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Bank Holidays and Greece / Watching oil / The Collapse of Complex Societies / Most countries have massive debt / America's dodgy stats

Bank Holidays and Greece

This is perhaps the most comprehensive article on the subject...

<http://www.telegraph.co.uk/finance/economics/11718296/EU-warns-of-Armageddon-if-Greek-voters-reject-terms.html>

The UK has enshrined bank holiday Mondays as remembrance of when their banks needed to close for the day due to bank runs. We wait for the Greeks to figure out tonight whether they prefer the “Yes” option (which we understand is no longer on the table) or the “No” option which means they will default on all future payments to the troika until they are satisfied with the conditions – including a short haircut for their creditors. But either way, I cannot see how the banks will open on Tuesday...as it will likely take another week to sort out some funds for the banks. It may take a month.

During a bank holiday, no transactions will take place because who would lodge valuable cash in the bank. How many companies hold enough cash to pay either creditors or staff? When they get money why would a company lodge it with their bank? The world is horrified by scenes of Greek pensioners lining up to get some cash out but they are only the tip of the iceberg. The USA does not need lines at soup kitchens because they pay their 43 million poor, by electronic payments and the poor recover the value by lining up at check-out counters in Walmart at midnight on their day of entitlement to get their groceries. But this below is how the Greeks are getting on – Just pensioners only (because that makes good press)...

http://seekingalpha.com/article/3302095-the-plight-of-greek-pensioners?source=email_macro_view_eco_0_10&ifp=0

and

<http://www.reuters.com/article/2015/07/03/eurozone-greece-consumergoods-idUSL8N0ZJ2PN20150703>

leaving it a bit late, many Greeks and other Europeans (fearing contagion) go for gold....

http://seekingalpha.com/article/3301695-greeks-europeans-even-americans-rush-to-gold-on-greek-crisis?source=email_macro_view_gol_pre_met_1_6&ifp=0

How can we avoid the worst impact of a bank holiday if one were to occur?

1. Money under the mattress.

2. Maintain two months of durable food and beverages in your own pantry.
3. Gold and silver in small denominations (even 1 oz gold would be worth \$2,000)
4. Split funds on deposits in banks between a number of banks to avoid the worst effects of any possible “bail-in”.

But both gold and oil prices are dropping due to the contagion. Oil because recession means a drop in demand, and gold because folk investing in paper gold go to cash as a reflex reaction which more than contra's the market demand for physical gold.

We have a fascinating week ahead in store for us.

Watching oil

I reckon in about another month we will have good data on how big the drop in US oil production is. Canada has dropped and that will continue for the rest of 2015.

<http://www.energytrendsinsider.com/2015/07/02/remember-when-we-were-running-out-of-crude-oil-storage/>

This article on oil notes the impending disaster for folk who have financed the US shale industry...

<http://peakoil.com/business/there-will-be-blood>

More stuff on why oil price hedges are supporting the O & G industry for now, while October becomes D-day....

<http://www.zerohedge.com/news/2015-07-02/shale-drillers-about-be-zero-hedged-loss-protection-expires>

A month ago, I stood in front of the lift doors at the doctors' surgery and contemplated how cheap our energy must be, to be able devote it to the myriad of low return activities. If we lose fossil fuels and are unable to replace oil with something else for transport, what would it take if humans needed to supply it from their own efforts? We have lots of people but we humans have little energy to contribute...

<https://www.youtube.com/watch?t=108&v=S4O5voOCqAQ>

I occasionally blather on about the coming end to the industrial age of oil. I see it as a relatively near term event, probably only considered in the mainstream when Ghawar reaches its inevitable end and consists only of tens of thousands of stripper wells producing less than a million barrels of oil per day, by comparison with the 5 million barrels per day it currently produces. Perhaps five to ten years away. It won't be the end of oil but thereafter it will be less freely available (remember car-less days in the 1970's). This guy has a perspective on the oil age...

<http://collapseofindustrialcivilization.com/2015/07/02/the-end-of-the-oil-age/>

The Collapse of Complex Societies

At the foot of that article, there is an interview with Joseph Tainter. Tainter is author of “The Collapse of Complex Societies”. It is the definitive work on common causes of collapse in all ancient and not so ancient civilisations. The common factors are 1. Exhausting resources and 2. An increase in complexity which made recovery impossible. Tainter is a archaeologist and his work is empirically based. His book should be a must read for all college students...but will never be. It looks like we may be about to repeat history – despite our best efforts.

The battle of landowners and frackers grinds onwards. In Oklahoma, oil drillers have used wastewater injection to maintain oil reservoir pressures. But Fracking has used many tonnes of pressure to break the rock formations. The landowners are concerned about the quality of their groundwater and impact of earthquakes...

<http://ecowatch.com/2015/07/01/oklahoma-supreme-court-earthquakes/2/>

This won't make investors in shale companies any happier.

Most countries have massive debt

From McKinsey... Shares in China?

“the Shanghai index fell 17% in the last 18 days. And it dropped another 5% yesterday. (More on that below in today's Market Insight.)

According to the McKinsey Global Institute:

‘China’s debt has quadrupled since 2007. Fueled by real estate and shadow banking, China’s total debt has nearly quadrupled, rising to \$28 trillion by mid-2014, from \$7 trillion in 2007.

‘Three developments are potentially worrisome: half of all loans are linked, directly or indirectly, to China’s overheated real-estate market; unregulated shadow banking accounts for nearly half of new lending; and the debt of many local governments is probably unsustainable.’

McKinsey says total world debt is now more than three times global GDP. “

Are the Greeks on their own? Nope. From Daily Reckoning...

“According to financial services company Credit Suisse, Greece has total debt — including households, businesses, and government — equal to 353% of GDP.

But US debt is even higher at 370%. Germany, that supposed paragon of financial virtue, is at 302%. And China, with its state-controlled economy, is at 250%.

All are in good shape compared to Britain. It has total debt equal to 546% of GDP. Japan is in an even worse state. Its total-debt-to-GDP is 646%.

And if the Credit Suisse numbers are correct, Ireland is off the charts with total debt equal to more than 1,000 times GDP.”

Puerto Rico is worse still with debt of USD72 billion. That it cannot pay, and owed to the private sector. Soon they will default.

Which sovereign nation can pay its debts? They all depend on kicking that can down the road and on rescheduling payments. Unfortunately the biggest problem is what is happening within the shadow banking system and how that will impact derivatives counter-parties....

<http://theeconomiccollapseblog.com/archives/the-75-trillion-dollar-shadow-banking-system-is-in-danger-of-collapsing>

Of course, this is why I put the possibility of such a crash at 35%. But if that crash occurs, the risk of the global financial system crashing altogether is even higher.

As oil prices are falling, it may now be impossible for the BIS and central banks to avoid GD1.

America's dodgy stats

Only in America can they have unemployment stats that exclude the longest unemployed. Most of this month's 220,000 odd new jobs go to low paid and part time workers, meaning we cannot really understand what is happening to the US labour market. A low labour participation rate and 43% of the population on food stamps gives a better picture.

At least this week the worm "has turned" against the extraordinary launch of Donald Trump's bid for President with many of his friends and business colleagues distancing them from his comments. The Mexicans do much of the hard work once performed in the USA by negro slaves in the 19th century, but their thoughts are best typified by this post ...

<https://www.youtube.com/watch?v=DuxsuzdHNLo>

But even if you believe the stats, things don't look crash hot.

http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/150704_TFTF..pdf

We will all survive but that does not mean we should not take sensible precautions...