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## John's Newsletter Saturday 3 January 2015

**The climate change con. Justice, US-style. War criminals who led the US. Mario Draghi gets desperate. Government services shrink in line with income.**

While I sit precariously on the fence, it is great to see that Scientists now agree about global warming...or do they?

<http://www.spaceandscience.net/sitebuildercontent/sitebuilderfiles/presidentobamarequesttopreparefordangerouscoldclimateapr282014.pdf>

And now they are building a tree that generates electricity from leaves made using oil (*Editor's note: or aluminium?*)...but aside from my rather unwarranted cynical remarks, the idea looks very interesting and we will see whether it takes off...

<http://www.haaretz.com/business/1.634315#!>

Whether 2015 is the year of Zenn or not, one thing that is certain is that every country is tightening control of its citizens freedoms and passing laws to both influence and control us. I don't know about you but while I found James Risen's book, "Pay Any Price..." very disturbing for the militaristic trends he has identified, I have never wanted to strut my stuff on Twitter, Facebook and Linked-in. If you wonder why, you may want to read this and reconsider your own web interactions...

<http://www.caseyresearch.com/cdd/welcome-to-the-machine>

The second article is about forfeiture as a revenue generating process for the police in the USA, first came about because many local police departments in the USA were under-funded. But the malpractice reaches the highest level of the US federal "Justice" con trick, where prosecutors find it easier to get a conviction if they first confiscate all a person's assets, then malign them in public, then allow them to plea bargain to get a few of their assets back. Seems the USA has turned into the "wild west without a sheriff". Who would want to live there or do business with such folk? Their term "justice" when allied to militarised police forces means an end point has been reached in many parts of "the land of the free".

The problem with reading Risen's book, should you wish to dip your toe in that turbid pond, is that you realise the Bush administration cannot be allowed to go unpunished because it is necessary to find out who initiated the attacks on the US Constitution and who authorised the torture that a few privates and non-com soldiers got jailed for. The USA cannot lay claim to being the world's policeman until Dick Cheney and his mates have been jailed for deliberate war crimes – and of course until the real power behind Bush and Obama is identified and neutralised... as is very well put by the New York Times and from Mish's blog...

<http://globaleconomicanalysis.blogspot.co.nz/2014/12/new-york-times-asks-obama-to-prosecute.html>

The law and order which formed the basis for the USA Bill of Rights is under attack and failing badly. Yes I am serious about a Bush, a Cheney and a Rumsfeld getting prosecuted for war crimes...after all we could be looking at another Clinton v. Bush UA presidential election in 2016.

You may remember that 15 years ago, an audit partner in Arthur Andersen was implicated in the ENRON scam. In that case the US DOJ destroyed the entire global firm (forfeiture, adverse publicity and so on to ensure the company could not fight back), but when AA was eventually found innocent in the US Supreme Court, it was too late. The organisation, which was second largest and arguably the best Chartered Accounting firm globally, had been destroyed and no compensation was paid.

If you don't start fixing problems, they just keep getting worse. They take the same tack with banks but that punishes investors and those with bank deposits and lets the miscreants go free to continue their frauds.

### **The New Year starts..but is the Grinch of Christmas ready to change tack?**

The old order, dominated by the Anglo-American alliance is coming apart at the seams...

[http://www.theguardian.com/commentisfree/2015/jan/01/challenge-to-old-order-growing?CMP=share\\_btn\\_fb](http://www.theguardian.com/commentisfree/2015/jan/01/challenge-to-old-order-growing?CMP=share_btn_fb)

With "super Mario" (aka Mario Draghi the European Central Bank head) demanding lower interest and tax rates to stimulate some sort of demand recovery in the EU...but knowing it is unlikely, he is promising yet again "to do whatever it takes". His rhetoric is wearing thin and with problems in Greece, Europe is now a basket case. But the Grinch says, "Hey get real baby. How low can you go?"...

<http://www.telegraph.co.uk/finance/economics/11322680/Europes-bond-yields-fall-to-lowest-since-the-Black-Death.html>

With inflation falling towards zip in Japan despite the most aggressive money printing in history...as the Yen follows the economy down the toilet... Abe-nomics is now failing.

