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Better-Management Newsletter 17 Feb 2015

Business 101 for Germany. The world hasn't learnt either. Middle East holy war. The angst is peoples against peoples. Hold the culpable people to account. Has China hit the skids? Peakists v. Cornucopians. Low-hanging fruit/oil.

Business 101 for Germany

Germany has not seemingly learned the most important lesson of business. You cannot make a profit selling to an insolvent customer! No wonder the debt talks with Greece have collapsed...

<http://www.telegraph.co.uk/finance/economics/11416800/Greek-crisis-talks-collapse-in-acrimony-as-Syrza-defies-EMU.html>

A thoughtful article on the current Greek impasse...

http://www.businessspectator.com.au/article/2015/2/16/europe/how-avert-impending-greek-tragedy?utm_source=exact&utm_medium=email&utm_content=1142067&utm_campaign=kgb&modapt=

The world hasn't learnt either

But this shambles is replicated on the global stage as outlined in this audio from David Stockman...

http://www.allnewspipeline.com/Economy_Has_Entered_The_Crack_Up_Phase.php

Meantime we have red herrings...

Middle East holy war

As Europe gets ready to self destruct, a holy war is just beginning in the Middle East...Sunni v. Shia; Islam v. Christianity...

This takes the media attention along with Ukraine...

<http://www.telegraph.co.uk/news/worldnews/islamic-state/11416779/The-Middle-East-is-red-with-the-blood-of-Christians.html>

Furthermore the Koran provides fuel for the fires of Islamic State and validates the barbaric violence by Islamists...David Wood provides this commentary....

https://www.youtube.com/watch?v=v9KZU_ZgwMI&feature=youtu.be

And

<https://www.youtube.com/watch?v=uAr98Ec2nhw&feature=youtu.be>

The angst is peoples against peoples

The problem as I see it in the Middle East is that the actions against Christians are for the most part being taken by their friends and neighbours. In part due to greed, settling old scores, and in part because of retribution for the attacks by the coalition of the willing to destroy Saddam Husain and other “tyrants”. So it doesn’t matter what is said in either Koran or the Bible, because much of the angst is peoples against peoples.

Folk like Jack Straw, Tony Blair, John Howard, George W. Bush and all his henchmen should be on trial at The Hague for what they did to and in Iraq. Theirs is the culpability for what seems now impossible to stop....the religious and ethnic violence and the cleansing that goes along with that....

<http://www.telegraph.co.uk/news/general-election-2015/11404389/Why-Im-standing-down-from-Parliament-Jack-Straw-MP-for-Blackburn.html>

Hold the culpable people to account

It is impossible to change behaviour of powerful politicians unless those culpable people are properly held to account. So perhaps we in the West cannot grouch too much about Islamists until we are prepared to deal to those who have caused much of the problem...for me it is a call of “Lock’em up!” for the two POMs, the US Neocons and John Howard. Punishment should be proportional to the crime committed. Just as well folk won’t let me decide their fate.

The reduced demand for commodities from China is responsible at least in part for the lowest ever Baltic Dry shipping index.

Has China hit the skids?

Another question though from the stats, is whether China has actually hit the skids, or whether the change in timing of the Chinese New Year from January to February this year is responsible – from Sinocism...

“[Economic data: Lunar eclipse | The Economist](#) The numbers made it look as if China was on the brink of deflation. Consumer prices rose just 0.8% from a year earlier, a sharp decline from preceding months. Trade was also weak, with exports falling 3% and imports down 20% (see chart). But the distortion of the variable-holiday effect was sizeable. Everything from shipping to roadworks is completed in a rush before China shuts down for its New Year. That burst was concentrated in January last year. This year, with the later holiday, it has spilled into February.”

Big changes never-the-less.

Peakists v. Cornucopians

While I mostly post about our likely imminent fate from exhausting the world's more easily accessible finite resources, I recognise that the arguments between peakists (based on scientific evidence) and cornucopians (based on the creativity of human beings to bring about technological changes) have each their own merits. In his writings of 1794 the Rev Thomas Malthus believed the world (he knew) had reached peak population carrying capacity. But then in short order came coal, oil, gas, electricity and the industrial revolution. Then also came large scale emigration from Europe etc to take advantage of under-utilised lands. The Irish famine and Highland Clearances forced many to emigrate or starve. The folk holed up in the prison hulks were sent south to Australia and Norfolk Island.

If you read about the South Sea Islands of the time, you would see many references to cannibalism and population thinning by decree. In Samoa and Tonga a ritual thinning was carried out and in New Zealand and Fiji it was just cannibalisation and inter-tribal competition for resources. Nowadays we accept mass migrations as a solution. But humane as it is, one man's solution often becomes another man's problem.

Even when the Book, "The Population Bomb" was written, innovations changed the game so Simon won his famous bet with Erhlich...

<http://blogs.platts.com/2015/02/13/ehrich-simon-bet-commodity-prices/>

But Erhlich was an idiot to express his measurement of the wager in price terms. Price is irrelevant but at the risk of shocking all the readers of this email, I have to stress that what is happening to oil and other prices is to be expected. Those of us who studied the collapse of the whale oil industry would know why. We are entering a period of increasing volatility in both directions – both up and down.

The geopolitical disturbances in the Middle East alternatively shelve and bring forth new production. The introduction of substitutes for traditional oil does the same.

As time goes by the doomsters die off along with their detractors...

<http://resourceinsights.blogspot.co.nz/2015/02/william-cattons-warning.html>

Low-hanging fruit/oil

Meantime the low-hanging finite resources fruit, once picked, is no longer available to us. Nowhere is this more marked than in the North Sea oil patch where Britain has no new fields to maintain production output levels.

The new Norwegian Johan Sverdrup deep sea oil field aside (total recoverable oil out to say 2030 is likely to be somewhere between 4-8 weeks global usage), the continuity of global supply will now be determined by how many wells can be drilled and completed in known structures, rather than new finds...

<http://peakoil.com/geology/discoveries-of-new-oil-and-gas-reserves-drop-to-20-year-low>

From 2020, the production of oil from the USA will start to fall unless they find new deposits. But so far there are no new known shale prospects of size and even the Arctic cannot slow the decline.

For all finite resources, the essential question of whether human ingenuity will triumph is as yet unknown. Some of us hope for technical solutions to energy storage...the likes of the mythological EESU.... to dramatically reduce dependence on oil over time...but realistically, we no longer have that sort of time.

For oil there will be only one field that will point the way ahead conclusively...Ghawar in Saudi Arabia. The problem is that stats of what happens in Ghawar stays in Ghawar as it is a closely guarded secret. For how much longer can Saudi Aramco maintain 15 million bbls per day of sea water injection in order to extract 5 million bbls per day of oil? This field has been producing since the 1950's and extra waterflood has gone on for several years now. In parts of the field other enhanced oil recovery techniques have been commenced and use for 2-3 years (but these seldom last long and normally just serve to wring the last economic drops from an aging field).

The battle for extracting oil from aging fields and new oil structures will obviously continue for many decades and even perhaps centuries. But peak oil theory is about securing an increasing daily volume that is adequate for growth. Arguably, as soon as oil production per day starts to fall, our society will be prejudiced. For analogues, the story of past civilisations is contained in Joseph Painter's book, "The Collapse of Complex Societies".