

## SPECIAL SKILLS REQUIRED

The inflation issue is not going away any time soon. This realisation has now reached the general public, and people everywhere are becoming accustomed to having to pay a little more here and there and everywhere. What sounds so harmless is anything but when regarded in the clear light of day. Inflation is one of the worst economic and social evils imaginable. Because said general public becomes poorer in real terms in this process, and eventually some will be unable to maintain their accustomed lifestyle. Namely pensioners, who are hardly able to earn a few extra francs, euros or dollars, will soon find themselves with their backs to the wall.

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There is no need to philosophise at length about the causes of the inflationary surge. Essentially, it is due to a completely irresponsible and excessive spending policy by the Treasuries of this world. The central banks supported this recklessness with floods of liquidity, in order to support the financing of ever higher debt. Along the way, the private sector was likewise encouraged to take on greater debt by the extremely low, at times negative, interest rates. As a result, the debt level is as high as if we had to cope simultaneously with a global economic

crisis, a world war and a tsunami hitting all the seas. If even more difficult times are ahead, there are zero reserves. Joyful prospects.

In the near future, very specific skills will be required to overcome the unfortunate situation, or indeed to bring about an improvement in conditions. Whoever leads a ministry of finance in the future must be able to do a hundred times more than the predecessor in office, who could essentially act as an expenditure manager. Maintaining the highest credit ratings for borrowers such as Switzerland or the Federal Republic of Germany will be the gauge of whether or not such specific capabilities exist and take effect. England has recently had its first experience of the verdict of the reawakened financial markets.

Special skills are also in demand at private companies. Inflation accounting was last practiced in the 1980s; the experience of those days is gone. Corporate CFOs will first have to relearn what it means to manage working capital that is exposed to ongoing fluctuations in prices, and CEOs will need great strength to push through necessary price increases at the front. There will be companies that are more successful at this, and those that constantly lag behind the trend. It will thus be interesting for equity investors to differentiate between the black, grey and white sheep. In inflationary times, leadership is required; accordingly, intellectually based financial analysis must adapt to this.

Let us be clear: the long years of easy money made us lazy. The fact that this is over for the time being may be of some comfort to the fundamentally-minded.

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