With the horrific property bubble in China now being seen to act as a brake on manufacturing and growth...with the consequence that, as the world's largest user of energy and minerals, global demand will fall in 2015 and commodity prices inexorably get dragged lower.

With Russia staring into the abyss...

[http://seekingalpha.com/article/2792065-russia-experiences-a-double-whammy-as-it-heads-for-a-recession?source=email\\_macro\\_view\\_mar\\_out\\_7\\_7&ifp=0](http://seekingalpha.com/article/2792065-russia-experiences-a-double-whammy-as-it-heads-for-a-recession?source=email_macro_view_mar_out_7_7&ifp=0)

None of this is good for either the other emerging economies and even NZ and Australia should be reviewing contingency plans.

Mish's analysis of the picture is quite perceptive...

<http://globeconomicanalysis.blogspot.co.nz/2014/12/whats-behind-plunge-in-oil-winners-and.html>

It is possible that the high prices that enabled tar sands, fracking and ultra-deep water drilling are now being removed. So that could leave us with a chronology that looks something like this (but on the last date, rather too early to tell)

Nope...the Grinch rides onwards...but not upwards...at this point anyways.

### **How does lower income growth affect our health and welfare systems?**

A lower per capita real tax take from the productive sector means our support services suffer. It is happening now in many OECD economies.

In New Zealand we have a two speed economy. Business activity in Auckland and Christchurch is good, but in Christchurch at least the damaged infrastructure was built to cope easily with the current level of population. Within the next ten years that will be rebuilt. Christchurch's problem is effectively a short term one. In Auckland it is altogether different. Our government is sponsoring rampant immigration growth. With that growth there is a whole new industry involved in importing elderly dependents. So Auckland is not just bursting at the seams (unlike everywhere else), its population is aging disproportionately to elsewhere. Most of the forecast NZ net population influx of 75,000 for 2015 will stay in Auckland. Now the Christchurch rebuild is under way and staffed, the rest of New Zealand will not notice much if any increase. As with past years many areas will notice a decrease.

Those Aucklanders of us forced to interact with any of the health and welfare services, know what this means. The three older frontline hospitals, Middlemore, Greenland and Auckland Central now use ambulance services to aggressively triage and leave people in their homes because quite simply, the hospitals don't want patients. Social Welfare support is now divided in Auckland between Maori and Pacific Islanders and the needy immigrants. The net outward migration from many parts of New Zealand still sees local communities trying to avoid losing local services which in many cases cannot be justified based on national standards (local hospital services etc). But elsewhere it is harder to attract industry and the agricultural sector struggles to find labour.

The health sector's reaction in the form of a move to community care, private hospitals (typically full of long-term incapacitated folk or the terminally ill), home support and hospices (which are over-taxed) means that the health service in Auckland (at least) is at the point where no sensible New Zealander living in Auckland should attempt to rely on our public health system.

There is little else that can be done in Auckland to ration public health resources and it would appear that services will automatically degrade as each year passes. Both doctors and politicians will continue to pontificate but the doctors will still get their pound of flesh from paying customers (with or without the benefit of medical insurance)

Within the OECD, this phenomenon is relatively common. While Australia still has superior services to NZ, the signs are on the wall with some surveys showing a fall in service levels. In England where immigrants also target the welfare system as a reason to migrate, there is a similar problem...

<http://www.telegraph.co.uk/health/nhs/11319627/AandE-in-crisis-a-special-report.html>

Given lower EROEI for fossil fuels and a lack of effective high energy replacement, it is on the cards that the years ahead will see negative real economic growth for most within the OECD. That will lead to falling real taxable wealth and greater pressure on public services.

At present there is no indication that the education system is under the same sort of strain that hospitals welfare and prisons are coming under. But that too can be expected.

Don't be surprised if this trend firms up in the next few years...watch this space.

I don't expect major changes to occur in 2015 and yet I think we will find by year end that the world is a very different place.... as existing trends continue to firm up.