



Johannes Beermann (Ed.)

THE EURO AT 20 **THE FUTURE** **OF OUR MONEY**

For the Deutsche Bundesbank

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Foreword

Johannes Beermann

The euro has become an integral part of the daily lives of more than 340 million people in Europe. Nowadays, you are unlikely to find many people asking themselves how Europe's single currency, in the form of banknotes and coins, found its way into ATMs and the cashier's till at the supermarket around the corner 20 years ago. This is, no doubt, in part because the launch of euro cash on 1 January 2002 went so smoothly.

In Germany, the Deutsche Bundesbank, in its capacity as the country's national central bank, was responsible for gradually withdrawing the Deutsche Mark currency circulating in Germany from the cash cycle and at the same time bringing the newly produced euro cash into circulation in sufficient quantities. While this "double changeover process" was a mammoth logistical task, the Bundesbank took it in its stride. In order to ensure that everyone in the German economy – from businesses to consumers – had enough euro cash on hand to see them through the first few days of 2002, roughly three billion euro banknotes worth €57 billion were distributed to commercial banks in Germany alone in the run-up to the switchover.

Today, euro banknotes are legal tender in 19 Member States of the European Union. The euro is a stable currency, which has played a part in the acceptance and high level of support that the single currency enjoys. Euro cash has now matured into a tangible symbol of economic integration and stability and, alongside the US dollar, is an important means of payment worldwide.

However, looking ahead, the euro area faces major challenges: inflation in Germany reached its highest level in over 40 years in the spring of 2022, general government debt ratios in the euro

area spiked higher again in the wake of the coronavirus pandemic, and digital transformation has given rise to new forms of payment and crypto assets that could fundamentally call into question the importance of cash and government-issued currency. With all that in mind, how important will the euro be in the 20 years to come as a symbol of integration and stability, on the one hand, and as government-issued central bank money on the other?

In times of such pronounced social upheaval and macroeconomic challenges, it is impossible to provide conclusive answers to this question. In any case, that is not what this book sets out to do. Instead, its aim is to give readers food for thought and to look at the topics of money and currency from a broader perspective, encompassing their various historical, political and, not least, economic dimensions.

The varied contributions to this book can be divided into three parts. The first covers money and currency in Europe. The essays shed light on aspects of European integration, put cash into an economic and legal context and explore the history of money. As we all know, economic and monetary history are closely linked. In Germany, for example, we established a monetary union back in 1990 with the introduction of the Deutsche Mark in what was still, at the time, the German Democratic Republic – driven not least by the East German population's aspirations for economic participation, expressed in their desire for hard Deutsche Mark currency. Back then, as now, the Bundesbank played a key role in supplying cash to the public. The second part of the book takes a closer look at the special significance of central banks in their countries' cash cycles. After a detailed picture has been painted of the situation from the German perspective, international points of view are also presented. Central banks from outside the euro area explain important processes within their national cash management operations for the secure and ample supply of cash to the general public. In addition, they describe how they assess the importance of cash for their countries' economies and how they see the future of payments in an era of digital transformation.

Particular attention is devoted to this forward-looking perspective in part three. Examined through the interdisciplinary lens of economics, philosophy, sociology and psychology, ideas about the role of cash and the money of tomorrow are aired and discussed in depth. One strong focus here is on the importance of digital forms of money, including the possibility of central bank digital currency.

I would like to thank all the authors for their valuable contributions to this book. With their insightful and balanced texts, they provide crucial, objective input to inform the often emotional debate about the foundations upon which our money is based and about what its future holds. I would also like to thank a great many colleagues from the Directorate General Cash Management, who have provided invaluable support over the course of this book project. I am grateful to the Bundesbank's Language Services, which has done a great job in translating the contributions. Last but not least, special thanks go to my Head of Office Dr Alexander Kadow, who has coordinated and supervised this project from day one and has been instrumental in making this book a success.