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## Better-Management Newsletter 19 July 2015

**Iran's dodgy deal / Greek democracy RIP / The future of artificial intelligence / Oil hedges expire**

### Iran's dodgy deal

Ayatollah Khamenei has told his people that Iran's two implacable enemies are USA and Israel...so what has the proposed settlement between P5+1 and Iran achieved. The outcome may be considerably less than positive. It is entirely possible that Iran has conceded nothing but sought to maximise oil revenue to keep its "revolution alive"...

<http://www.bloomberg.com/news/articles/2015-07-16/iran-s-oil-production-could-jump-post-sanctions>

As of today both USA and UK are trying to pick a time to increase bank interest rates. This has led to weakness for gold...

<http://www.mining.com/gold-stocks-crash-barrick-plummets-to-25-year-low/>

### Greek democracy RIP

It was a valiant attempt to show the EU masters that Greeks had had enough of the austerity, which arose from insolvent Greek banks being forced to make German, French and British banks whole. But it was to no avail and now has folk wondering whether democracy in Greece is dead. Now the revolt of left wing Syriza MPs has left Tsipras having to form a government comprised of others....

<http://www.telegraph.co.uk/news/worldnews/europe/greece/11748399/Greek-ministers-sworn-in-after-cabinet-reshuffle.html>

The "waterboarding" of Greece has already started others thinking about whether joining the EZ and losing national autonomy would be sensible...

<http://www.telegraph.co.uk/finance/economics/11747880/Deeper-eurozone-integration-would-be-huge-mistake.html>

From "Money Morning", this is probably representative of the UK's position...

"Speaking to the British Parliament Cameron said,

*'It is not for Britain to bail out Eurozone countries. 'If Greece were to leave the euro and wanted humanitarian assistance, I am sure that [the House of Commons] and the British public*

*would take a more generous view. 'Sorting out the problems of the Eurozone, which we've always warned about, is a matter for Eurozone countries.'*”

As I have said before, “without the Plan B exit scenario of having in store a supply of Drachma, Greece was captive to Germany.” Next time they hit the skids they should do so with a viable Plan B.

Discussions between Tsipras and Putin have focused on oil and gas. The Greeks understand that the key to a future economic freedom rests with oil. But it won't be easy as the “Rockman” points out at the foot of this article...

<http://peakoil.com/publicpolicy/greece-looks-to-offshore-oil-and-gas>

### **The future of artificial intelligence**

In warfare the objective of AI is simple...kill without being killed...

<http://www.bbc.com/future/story/20150715-killer-robots-the-soldiers-that-never-sleep>

But like drones, this poses questions of control and justification.

There are decreasing returns from innovation. Many of the returns we enjoy today were made possible by the discovery of fossil fuels. Then we have the impacts of electricity etc. This video is thought provoking...

[http://www.ted.com/talks/robert\\_gordon\\_the\\_death\\_of\\_innovation\\_the\\_end\\_of\\_growth?language=en#t-30223](http://www.ted.com/talks/robert_gordon_the_death_of_innovation_the_end_of_growth?language=en#t-30223)

AI means more machines and less work for unskilled people. More machines will mean more resources are required, together with the extra energy to run and maintain them. Successive iterations of AI products will mean – like for i-phones – a high rate of obsolescence. So as new improved systems are created from using AI, many other systems will be discarded.

### **Oil hedges expire**

Companies usually have their selling prices hedged for much of the coming year to assure a “no surprises” impact on their P&Ls. This can represent as much as 40-50% of future sales. The problem going forward for all oil companies is that these hedges eventually expire. This shows the impact on shale companies...

[http://seekingalpha.com/article/3333935-some-shale-producers-are-in-deep-trouble-when-hedges-expire?source=email\\_alternative\\_energy\\_investing\\_oil\\_gas\\_dri\\_exp\\_4\\_9&ifp=0](http://seekingalpha.com/article/3333935-some-shale-producers-are-in-deep-trouble-when-hedges-expire?source=email_alternative_energy_investing_oil_gas_dri_exp_4_9&ifp=0)

Both New Zealand and Australia are in interest rate cutting moods at present, due to falling commodity prices... so will we Kiwis see an interest rate cut next week?

<https://nz.finance.yahoo.com/news/small-country-big-problems-zealand-100000887.html>