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The root cause of the problem – posing as deflation / Lithium, handy but not our salvation / With meddling, the crash is likely to be the worst ever seen

The root cause of the problem – posing as deflation

The fact is that governments are unable to understand the root cause of their problem – posing as deflation – and they are therefore hell-bent on trying to fix the symptoms. QE and ZIRP or NIRP are not the solution to the problem but they will make the problem worse. Deflation is bad because why would you buy at today's price if you think tomorrow's price will be cheaper. It is therefore the "bete noir" of the economics and political establishment. So we must at all costs spend more on stuff we don't need in order to maintain the illusion of growth. Yet it is all nevertheless just a symptom of man's headlong rush towards the abyss. Over-population, creation of a level of complexity that our society can neither fund nor sustain, ravaging the landscape like locusts. (A bit melodramatic but you would get the picture if you could see the collapse of essential global fresh water aquifers.)

It is a bit like global warming. I am still sitting on the fence over whether it is happening due to man-made pollutants or not, but what I am certain about is that the folk who plan to fix it make King Canute look like a moderate. Their rhetoric is incredible hubris.

Lithium, handy but not our salvation

Many preach the gospel of technological salvation. One problem is that it ignores a central issue: the dielectric material relied on, lithium, is unlikely to be our salvation because it is neither sufficiently scalable nor able to cover the range of applications to save us from the inevitability of post peak oil supplies. Everyone thinks (whether economists concerned about the economy, conservationists concerned about the pollution or engineers looking for the holy grail of energy storage) that the solution is lithium. That is what makes this link special. Take away lithium and you have nothing so special... looking something like this...

<http://peakoil.com/consumption/the-implications-of-peak-energy-2>

This latter link is the reality behind why energy prices and the prices of other commodities have crashed. Selling tomorrow's production today is a good way to get the "pipeline effect" on steroids. China's decline makes things worse. One customer making up 50% of global growth in so many areas cannot suddenly slow their orders without massive dislocation.

The world is in a situation where the leading economy (the USA) has a large disaffected class, with almost 50 million people able to eat solely because the Federal Government gives them the food stamps to do so. Every time things look bad, the state expands its largesse – defying all credibility. That doesn't mean Trump or Clinton are any smarter, nor that they have the solution. Watching the sales trends at places like Walmart (USA) and Maersk (global shipping) tells us that the economists and politicians have lost the battle....volumes are way down!

With meddling, the crash is likely to be the worst ever seen

The solution to the problem posed by the pipeline effect is to take the crash. Otherwise there is no possibility of a solution. But now – with meddling - the crash is likely to be the worst ever seen.

This is the stuff disasters are made of. Leaders who are going in the wrong direction and unwilling to learn from their mistakes will not make things any easier.

But don't worry, inflation has not finished with us. At USD40/bbl more than half the world's oil suppliers are under water (under water far worse than a kiwi dairy farmer in fact). So prices must rise and when oil – the master resources - rises everything rises. IEA reckons that will take until 2017 – but what do they know? Their forecasting has been lousy. When it happens it will happen fast. That will likely bring high inflation and sheet home disaster for us all. Hence the exhortation of the smartest knives in the drawer to gold and preparing for financial collapse by divesting of financial assets and replacing them with the non-financial.