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Rise and fall of the US Empire / The main event: exponential growth / Greece slowly slipping towards the abyss

Rise and fall of the US Empire

As the Russians get involved in Iran and as China invades areas of the East and South China seas to build new islands, this provides military challenges to the American Empire. To the extent that the BRICS demand more of a say in commercial and banking affairs, this challenges the Anglo-American economic empire too.

From the American perspective...and they only became an empire unintentionally...

https://www.stratfor.com/weekly/coming-terms-american-empire?utm_source=freelist-f&utm_medium=email&utm_term=Gweekly&utm_campaign=20150414&mc_cid=200a1a669a&mc_eid=f6520e17b6

But the USA takes advantage of the privilege accorded by the Petrodollar to abuse its influence in the global economy. Hence the establishment of alternative financial structures...as more and more examples like this below occur, the international resolve to diversify the world's reserve currency away from the US dollar grows...

<http://www.internationalman.com/articles/a-powerful-weapon-of-financial-warfare-the-us-treasurys-kiss-of-death>

For China to attack the dominance of the US dollar, she must spend what surplus dollars she has and avoid further investment in US Treasury debt....Oh, she is already?...from Seeking Alpha...

“[Japan is set to overtake China](#) as America's largest overseas creditor when the U.S. Treasury releases its February investment figures at 4 p.m. in Washington. China cut its investment in Treasuries for a fifth month in January, while Japan added \$7.7B, narrowing the gap to \$1B. While the two Asian nations each own almost 10% of the \$12.6T in publicly traded U.S. debt, China has held more than Japan since 2008.”

Soothing words are just for public consumption and hardly reflect reality...from Sinocism...

“[Interview: Li Keqiang on China's challenges - FT.com](#) Is it just me or has Premier Li taken a much higher profile since the NPC meeting last month? In his first interview with a western media organisation, Mr Li was relaxed, gregarious and clearly in command of his brief during an hour of questioning in the Hong Kong room of the Great Hall, a highly symbolic venue to receive a British newspaper editor. His main message to the world was China's continued commitment to the current global financial order, particularly in the wake of Beijing's move to set up the Asia Infrastructure Investment Bank.”

Yet the dollar is still the prettiest girl at the party...

http://www.telegraph.co.uk/finance/comment/ambroseevans_pritchard/11539696/Bonds-beware-as-money-catches-fire-in-the-US-and-Europe.html

(Editor's note: more articles on the subject are listed on this website. See 'Latest posts' Rise and Fall of the US Empire.)

The main event: exponential growth

For me, the main event is not the prospect of a collapse in the global financial system, but the inability of humanity to continue to grow exponentially without triggering “Liebig’s Law” of the minimum. It is likely that this will relate to the occurrence of lower oil supplies with which to run the globalised economy.

There are some who believe that insufficient fresh water supplies will be the trigger for collapse on a region by region or country by country basis – but that will not be a systemic global issue despite the hardships. Desalination is a solution in some areas, others don’t have a problem. Oil is not only used universally in transport for which about 70% of oil winds up as the portable fuel to drive vehicles of all sorts, but also oil prices are contained in the cost of every good or service that is sold globally. This took 100 years or more to happen and it did so because oil was so plentiful and cheap until the late 1990s. So if - as I expect – the price of oil surges to the region of USD150-250 per barrel when the future upswings occur, this will disrupt international trade as some goods will become too expensive at their destination. Low oil prices will in the short term be the catalyst for business failure in the oil industry. More than 50% of American oil rigs are now out of work. That is roughly the equivalent of one quarter of the world’s oil rigs. Elsewhere major projects are being deferred too. So I think it would be a fair estimate, that despite greater difficulty and cost in finding oil, we have probably (via global pricing mechanisms) sidelined about 35-40% of the industry’s drilling rigs.

The global oil price drop may therefore become the catalyst for the huge peaks and troughs in global oil prices that previously was a feature of the demise of “whale oil”.

The one resource that more than anything else supports globalisation is oil. So the prospect of reduced oil supplies in USA following the likely collapse of the shale Ponzi scheme, is likely to be the catalyst for us all to enter a post peak world. How serious will this be? Who can really guess at it. But if the global financial system seizes up as well, it won’t be too pretty. I like this article by ex CIA wonk Tom Whipple on the subject of timing...

<http://fcnp.com/2015/04/14/the-peak-oil-crisis-have-we-reached-the-peak/>

Gail Tverberg has studied the nexus between the financial system and oil (starting but not limited to her profession as an actuary). She is presently presenting to leading Chinese universities on the same subject. Her opinions are as follows....

<http://ourfiniteworld.com/2015/04/15/putting-the-real-story-of-energy-and-the-economy-together/>

The world’s population has already grown this year by some 23.5 million, net of deaths.

(Editor's note: other views on world populations are worth reading as comparisons:
http://www.slate.com/articles/technology/future_tense/2013/01/world_population_may_actually_start_declining_not_exploding.single.html
<http://wattsupwiththat.com/2014/01/05/overpopulation-the-fallacy-behind-the-fallacy-of-global-warming/#more-100583>)

<http://www.worldometers.info/world-population/>

So on the one hand we rely on food and specialist supplies and technology to come from great distance; and on the other hand the increase in specialisation means that anything that interferes with international trade will have the potential to interrupt our lives in real ways. Extra mouths to feed and the logistical issues from high oil prices could change the current paradigm for at least a ten to twenty year period.

In the extreme? Who knows how to grow their own food or preserve it for winter? Who knows how to make shoes or TVs or computers?

In the short to medium term, the cost of transport has the potential to unwind ideologies developed by folk like Adam Smith. Making and buying local could be at a premium.

In this environment, singling out energy sources for attack by PC governments makes little sense. The Japanese debt levels are 270% of GDP and yet they are slow to restart their nukes...

<http://www.world-nuclear-news.org/NP-Economic-cost-of-Japans-nuclear-shutdown-1404151.html>

Also Mr Obama and Ms Merkel (who is also anti nuke) are attacking coal fired power stations without replacing them with a cost-competitive solution. The result is that Germany's electricity costs are almost double the EU average.

Coal pollutes like nothing else and the toxic plumes are a problem needing remedy. But scrubbing technology is readily available. *(Editor's note: all modern coal-powered power stations, at least in Western countries, have highly efficient mechanisms to remove almost all toxic substances. Recall the 'acid rain' scare in the 80s.)*

Greece slowly slipping towards the abyss

Insolvency of individuals, companies and countries always starts slowly but gradually becomes a self-fulfilling prophesy and the pace speeds up at an accelerating rate. So it is with Greece as they start to run out of time and get down-graded to junk. Even citizens are bailing out by taking their funds out of the Greek banking system....

<http://www.telegraph.co.uk/finance/economics/11537495/Black-hole-in-Greek-finances-grows-as-Athens-is-pushed-to-the-brink-of-euro-exit.html>

Wolfgang Schauble of Germany has said no-one should expect a solution this week and that probably signals the worst to come.

In Australia, the first casualty of the iron ore price crash has fallen over...

http://seekingalpha.com/article/3065836-atlas-iron-is-shutting-down-all-its-operations?source=email_alternative_energy_investing_ele_uti_2_14&ifp=0

Will Fortescue be next?