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## **Better-Management Newsletter 8 June 2015**

**The Failure of Complex Societies / Record debt levels / Greek brinkmanship / Low cost oil in the Middle East / Water, water, not everywhere /**

As a student of history, the book I enjoyed more than most was Joseph Tainter's The Failure of Complex Societies because it was based on archaeological evidence that showed as societies grow more complex they typically fail. The present situation has many parallels with that historical evidence...

<http://thearchdruidreport.blogspot.co.nz/2015/06/the-era-of-breakdown.html>

Bond markets are showing signs of disruption...

<http://www.caseyresearch.com/articles/bond-markets-are-cracking>

Meanwhile the Greeks are playing their part in the European drama...they have missed their first loan repayment to IMF but will their intransigence lead to insolvency of their banks?

<http://www.bbc.com/news/business-32852468>

What does this signify?

<http://www.telegraph.co.uk/finance/economics/11654639/IMF-has-betrayed-its-mission-in-Greece-captive-to-EMU-creditors.html>

### **Record debt levels**

But everywhere else record debt levels remain a problem...

Whether we are talking about greed leading to all-time high margin finance for share purchases in the UK, the price of dairy farms in New Zealand leading to record lending or the property bubble swelling in Auckland, Sydney and Melbourne, all are funded at historically low interest rates. Pop the bubble and our banks will hit the skids....

[http://seekingalpha.com/article/3236706-margin-debt-reaches-new-all-time-high-bullish-or-bearish?source=email\\_macro\\_view\\_edipic\\_0\\_0&ifp=0](http://seekingalpha.com/article/3236706-margin-debt-reaches-new-all-time-high-bullish-or-bearish?source=email_macro_view_edipic_0_0&ifp=0)

Erdogan has an insufficient mandate to turn Turkey into a Republic and (probably introduce introduce Sharia law)

<http://www.bbc.com/news/world-europe-33042284>

All we need is for interest rates to move higher and the global economy will explode.

Deutsche Bank has the greatest derivatives exposure of all the major banks. But no-one dares talk about that. Even so, it may be why Greece has the EU by the throat...well, perhaps?

<http://www.bbc.com/news/business-33039361>

### **Greek brinkmanship**

Deutsche Bank has high exposure to Greece as well as numerous aggressive derivative bets. So there is a lot of pushing and pulling on the same piece of string...

<http://www.telegraph.co.uk/finance/economics/11657660/Greece-told-to-strike-a-deal-or-face-dramatic-consequences.html>

and

<http://www.telegraph.co.uk/finance/comment/rogerbootle/11658135/Why-is-Athens-still-refusing-the-free-lunch-of-a-Grexit.html>

A lot of the increase in global debt is supporting the shale ventures in USA. What if the market reduces the price of oil or there is an increase the interest rate? The outcome in either or both cases will be a disaster of sufficient size to roil the global derivatives market...

<http://peakoil.com/publicpolicy/opec-finds-oil-output-consensus-dont-rock-the-boat>

So it looks like shale oil drillers will take the heat over the next year or so...

[http://www.rigzone.com/news/oil\\_gas/a/138953/Winners\\_and\\_Losers\\_When\\_Oil\\_is\\_50\\_a\\_Barrel](http://www.rigzone.com/news/oil_gas/a/138953/Winners_and_Losers_When_Oil_is_50_a_Barrel)

### **Low cost oil in the Middle East**

There is more low cost oil in the Middle East that is available to produce, not just in Iran but also in Iraq. But other than in OPEC countries there are very few drilling options that do not involve high expense and low EROEI. We have been watching Kuwait who would like a larger allocation of OPEC quota but that won't happen until shale oil tails off...

<http://rt.com/business/265141-kuwait-oil-gas-production/>

Iran has just inked a deal with Russia to export oil through them...

<http://peakoil.com/consumption/russia-to-start-iran-crude-imports>

The near term increase in oil supplies could lead to lower prices as the quota system at OPEC breaks down...

<http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/11653507/Iran-and-Saudi-Arabia-on-a-collision-course-over-oil-at-Opec.html>

The reaction of Shell Oil has been to buy BG Group and thereby get extra resources – using sale of downstream assets to provide funds. The reaction of Exxon Mobil has been to start shrinking in an orderly fashion...

<http://peakoil.com/business/exxon-at-the-crossroads-buy-a-rival-or-shrink>

The Americans love to throw people in jail...but some do escape...Canada here I come?

<http://www.bbc.com/news/world-us-canada-33043804>

The only problem is that there is avian flu affecting chickens and turkeys in Mexico, USA and Canada...something I never heard about before...

<http://www.washingtonpost.com/blogs/wonkblog/wp/2015/06/05/the-largest-grocer-in-the-texas-is-now-rationing-eggs/>

### **Water, water, not everywhere**

Then there is water...Texas got too much of it and California has none of it...

Given that there are floods in many places, how does water distribution stand at the present...wonder how up to date this is?...

<http://ecowatch.com/2015/06/03/epic-droughts-devastating-planet/>

From time to time we think about the 86 million new mouths to feed each year (mostly in poor neighbourhoods and regions) and about the debate over fracking water use and contamination. Fracking does use a huge amount of water but it depends on geology whether fracking in one area contaminates groundwater or not...

<http://www.zerohedge.com/news/2015-06-06/awkward-day-after-epa-finds-fracking-does-not-pollute-water-top-oil-regulator-resign>

Seems there is not a one shoe fits all for fracking. But as far as water in India is concerned, we have to wonder what will happen when China diverts more river flows?

A long dissertation for those with time to read and conjecture...

<http://waitbutwhy.com/2015/06/how-tesla-will-change-your-life.html>

The reason for showing you this is that Tesla is now certain to get to the point where EVs will replace ICE cars. What happens to fossil fuels is not really material IMHO. But that is why...

1. Energy storage capabilities are everything for both renewable energy and electric cars. (Which is why something like the mythological EESU is so important; and
2. The mainstream EV is not so far away not (so perhaps I will wait).