

The Digital Euro and the Future of the European Project



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Abstract The creation of the single currency was one of the most important events in the history of the European integration. The single currency is a milestone in this process which should foster the economic integration and contribute to strengthening of the European identity. However, since 2008 and the global financial crisis the European economy is facing permanent challenges while in certain periods the very existence of the single currency was jeopardized. In order to deal with the consequences of the GFC the European monetary authorities have undertaken series of reforms in the European financial and banking system. Also, an unconventional monetary policy which included negative interest rates and massive monetary expansion though the so-called *quantitative easing* was implemented. The COVID 19 pandemic forced the authorities to implement even more aggressive monetary policy which alongside the geopolitical turbulences in the last two years is causing very high inflation rates. Moreover, the monetary union faces another challenge brought by the global process of digitalization of the economy and introduction of new technologies in the realm of money and finance. The process of digitalization of money and the prospect of creation of the central bank digital currencies offers new prospects for the European economic and monetary union. The launch of the digital euro might be a catalyst that will strengthen the monetary union and will foster the economic growth. However, there are some concerns about the possible negative effects deriving from the introduction of the digital euro that could undermine the normal functioning of the monetary union and the European financial system. The text will try to explain the significance of the launch of the digital euro for both the monetary union and for the entire project of European integration.

Keywords Digitalization · Digital economy · Digital euro · European union · Global financial crisis · Inflation

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