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As the global economy burns / Technology could save us?? / When will oil prices rise? / Oil prices: cause and effect

As the global economy burns

As central banks and bank economists fiddle with the facts, the global economy burns. The fringe fund managers and merchant bankers are all now falling over themselves to tell us why the global economy is about to hit recession, but all the commentators look at indicators of effect rather than causation. Some think what is happening is deliberate.

http://www.caseyresearch.com/articles/weekend-edition-the-federal-reserve-the-deep-states-central-bank

But I think it is more likely that they cannot figure out how to fix causation so they go after mitigating the worst effects of our problems...

For instance...

http://seekingalpha.com/article/3860026-next-2-years-worse-2008?source=email_macro_view_mar_out_3_8&ifp=0

And…

The Financial Times reports falling bond yields signals a recession and notes that of global debt, some USD5 trillion is yielding negative interest rates. So folks are giving untrustworthy banks and governments their money and paying for the privilege of eventually losing it?

And…

BIS reports (again in Financial Times) that lending to emerging economies has now ceased (that is stopped...new loans are zero) and the BIS fears “a vicious circle of deleveraging and turmoil.” And they are concerned that with interest rates low and money loaned to loss making Ponzi ventures, liquidity is drying up....Hardly surprising, is it?

http://www.telegraph.co.uk/finance/oilprices/12143304/Oil-market-spiral-threatens-to-prick-global-debt-bubble-warns-BIS.html

And…

http://seekingalpha.com/article/3865486-real-condition-banking-united-states-world?source=email_macro_view_edi_pic_3_5&ifp=0

And…

http://www.telegraph.co.uk/finance/economics/12138466/when-is-the-next-financial-crash-coming-oil-prices-markets-recession.html

But these observations are really about the symptoms of our problems.

Hmmm...

Of course, the banks themselves have not listed their true market value of derivative assets and liabilities in their own books since the mid 1990s. This means their balance sheets are not worth the paper they are written on. But then I have been telling you that since 2007.

This fraud did not stop the US Fed lending USD22.6 trillion to those banking bozos between 2009 and 2011. Bankers are the last regulators and the next regulators due to the revolving employment door between regulators and banks. But the guys running banking like Goldman Sachs and Merrill Lynch are smarter than the regulators. Just think where the current heads of the ECB, and the Australian and NZ Governments came from? We now have the guys that caused the global financial crisis running world governments. None of them...and I mean none of them… can now risk disclosing how they misread cause and effect then.

The underlying cause of all our fates is that everything that benefits the global economy and sustains humanity increasingly costs more in real terms, because the resources we use require more energy and have less net value to society. Process efficiencies cannot make up for that. Grossly inflating global debt, extending credit to folk who would never repay, at interest rates that are ridiculously low will never compensate for longer than the next few years – or nanoseconds of human time.

There is a decreasing marginal utility from both fossil fuels and new technology. (This accounts for why folk who claim technology will save the world are dead wrong). The book by Joseph Tainter, "The Collapse of Complex Societies", notes that reliance on technology never saved any previous empire. I don't buy the argument that this time will be any different despite the published advances. Humanity's footprint is now too large, our societal complexity is too great and too costly in real terms...so the consequences of our mistakes are getting ready to bowl us over. We have known of the danger of oil running out since 1940 (and earlier) and yet no solution has yet been found, despite the passage of 75 years of human effort. We have used the easy oil, coal, gas, mined the easy iron ore, uranium, tin, copper, phosphate etc.

Can I test your patience by repeating this link from the other day?.... http://thearchdruidreport.blogspot.co.uk/2016/02/whatever-happened-to-peak-oil.html

Technology could save us??

All that does not mean that it is impossible for technology to triumph – for a while at least. Anything is possible. My position is that it isn't probable, given the depths we have already plumbed. *(Editor's note: not probable in the short term, but in the long term changes resulting from biochemistry, nano-technology, quantum physics, AI and other unknown factors will produce massive changes. For the good, and when? No one knows yet).* Proponents of electric cars believe there will be range extensions from improved energy storage. But the optimism is yet to be realised. Scalability is another problem. It isn't just that very few places have recharging points and very few drivers have chosen an electric vehicle. But an entire infrastructure must be built and there is no certainty that will be possible.

On the side of technology is the development of AI....the artificial intelligence that will empower robots (of all varieties) to replace human labour. However, this will in turn pose problems for humans in jobs that are substituted. One area of substitution is in banking. To date large numbers of bank staff have been replaced by ATMs, phone, and internet banking. But the emergence of Bitcoin as a crypto-currency has taken this to a new level. The most disruptive aspect of Bitcoin for the financial community lies in the software called the "blockchain". The banks are cottoning on to this...

http://www.smh.com.au/business/banking-and-finance/blockchain-and-how-it-will-change-everything-20160204-gmmd6e.html

The advent of reliance on monetisation, debt and technology "fixes" for real world problems has given rise to a resurgence of Communist ideologies throughout the OECD, with advocates demanding that everyone gets paid a salary by the state – whether they work or not. These movements are emerging spontaneously in many countries. Clearly they won't get traction very quickly, but if bankers (with a "W") can create money from nothing, the ivory tower brigade ask, "why shouldn't everyone get a share".

This sort of aspirational activity is likely to provide a lot of confusion as the world's first global depression takes hold. Whether it is AI or renewable energy, the disruptive change or fix needs to be available before the world makes its transition, or the outcomes will be strongly negative.

Oil prices: cause and effect

As all the major oil companies struggle, some borrow to maintain their dividends – knowing the downturn in oil price is likely to be temporary. Others struggle for survival and the countries reliant on oil royalties suffer horrendous human costs with some becoming failed states...one after the other. But the problem for all is the vexed question of whether the global economy will collapse before or after the oil price heads dramatically higher.

The bet that this guy below says he is making on Penn West presumes that they will make the cut because prices must rise...

http://seekingalpha.com/article/3866216-penn-west-bullish-oil?source=email_alternative_energy_investing_oil_gas_dri_exp_3_14&ifp=0

I would like to agree with him, but I have this horrible feeling that while it may be a close-run race, even if the oil price goes skywards, a demand collapse will come shortly afterwards.

Most folks get confused between cause and effect. The next link is no exception.

When oil prices were vacillating between USD110-114/bbl, it was possible to posit that it would be economic to lift 1,700 billion bbls of various kinds of oil reserves from the ground (regardless of how lousy their EROEI is). The problem is that at USD30/bbl most of that oil will never be recovered – it will be left in the ground. So true recoverable reserves are likely to be less than 900 billion barrels. That means that at the current rate of consumption of conventional oil (27.5 billion bbls per year) – ignoring the other liquids that are nowhere near as useful...we stand to exhaust all these reserves within a maximum of 32 years.

http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/160206_TFTF.pdf

The problem is that many of the oil fields may continue to produce slowly well for decades, so that tells us that we are unlikely to maintain current production for very long....if at all.

Of course, if the price were to rise to USD250/bbl, more stuff with some of the properties of oil would be economic to produce and declared reserves could probably hit more than 2,000 billion bbls.

If someone like Mauldin is stupid enough to confuse cause and effect, we can understand why the world's economists and central bankers do the same and are getting us further into the doggie-doos with every stupid decision they make! Fixes to address effects have never ever changed causation...not in the history of humanity.

Wishful thinking will not save us.