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Better-Management Newsletter 18 July 2015

Greece's impossible task / The rise and fall of the EU - et al / The insolvency lingers on / Don Corleone kept the peace / Disaster scenarios - take your pick / China - all is unclear

Greece's impossible task

Greece is the least industrialised and most dependent on imported food and energy of the core European countries, so they have natural disadvantages that I have covered in previous emails. Schaeuble knows he has inflicted an impossible task on Greece...from Seeking Alpha...

“[German lawmakers are expected](#) to give Berlin the green light today for negotiations on a third multi-billion euro bailout for Greece, despite Finance Minister Wolfgang Schaeuble questioning whether it will succeed. Yesterday, the ECB increased emergency funding to keep the debt-laden country's banks afloat, while EU finance ministers approved a €7B bridge financing, allowing Athens to avoid defaulting on a bond payment next Monday and clear its arrears with the IMF. Greek banks are also scheduled to open on Monday, but capital controls will remain in place.”

Yet Greece isn't on its own...a fact Germany should have remembered...

http://seekingalpha.com/article/3329295-greece-is-not-unique-in-dissing-eu-commitments?source=email_macro_view_eco_24_58&ifp=0

Failed turnarounds make things immeasurably worse.

For those who do not understand, one can only be deemed insolvent by either or both of two tests. The first is whether you can pay your bills as and when they fall due. The second is when your assets are less than your liabilities. In 2008, Greece, Portugal, Ireland, Spain were all insolvent by the first test. *(Editor's note: there is a vital third test: the validity of the debt. In Greece's case, this is very complex and far from clear-cut.)*

The rise and fall of the EU - et al

As I have explained before, the Germans enforced the first bailout which went to the banks of those countries in order that they could pay their debts to the big German, French, English and US banks. So the bailout money went to the banks who in turn saved the bigger banks in those other countries from going bust. Deutsche Bank was the most exposed but there were others. This was done in concert with numerous other banks at the time of the GFC and in the year following. Had that extraordinary measure not been taken, the global financial system would have collapsed for two reasons. The first reason was that those 25 banks were all insolvent. The second was that the ability to fix arrangements between banks would have taken too long and the approx USD1.4 quadrillion would have caused chaos and frozen the entire global financial system – as it effectively did for a day or two.

The second run at the PIIGS was to try to remove the insolvency “bullet” from the wounded. There were some write-offs but it was only as much as the creditors could “comfortably” stand (and therein lies the problem). During this time unemployment in Greece and Spain had ballooned and there was an exodus of young (particularly trades trained) people to other countries where they could gain employment. But during the last two years the number of business failures in Greece have locked Greece into a disaster scenario where now more than 60% of those between 18-24 are unemployed and see nothing to lost by revolution. They cannot comprehend how they can be held responsible for loans that returned money to the creditor countries in the first place, but they also understand the interest on debt is crippling on its own – without even considered the requirement for loan repayments.

But the EU financial gurus never fixed the underlying problem and for some countries the failure to offer hope makes a resolution almost impossible. So how can they save a nation and its banks, now they are insolvent? Only by working with Greece as Italy and France were prepared to do. The IMF is correct in their assessment because the wounded need to have their wounds cleaned and dressed...or in plain terms sufficient of the debt forgiven that they can sort out their own affairs. Despite a band-aid, that arrangement is not on offer...

<http://www.telegraph.co.uk/finance/economics/11745138/Greek-banks-to-open-for-first-time-in-three-weeks-as-Mario-Draghi-provides-lifeline.html>

To start with, this only appears to be a programme of short term measures designed only to keep Greece in debt to Germany.

http://seekingalpha.com/article/3327465-greece-will-default-deal-or-not-and-its-not-a-deal-its-a-foreclosure?source=email_macro_view_for_6_72&ifp=0

The insolvency lingers on

Yet the fact of insolvency lingers on and must be addressed or Greece **will certainly** become a failed state...the military may take control to maintain law and order but the necessary actions to make the Greek economy self sufficient will not be possible and an even bigger and more unpalatable write off(s) will be needed in future.

<http://www.telegraph.co.uk/finance/economics/11744305/Greece-should-seize-Germanys-botched-offer-of-a-velvet-Grexit.html>

Failure to address the insolvency is like discharging a patient from hospital with a Band-aid applied to a gunshot wound. The patient will continue to haemorrhage and the family (the EU) will be the weaker for it. The second bailout removed the bullet but left the countries with huge debts that should have been written off in part – at least. The wounds are still infected and the outcome likely fatal.

