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Better-Management Newsletter 25 March 2016

Europe's economic dysfunction / Ditto the US Fed / NZ's socialist ideas / China's economic plans / Real estate bubbles / The approaching water wars

Europe's economic dysfunction

Mario Draghi has issued my generous terms for banks and borrowers, but has gone about as far as he can go...and said so. He also said that the politicians must do their share. So what next? I see Oliver Marc Hartwich agrees with him...

http://www.businessspectator.com.au/article/2016/3/24/economy/monetary-policy-isnt-panacea?utm_source=exact&utm_medium=email&utm_content=1907929&utm_campaign=kgb&modapt=

As the EU countries drift into negative interest rate territory, one after another, a further country Hungary becomes the first emerging market economy to introduce negative interest rates. Europe seems to lead the world in welfare payments...so perhaps capitalism is being phased out by unelected socialist bureaucrats operating out of Brussels? Some of whom want to pay people a living wage for doing nothing...

<http://www.telegraph.co.uk/business/2016/03/23/europe-is-now--drowning-under-the-cost-of-welfare-bills/>

When you read this article the obvious exclamation is just "Wow!" and head-shaking.

Ditto the US Fed

James Rickards was not aware that the US Fed would avoid the next planned interest rate increase, but he understood the metrics when he gave this interview. He is looking to the issue of universal money. After all, this year is a bit weird in USA as it is election year, so anything goes...

http://seekingalpha.com/article/3960152-james-rickards-you-going-see-world-money?source=email_macro_view_eco_2_21&ifp=0

The US Fed is now hamming it up as it goes. Now caught between a weak economy and rising inflation...

http://seekingalpha.com/article/3960516-two-two-go?source=email_macro_view_eco_0_19&ifp=0

One thing James Rickards doesn't spell out, is that by introducing the Chinese Yuan or the SDR as extra global reserve currencies, it replaces the primacy of the US dollar as the global

reserve currency. That exorbitant advantage the USA currently has, will slowly be eroded. *(Editor's note: possibly not so slowly...)*

NZ's socialist ideas

The NZ Labour Party has even started discussing the idea of giving away free money and further, of paying people a living wage for doing nothing. This is not a new idea (given its circulation in Scandinavia and the EU) but it is a dumb one....

<http://www.caseyresearch.com/articles/the-government-wants-to-give-you-free-cash>

What makes it all so dumb is that every trick is being used to get people to buy goods today that they don't need, those goods and services they may not even want for a few years. Once you stimulate demand, then you have brought forward a sizeable portion of the sales you would otherwise have made later. When later comes, how do you then stimulate even more demand to compensate. This is a charade that has gone on since 2010 so it is wearing thin... already. Only central bankers and socialist bureaucrats can't see that.

Now...the absence of foreign governments as buyers of US Treasury debt that gets rolled over (i.e. some USD16 trillion) is already changing the game for the US Treasury. China, Japan and the Saudis already have enough debt on their books that they will never receive payment for. As each annual US government deficit is registered, further debt is issued as well as the roll-overs. But who will fund the interest payments and fresh debt? This question remains unanswered...for now. But the possible alternative solutions are all explosive!

http://seekingalpha.com/article/3960441-chart-day-uncle-sam-rescue-treasury-borrowing-surges-18-percent-rate-q4?source=email_macro_view_eco_3_22&ifp=0

China's economic plans

I found this item from John Mauldin's friend Peter Churchhouse very interesting...

http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/OTB_Mar_23_2016.pdf

Also mounting Debt may cramp their zeal for change...

<http://www.reuters.com/article/us-china-debt-coal-steel-idUSKCN0WO35T>

Real estate bubbles

The world remains rather concerned about Australian property values and the potential for the big four banks to have a big "oops" as residential property prices slide. That must happen sooner or later.

But the same Aussie banks service New Zealand. So we should be far more concerned – particularly in Auckland where “mad-house prices” still rule. I can understand why the RMNZ Governor did not want to discuss my suggestions for cooling the Auckland housing market, when I spoke with him a year ago. Simply put, the objective is to try to smoothe it rather than cool it. The RBNZ motives are nakedly political. I suggest if you read this two week old article from Brian Gaynor, it may become obvious why...

http://www.nzherald.co.nz/brian-gaynor/news/article.cfm?a_id=14&objectid=11604116

The RBNZ Governor probably does not want to reduce house prices, but to keep the “pot simmering”, because he has other fish to fry.

Geopolitics ... The full degree of provocation for conflicts usually only became known after wars were over

The residential property markets throughout the world and bank low interest rates are invariably blamed on Central bank policies and yet it is Chinese buying that has caused global prices to spike. They spent several trillion US dollars to achieve this. Watch out because their withdrawal will collapse banks around the world if and when residential property prices inevitably tank...for Vancouver, also read LA, London, New York, Paris, Hong Kong, Auckland, Brisbane, Sydney and Melbourne...

<http://www.zerohedge.com/news/2016-03-24/chinese-take-over-canadas-real-estate-market-buy-one-third-all-vancouver-homes-sold->

China has also been buying 50% of coal, iron ore etc, etc and has been buying up farm land, mines and factories around the world. Chinese love pork so they are the world’s largest importer and now own the US firms that are the world’s largest pork producers. It is no surprise that Chinese demand fluctuations have driven the global commodity price collapse.

The approaching water wars

The wars that will soon be coming to a country near you will likely be more to do with resource scarcity and the desperation of nations to feed their people than due to US containment of Russia and China.

This week was world water day...and water could be a primary catalyst...

<http://peakoil.com/enviroment/report-warns-of-severe-global-water-shortage>

The tens of thousands of glaciers that provide the headwaters for all central, Southern and Eastern Asian countries lie within China’s boundaries. China is already aware of the issues of retreating glaciers and how it will affect all their Western, Southern and Eastern neighbours...

<http://www.aljazeera.com/indepth/features/2016/03/water-wars-imminent-central-asia-160321064118684.html>

Northern China is already out of water, so the PRC has diverted a snow fed river from the Himalayas to the North. This and further diversions will dramatically increase tensions between China and its neighbours.

We watch the daily stream of news about Chinese island building in the South China Sea. China’s move is to protect their own access to oil and gas from there...at the expense of their neighbours.

In the North Pole region, USA, Russia, Canada and Norway are actively engaged in oil exploration and development. Although the volume represents only some three hours of global oil usage, this milestone signifies Russian intent...

http://www.upi.com/Business_News/Energy-Industry/2016/03/22/Russia-pulls-10-millionth-barrel-of-oil-from-Arctic-north/6411458640056/?spt=sec&or=bn

So I invite you to consider whether the USA's move to contain China and Russia is cause or effect?

Without being Xenophobic, I invite you to also consider what will happen to our own fish stocks when Chinese factory ships start harvesting Antarctic krill...as they intend to do. Krill supports the ocean food chain, yet no moves have been made as yet to either stop or regulate Chinese exploitation of this resource.