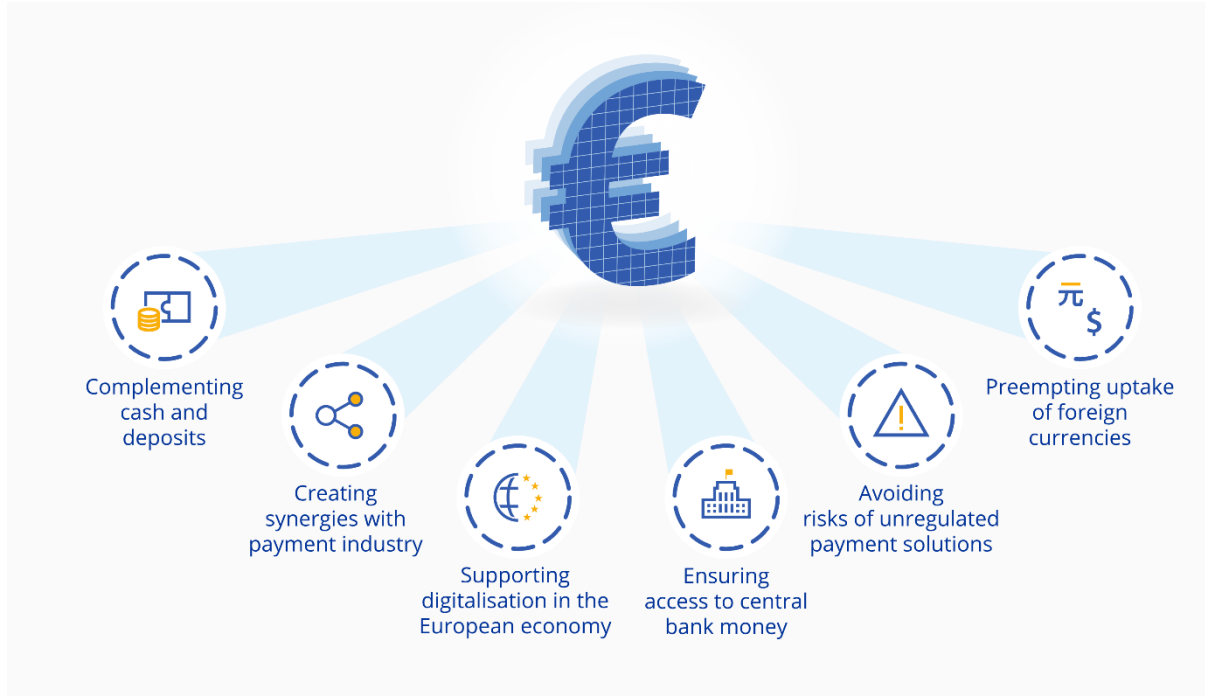
- **Cash vs. Digital Euro:** Traditional cash offers "abstract wealth" as physical currency guaranteed by the state, while the digital euro embodies the same guarantee in digital form.
- **Economic Basis:** Digital euro represents wealth without reliance on intermediaries (e.g., banks), directly equating to legal tender rather than a debt-based digital certificate.

Digital Euro's Economic Implications

- **Consolidation of Private Property:** The digital euro, though technically similar to existing digital banking figures, differs fundamentally as it serves as digital cash, allowing direct ownership of wealth.
- **Practical Use Cases:** ECB envisions digital euro use for everyday transactions, such as buying at flea markets or settling accounts among friends.



- **Technical and Political-Economic Differences:** While digital transactions today depend on internet connectivity, the digital euro introduces offline options, widening accessibility and anonymity.



ECB's Justification and Rationale

- **Promotional Claims:** ECB promotes the digital euro with the slogan “money is evolving,” presenting it as a natural progression for currency to fit modern life.
- **Perceived Practicality:** ECB suggests the digital euro will make transactions easier, primarily benefiting those with sufficient wealth who rely on complex digital transactions.

Sovereignty and Geopolitical Motives

- **Strengthening the Eurozone:** A key motive is reducing dependency on non-European financial service providers, especially those from the U.S., which currently dominate the digital payment landscape.
- **Economic Competition:** By introducing the digital euro, the EU aims to challenge and diminish the influence of foreign payment services in Europe, strengthening the euro's global digital currency status.

Source: <https://www.thehindu.com/sci-tech/technology/the-underbelly-of-europes-digital-euro/article68855575.ece>