In enforcing their demands, the Germans have caused a victory for all Euro-sceptics and made it politically impossible for the UK to remain in the EU now Germany has shown both the strength and the ruthless determination to use it. Of the other countries, I see France as most exposed to a right wing – led attempt to exit.

Don Corleone kept the peace

In the film “the Godfather”, Don Corleone kept the peace among crime families of New York by always being fair in the resolution of disputes. He often made concessions that meant the others could not see his dominance. Germany through a “Shylock” named Wolfgang Schäuble has unmasked the true dominance of Germany within the EU. This has meant he will get his “pound of flesh” from Greece – perhaps? - but he has shown Germany’s true colours...just as France did in 1919 when they single-handedly enforced reparations on Germany that Germany could not meet...and that led directly to the rise of fascism and WW2.

So the EU as a vehicle for solving inter-government disputes in Europe has failed – big time.

Frau Merkel relies on the political support of Schäuble, but she should not have gone along with his hard line. The problems will persist...and if the banks will struggle, then more businesses will die...

http://seekingalpha.com/article/3331725-the-great-greek-bank-drama-act-i-schaeubles-sin-bin?source=email_macro_view_edi_pic_3_3&fp=0

and

<http://www.bbc.com/news/business-33562050>

By the way, the anecdotal criticisms of Greek excess have come back to bite them and circulate long after they have ceased. The rich have used their life-boats to leave their countrymen to it, many young have also gone elsewhere (those with qualifications, skills and the “get up and go”), where there is work.... and now it is not unusual to see families of three generations living off the pension of one or two grandparents. The business failures grow, the unemployed become more numerous by the day and the austerity laws will worsen the situation, until Greece again collapses as a failed state like those of the Middle East. Then there are the African boat people, landing in droves...

But who knows, perhaps common sense may prevail.

Disaster scenarios - take your pick

The passage of time...and disasters appearing at random

Nowadays we have folk who tell us that there will be massive climate change and a relatively rapid rise in sea level – caused by our atmospheric discharges. At this point we only know for certain only that we are living in an “interglacial period”. Over history, it has been accepted that ice ages usually last for much longer than interglacial periods. We also know that aside from mini ice ages from about 1460-1700AD, we are already overdue for the next ice age. If the primary causation of global temperatures are sun cycles, then perhaps those folk who have just suggested there will be another icing event from 2030 could be right. But if so, what could the current CO2 build-up do to affect that?

Our biggest problem is to conceptualise a bridge between the long term geological movements that took millions of years and the movements of earth, sea and climate – up to today. This problem is made worse by those scientists who forget that humanity has a short time period of scientific records to go on. Sure the world’s ocean levels are rising by about 2mm per year, but

is that typical of a normal interglacial period, or is it being caused by human atmospheric pollution?

In Christchurch we are rebuilding a city after an earthquake but in reality we have no notion of whether that city will endure – other than by the suggestions of modern science.

In Texas, USA, they rebuilt the port of Galveston despite the deaths of about 20,000 in 1900 when a hurricane wiped out the city. That event was never mentioned when Hurricane Katrina hit New Orleans and destroyed much of that city...many claiming this later event was due to “climate change”.

California was once a desert. Now there are signs that the droughts are back and will call into question the huge human investment in that state. We are exhausting our finite global resources, we are polluting our environment and our waste is exceeding natural sinks, yet every day, our leaders exhort us to grow bigger and faster.

In the Northwest of USA and Canada there are now record bush fires, due to heat and drought, but what do they signify?

With thanks to “eescherichia”... there are also earthquake signs that suggest North Western USA could perhaps have a major earthquake...just getting ready to pounce... of the scale of Fukushima...but have humans learned the lessons of history?

<http://www.newyorker.com/magazine/2015/07/20/the-really-big-one>

The difficulty endures for our decision-making. What are we capable of predicting and how relevant are our modern statistical and modelling observations? We choose not to deal with the reality that California could return to a parched wasteland. Yet we want to discard critical sources of energy that have enabled human economic growth and improved lifestyles to implement theories of climate scientists. It is time to remember that Global Warming is still only an unproven theory.

I wonder, why do we pick and choose?

China - all is unclear

This report attached at the heading above, suggests that China will not suffer too much from a share market crash as much as many observers have forecast...

We have become used to China’s head-fakes...like their GDP growth figures, these gold stats are possibly rubbish – but they must be deemed useful for the CCP...

<http://www.mining.com/china-just-broke-silence-on-its-gold-reserves-first-time-since-2009/>