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Better-Management Newsletter 2 April 2015

Stagflation is looming / The American dream RIP / The collapse of commodities prices / The geopolitical situation is deteriorating / Will technology save us?

Throughout the OECD (and China), we are watching as certain asset classes are being inflated – like crazy. These are Land, Real Estate, Shares in certain stock exchanges.

On the other hand, if we discount money printing and credit creation that give global GDP a bit of a fillip (USD57 trillion of extra debt since the GFC of 2008) there has been no real global economic growth.

The indicator of recession is with us everywhere...

<http://www.silver-coin-investor.com/No-FED-Bets-From-the-BIS.html>

The American dream RIP

My wife watches a TV programme called “The Middle” about a Kansas family that is struggling to stay afloat with one boy at college under a sports scholarship, a daughter who may never be able to afford to go and a smart geeky kid who causes even more mayhem than the other two. Each parent works a couple of jobs and yet is falling further and further behind on house maintenance, clothing etc. This is because for many Americans the dream is over as their income falls and some move into low paid jobs and some become unemployed – to never either work again or become included even in the US unemployment statistics.

<http://thecrux.com/bill-bonner-what-you-should-know-about-the-american-dream/>

Anyone who believes the US labour stats is either stupid or lazy because the deception is easy to see. But the problem is that the same is happening in Europe.

In New Zealand we are fortunate to have a Christchurch building boom funded from a mixture of re-insurance money and government debt. But this is a one-off. Also, our key commodities are not tied to customers’ investment programmes but to food essentials.

The collapse of commodities prices

The collapse of commodities prices doesn’t mean we have a huge surplus of natural resources, it just means demand growth has stopped. But it will take time for this to feed through into the stats.

When the US Fed raises interest rates, the chickens will come home to roost and the US will find itself unable to deny the current global deflationary forces.

The EU is finely balanced with Greece being pressured to accept an unpleasant level of belt tightening...raising once again the prospect of Grexit...

http://www.ekathimerini.com/4dcgi/_w_articles_wsite1_1_24/03/2015_548521

And

<http://www.bloomberg.com/professional/kc-post/dates-watch-greece/>

The latest news overnight is that Greece has just submitted a new reform plan. The problem is that Germany refuses to take a step back – well so far anyway.

France is started to buckle at the prospect of further belt tightening there...

<https://uk.finance.yahoo.com/news/france-europes-big-problem-warns-140912882.html>

The geopolitical situation is deteriorating

1. The Yemen Civil War

What a “buggers’ muddle” Yemen is becoming...but then that could be said to be true of the entire Middle East.

The Saudis are taking a big gamble in Yemen but Yemen controls the Bab el Mandeb straits at the entrance of the Red Sea...thereby Suez...

<http://foreignpolicy.com/2015/03/26/saudi-arabias-big-gamble%E2%80%8B-yemen-airstrikes/>

Can anything good come out of Yemen now?

<http://peakoil.com/publicpolicy/the-battle-for-the-middle-east-future-begins>

Yemen’s population growth got out of control when Yemen was a net oil exporter...that may sound familiar for folk in Egypt, Syria and other MENA countries that have gone from being net exporters of oil to net importers...

<http://www.caseyresearch.com/articles/yemens-swelling-population-drives-unrest>

2. Syria & Iraq

Why do we send troops to Iraq when the several combatant groups are being either supported by the Saudis or the Iranians – with Russian and US interference thrown in for good measure?

3. Libya

Same issue. Libya is in turmoil. But out on a limb to the other conflicts further East.

4. Iran...then there is Turkey

The P5+1 continue to negotiate and yet there are few signs. This article helps to understand what is happening in the Middle East...with the exit of “boots on the ground” from Britain and the USA, the local three main regional powers will need to find their own accommodation...

https://www.stratfor.com/weekly/middle-eastern-balance-power-matures?utm_source=freelist-f&utm_medium=email&utm_term=Gweekly&utm_campaign=20150331&mc_cid=15c6e5c7ea&mc_eid=f6520e17b6

Each regional power has its own issues to deal with. The Saudis are vulnerable to extremism within, Iran to the P5+1 process and Turkey has the kurds and some difficult electrical supply issues...

<http://www.bbc.com/news/world-europe-32130567>

5. In Nigeria

Cometh the hour, cometh the man. The people want an end to the violence from Boko Haram and the corruption that has put all Nigeria’s oil revenue in the hands of the oligarchy...

<http://www.bbc.com/news/world-africa-32150234>

China is heading towards war with the OECD....and others

The objective of the new structures in the China sea is to leverage control of the regions seas from others so they can exploit its resources. They are doing so as a direct challenge to the USA and allies. The new banks AIIB etc are designed to commence the collapse of the US dollar as the world’s global currency. So make no mistake, WWIII has begun ...just that it is being carried out with subterfuge and not (yet) with arms in sight.

Will technology save us?

Just as we fill the oceans with plastic....not just the Pacific Gyr...

<http://www.bbc.com/news/science-environment-32145976>

We come up with some interesting technical solar collecting solutions...

<http://www.alternative-energy-news.info/floating-solar-panels/>

Will humanity run low on critical resources before we make the technology breakthroughs? My bet is on our greed. Although demand will drop as our recession deepens...