

US Engineered Energy Crisis in Europe. Weaponizing the Dollar, Global Economic Depression

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Now that the Nord Stream pipeline [might have been sabotaged](#) by Washington, as [promised](#) by US President Joe Biden on January 7, and is possibly gone forever (according to German authorities), it is time to consider the possible impacts.

The energy crisis in the EU has always been pushed by [American interests](#). Moreover, the US has been engaging in economic warfare and even [weaponizing the dollar](#) for too long, but it has been clear for months now that its current economic and financial war against Russia has [backfired](#) – and once again, mostly upon Europe. Such economic wars in fact may dangerously spiral out of control, and are considered to be one of the causes of the 1929 crisis in the post-Versailles world.

Philip Pilkington, an Irish economist who works in investment finance, famous for his contributions on the empirical estimate of general equilibrium and other fields, [has made quite interesting observations](#) about the possible deindustrialization of Europe as a consequence of economic warfare. He remarks on how in the post-pandemic world debts in the West have been accumulating and, on top of that, the current conflict in Ukraine has brought extra energy costs.

After the conflict ends – or becomes a “frozen conflict” – or after good diplomacy is reestablished, Russia could start to once again supply gas to Europe as usual – this is how many analysts reasoned. However, now that the pipelines are gone, the price of energy in the continent is to remain tremendously high for years to come. With permanent high energy prices making manufacturing not economically viable anymore (thus decreasing European purchasing power), one should expect to see the bloc shutting out exports to revive an uncompetitive industry while increasing energy investments. These are Pilkington’s main points and it might be worth delving into them.

Pilkington argues that high energy costs will make the European industry largely

uncompetitive because manufacturers will have no choice but to also raise the price of goods, which in turn, will not be able to compete with cheaper foreign goods. The economist goes on to argue that, in this scenario, with many manufacturers out of business, the result will be the loss of key jobs, with less employed people spending money and a new economic depression.

Thus, Pilkington reasons, the United States will not be able to “reshore” European manufacturing for too long because there simply won’t be anyone in the continent to buy the products the US ships to European shores. This crisis will thus affect Americans too, because as exports to Europe fall, US workers also lose their jobs. What could EU states do in such a scenario? The Irish economist writes quite convincingly that a tariff solution would be the most obvious one: by raising tariffs, these countries will be able to “render international products as expensive as the domestic products suffering from energy cost inflation.”

The result of that can only be more economic chaos for the West, while Europe “shuts itself off” and becomes a kind of a “black hole”, in a repetition of the 1920 events which resulted in the Great Depression, writes Philip Pilkington.

However, the global situation today has changed much, with the BRICS+ alliance, apparently aimed at “decoupling from the Western economy.” For a while, the rise in commodity prices has been perceived as a result of Western sanction policies, and this has forced the global south to [look for parallel mechanisms and alternatives](#). Therefore, these emerging powers have the potential to build a “separate economic bloc”, which means the West would suffer the most from the economic chaos, as BRICS+ “has a relatively clean bill of economic health”.

All of this is a quite likely scenario and one should also consider the political implications. The economic crisis will in all likelihood bring back protectionism, and it might come accompanied by a 1930-like political climate. This in turn can only strengthen the populist camp in Europe. Populist and so-called “far-right” tendencies have been growing in the continent for years and the time seems to be just right for speeding up this phenomenon.

One remembers defeated French Presidential candidate Marine Le Pen [promised to pull France out of NATO](#) during this years’ elections. Meanwhile, in August, Hungary had once again the lowest energy prices in the EU. Over 8,700 sanctions have been imposed on Moscow, and yet they have hurt Europe more than Russia as Hungary’s Prime Minister Viktor Orban has been a strong critic of such sanctions. In fact, whether one likes the man or not, he has oftentimes been [the voice of reason](#) in the bloc. Now, the German eurosceptic Alternative für Deutschland (AfD) political party is heavily focusing on attacking [European elites](#) and opposing the German government’s sanctions against Russia. This trend is everywhere across the EU.

It is about time Europe [assert its sovereignty](#), however such a political stance is largely marginalized in the continent. Thus, although a European populist wave should increase skepticism about NATO and the EU itself, it will also increase political instability and turmoil. To sum it up, in the worst post-Nord Stream scenario, one can then expect a deindustrialized and isolated Europe going through a serious political and economic crisis.

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