

The Digital Euro Debate: Privacy, Sovereignty and Power

Financial Innovation or a New Architecture of Control?

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The real debate about Europe's future digital currency is not merely technological. It is a fundamental debate about **privacy, sovereignty, the governance of economic data and democratic limits** on public power in the digital age.

The sense of urgency is real. The European Central Bank continues to move forward with the preparation phase of the digital euro, while the European institutions discuss the legislative framework that would eventually enable its issuance. The final decision has not yet been made, but the legal, technical and operational architecture is being defined now. If we wait until the official issuance to debate its foundations, the discussion will arrive too late: many of the rules of the game will already be embedded in the infrastructure.

The discussion is often framed as a technical conversation: modernizing payments, offering a public alternative to private digital money, reducing Europe's dependence on major foreign payment networks, and ensuring access to central bank money in an economy that is becoming progressively less reliant on cash. That explanation is reasonable. Europe needs payment sovereignty and resilience in the face of technological concentration. In a world shaped by the growth of *stablecoins*, digital wallets and large private payment platforms, it does not seem reasonable for public money to be confined to physical banknotes.

But that is not the whole story.

The Official Promise and the Risk of “Indirect Programmability”

The institutional case for the digital euro rests on three reasonable pillars: strategic autonomy, modernization of public money and operational resilience. In addition, the official design emphasizes two important safeguards: the digital euro would coexist with cash without replacing it, and it would not be “programmable money” in the strict sense. In other words, it should not expire, it should not be restricted to certain merchants, and it should not directly determine what a person may purchase.

These clarifications matter. A serious analysis should not caricature the project. The European Union is not formally proposing a state-issued spending voucher or an explicit social credit system. The critical point is different: **even if the money itself is not programmable by design, the surrounding ecosystem may still be parameterized.**

The word “programmable” can be misleading. In practice, the use of money may be conditioned by ecosystem rules: transaction limits, anti-fraud controls, AML/CFT filters — anti-money laundering and countering the financing of terrorism controls —, exclusion lists and preventive freezes.

That is why it is useful to speak of **indirect programmability**. By operating within a centralized or highly coordinated digital infrastructure, access to money may be modulated through administrative and technological parameters.

To understand how this indirect programmability may operate, one need only consider one of the most debated design mechanisms: the holding limit. In the public debate, individual caps in the range of a few thousand euros have been mentioned, with frequent references around EUR 3,000, designed to avoid bank disintermediation and prevent massive deposit outflows from commercial banks into a central bank wallet.

Although the objective of protecting financial stability is understandable, the existence of holding limits reveals a central point: **the digital euro will be structurally parameterizable money**. The question is not whether those parameters have a legitimate justification today.

The question is who will be able to modify them tomorrow, under what procedure, with what transparency and with what democratic controls. **If public digital money can be configured to protect the banking system, it must also be legally ring-fenced to prevent future fiscal, political or regulatory crises from unduly expanding those mechanisms of control.**

Offline Privacy: The Decisive Test

Cash has a political virtue that we often underestimate: it provides a reasonable space for economic anonymity in perfectly lawful everyday acts. Buying a book, donating to a cause, paying for coffee, helping a relative or hiring a personal service should not automatically become exploitable, reconstructable or profileable data.

That is why the offline functionality will be decisive. If it operates in a way that is truly comparable to cash, with reasonable limits, minimal traceability and protection against secondary uses of data, the digital euro could gain legitimacy. But if it becomes a marginal feature, with limits that are too low, excessive friction or a capacity to reconstruct patterns after the fact, privacy will be reduced to a statement of principle.

Privacy is not a luxury or a concession. It is a material condition of free citizenship. The debate is not about defending absolute opacity against crime. It is about avoiding the normalization, in the name of addressing real risks, of an infrastructure in which the whole of economic life can be analyzed, correlated and eventually conditioned.

AI, Compliance and False Positives

Privacy is not the only challenge. There is an imminent friction between the digital euro and algorithmic governance. Financial intermediaries already use automated systems for fraud prevention, transaction monitoring, AML/CFT compliance and risk management. In a central bank digital payments ecosystem, these tools will become even more relevant.

The everyday risk is not only direct surveillance. It is also false positives: transactions flagged as suspicious, wallets preventively suspended, patterns misinterpreted or accounts blocked without a clear explanation or immediate human review.

From a legal perspective, this connects with several layers of European regulation: data protection, anti-money laundering, digital operational resilience, payment services and the emerging artificial intelligence framework. The underlying issue is easy to understand: **when an automated system can materially limit access to your money**, the right to an explanation, human review and an effective remedy ceases to be a procedural detail. It becomes a basic constitutional guarantee.

The Comparison with the United States of America

The contrast with the United States is revealing. While Europe is moving toward a retail CBDC as an instrument of monetary sovereignty, strategic autonomy and payment resilience, the U.S. debate remains far more skeptical of a general-purpose central bank digital currency. In the United States, the discussion tends to place greater emphasis on privacy, limits on state power, private innovation, regulated *stablecoins*, and the role of the banking and technology sectors in digital payments.

This comparison does not show that the U.S. approach is superior or that the European approach is wrong. It shows something more important: **central bank digital currencies are not merely technical tools. They are institutional choices about the relationship between citizens, the State, banks, platforms and economic data.**

Three Red Lines for a Digital Euro Compatible with a Free Society

- 1. Truly preserve cash.** Its acceptance, accessibility and practical use must be guaranteed without indirect penalties. If cash remains formally legal but becomes socially impracticable, the freedom it protects disappears.
- 2. Democratic control of essential parameters.** Access rules, holding limits, transaction limits and suspension criteria should not remain exclusively in technocratic hands. Monetary policy requires independence; the architecture of fundamental rights requires democratic control.
- 3. Immediate human review and independent audit.** Any automated block that affects access to money should trigger an effective right to explanation, human review and rapid redress. In addition, the critical components of the infrastructure and risk algorithms should be auditable by independent authorities and, where possible, subject to technical transparency standards.

Conclusion: Innovation, Yes; Permanent Supervision, No

The digital euro should not be rejected by definition. Europe needs financial innovation, strategic autonomy and payment resilience. But it should not be accepted as a mere technical modernization either. **Money is not just another application or app. It is an institution of material freedom.**

The success of the digital euro should not be measured only by efficiency, adoption or interoperability. It should be measured by its ability to preserve what cash has protected for centuries: a reasonable space for privacy, autonomy and everyday economic freedom.

The question, then, is not whether Europe can create a digital currency. Of course it can. **The question is whether it can do so without turning money into an infrastructure of permanent supervision.** That is the debate worth opening now, before the design is closed and the architecture becomes irreversible.

#DigitalEuro #CBDC #Fintech #TaxTech #Privacy #EURegulation #AIAct #DigitalEconomy