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Better-Management Newsletter 11 July

Financial and market crash - when? BIS, IMF flashing warning signals. Other indicators of trouble. Lord Chilcot's report re Iraq

As you will be aware if you read it, I upped my financial and share market crash probability for occurrence during the period 1.9.16 to 30 11. 16 from 55% to 65% on Saturday. It is ONLY a financial crash that I am talking about at this point. With the passage of a further five years or so, and little prospect of a true recovery, we can expect society to start to break down irreparably.

I really hope I will be writing soon to admit I am wrong in this. But I doubt that.

A bit of background

The real villains of the 2008 crash were not the central bankers or the Feds but the large investment banks that were de-regulated after the abolition of the US Glass-Steagall Act in 1999. The changes in banking freedoms were quickly emulated elsewhere. It was Robert Rubin (ex Goldman Sachs) who persuaded Bill Clinton to abolish Glass-Steagall...with help from Larry Summers. They got what they wanted. Then the banksters got the casino pumping. By smoothing the price of one thing they created huge classes of contingent liabilities. The more convenient the electronic creation of notional assets and liabilities, the greater the risk of meltdown.

By mid 2008, the size of the contingent debts and equities in the unregulated casino was in excess of one quadrillion US dollars (one thousand trillion). But in reining it back in, the casino is still open for business and still unregulated.

Unfortunately the real bankers (spelled with a "W") are now running or influencing most central banks. The only bank that is (almost) free of political interference is the BIS. Even IMF and World Bank reflect the politics of the G7 to some degree.

The banksters continued gaming the system, but have reached a point where their best efforts are failing. After all, where savings are outlawed by zero or negative interest rates, no money can be made by moving either money or debt around.

All central banks have done is to try to keep the financial systems going for the last several years. In the process they have generated huge unintended consequences and from that flows the need for there to be ever easier money and ever lower interest rates. There can now be no return to normalcy where money has a value and where the consequent positive real interest rates don't cause economic collapse.

Therefore, **take this as my direst ever warning. Money now has almost no value and hyper-inflation is irreversibly inevitable – but when?.**

Perhaps this explains why I keep stressing getting rid of financial assets and going to real assets and precious metals....fiat money can go to almost zero, at almost any time and without warning.

The BIS is worried and even Christine Lagarde of IMF is flashing warning signals

John Mauldin (who gets some things right) gives his view of the latest BIS warnings....

http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/160710_TFTF..pdf

He is wrong about interest rates being critically important. I see them as an effect of the central economic problem, but not the cause. As I keep pointing out to anyone who will listen, it is energy that produces everything humans do – not money. Money is just a token of value that is constantly being debased by central bank manipulation. There are only two sources of energy that matter...fossil fuels and electricity. We under-rate both. Worse, our blinkered politicians, bankers, economists and scientific community totally disregard the energy cost of creating the capital equipment and installation costs for energy generation and storage. In truth, most so-called renewable energy is only renewable with fossil energy inputs. As they say, "you can build windmills with steel but you cannot build steel with windmills". Intermittent power sources are over-hyped.

Where John Mauldin is wrong, it is because he does not place sufficient emphasis on oil. Oil drives the complexity of our society and will continue to do so. It drives plastics, transport, farming, medicine, the health system and every product or service we create. Without it, societal complexity will return almost to the Middle Ages.

That must inevitably happen...the only thing we don't know is when.

In NZ like many other places, we are heading in the wrong direction. We have a mad rush to overturn all sensible town planning in the interests of importing more people, their money and hyping up GDP (as expressed in dollars of lesser and lesser true value). Fortunately our economy is more resilient than that of most in the OECD. due to our distance from trouble and our high percentage of hydropower and geothermal energy from projects that were constructed when energy was more abundant and cost less. But even our economy is totally exposed for complexity – complexity flowing from either our trading partners or the use of the energy we import.

In the major OECD economies there is huge trouble brewing. There is less net energy from both electricity and fossil fuels to power a hopelessly complex Western civilisation. But this will first be reflected in economic collapse. Should the global financial system cease to operate for more than a few weeks at a time, then societal collapse will be sped up.

Within six years after the economic crash, I anticipate everyone will be talking about Liebig's Law of the Minimum. Shortly thereafter, people will be talking about population numbers and survival. Meantime, there will be many more "bread and circuses" as politicians scramble to divert attention from their waning credibility J.

Other indicators of trouble

Because much of what I am seeing is behind pay walls I cannot re-print it. But from USA, the true substance of central bank policy failures is what you will see at this link...

http://seekingalpha.com/article/3987139-central-bank-bubble-worse-dot-com-housing-bubbles?source=email_macro_view_eco_4_22&ifp=0

In USA there are about 325 million people. Of these an increasing number are dropping below the poverty line... a Zero Hedge item...

http://www.zerohedge.com/news/2016-07-08/26-million-americans-are-now-too-poor-shop-study-finds

Remember there are 47 + million on "food stamps" too. Given that we pay so many people to be idle, do we care about unemployment anymore? After all the figures are rigged anyway?

In Europe, Mario Draghi has been talking a good talk about "doing whatever it takes" to save the banks. His rhetoric is wearing thin. The fact there has been no change to bank solvency since 2008, and this just means the liquidity, solvency and debt problems were just put out of sight and not resolved...

http://seekingalpha.com/article/3987084-end-myths-italian-version?source=email_macro_view_eco_3_21&ifp=0

Straying to other stuff...

Lord Chilcot's report re Iraq

Just a footnote to the British Lord Chilcot's report on the decision to go to war in Iraq. Tony Blair's deputy Lord Prescott agrees they were hoodwinked by Blair and the decision was wrong...as Ban Ki Moon said, the war was illegal.

As signatories to the Geneva Convention, I doubt this will go away for Britain. Same for Australia. It was undoubtedly an illegal war.

But for the USA, no problem... the USA is not a signatory to the Geneva Convention...

http://www.bbc.com/news/uk-politics-36756878

If I was Tony Blair, I would get out of the limelight asap. For Blair, I would say there is now some prospect that he will be tried. John Howard is keeping very quiet....I suspect he is now cosying up to Malcolm Turnbull for protection... At last, Malcolm has crept to a miniscule majority on the Australian lower house election, but the upper house, the Senate, is even more chaotic than before. PM Turnbull's promises that enabled the coup some 8 months ago have all turned to custard, as befits such an arrogant ex merchant banker.

I have been rather concerned about the involvement with regard to George Soros' activities of his sponsored NGOs. This bio may explain why...

http://www.zerohedge.com/news/2016-07-08/how-george-soros-singlehandedly-created-european-refugee-crisis-and-why

NB I am always a bit suspicious of some Zero Hedge articles, including those by David Galland.