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Destroying the global financial system / Oil prices rise, then inflation /

Destroying the global financial system

Economists and central bankers are destroying the global financial system by pumping up bubbles with their foolish experiments. Of course if you believe negative interest rates, borrowing to do things that no-one needs doing, funded by 50 or 100 year bonds at nominal interest are in any way sensible policies, please ignore my comments below.

Let's consider the facts.

1. Oil is now still selling at below the cost of production for most producers.
2. If/when oil bounces, then it's selling price will drive up the cost of anything that must be extracted from the ground, grown, manufactured or transported.
3. Inflation relates to the volume of money and credit chasing the volume of goods and services. (Remember Friedman? "Inflation is always and everywhere a monetary phenomenon.")
4. Because money and credit have become electronically interchangeable, the volume of money and credit is being deliberately ratcheted higher to combat notional deflation.
5. More and more debt is being built as a result.
6. Just ask yourself why gold is at USD1,294/oz today? Fear...or Greed? Gotta be one or the other...or both.

So, because there is nothing to replace oil as the principal transport fuel, nor will there be for at least one, but probably two decades, unless a completely new source of energy arises such as ZPE, or the much-mooted super-battery arrives, oil prices must rise once oilfield depletion reduces supply below demand. That change may happen this year or next, but it is certain to happen.

Oil prices rise, then inflation

When oil prices rise, then inflation rates will rise, simultaneously affecting the prices of all goods and services... so inflation will probably be uncontrollable given the amount of money, credit and debt that is being stirred up.

Inflation can be suppressed by central bankers then raising interest rates (they boast this will work) but given the quantity of debt, large scale defaults will occur unless more money and credit is created out of nothing. They have placed a bet on their own hubris, on something never before tried, with the global economy and the global financial system as the stakes.

This scares the Bejesus out of me, because it must be obvious to everyone other than an economist or central banker, that this is what hit the Weimar Republic and Zimbabwe, as well as a number of South American republics. I suppose Venezuela is just the latest...

http://seekingalpha.com/article/3969284-hyperinflation-venezuela-example?source=email_macro_view_eco_3_23&ifp=0

The Chinese speculators, betting on commodity prices are entirely rational on a personal level, yet it could bring the Chinese economy to its knees.

But nothing is linear. The Chinese have just increased the value of the Yuan by about 0.56%. We will likely see a number of positive and negative happenings that confuse the picture...except nothing is likely to detract from the progressive trend towards GD1 (the world's first global depression).