Anthony Peters-

Were I a headline writer, I'd be hard-pressed not to somehow and somewhere try to introduce "The Great Rate Debate". Not a day goes by when there are not scores to be seen in the media opining on their "higher for longer" vision. I shouldn't say this but I will: I told you so. It's not all that long ago that these highly paid economists and strategists were selling their calendar for the Fed's "pivot" whereas the more dedicated readers of my own musings will agree that all along I insisted that they were on happy powder and that the obsession with the terminal rate, first below 4%, and then below 5%, as well as the fatuous guessing as to when the Fed was about to "pivot" were meaningless flights of fancy.

Yesterday the Bank of Israel hit the ball out of the park by tightening its central rate from 3.75% to 4.25%. This was a notable event. Firstly, the bank outsmarted markets which had forecast a 25 bp increase and, secondly, the 4.25% cost of money has to be seen against a backdrop of a CPI figure of 5.25%. Look at this against the ECB which has rates of 3% in an inflationary environment sporting a CPI of 8.5%. The Bank of England also looks like a beached whale in terms of monetary policy and negative real rates.

Until the ECB took over as the single central bank governing monetary policy within the single currency era, the German Bundesbank had been the measure of all things. As the reins were handed from the "BuBa" in Frankfurt to the ECB in, yes, Frankfurt, Berlin was under the customary pressure from Paris not to put one of its own in charge of the new central bank. France has always batted above its average when it has come to providing top executives to international organisations in general and within the European Union in particular. Note that to date, two French officials have chaired the ECB – Jean-Claude Trichet and Christine Lagarde – although utterly incongruously no German has yet had the honour. So, going back to when the ECB first assumed central banking responsibilities, a compromise had to be found and up popped the late Wim Duisenberg, erstwhile head of the De Nederlandsche Bank, the central bank of the Netherlands. The Dutch had for years closely shadowed the monetary policy of the Bundesbank and DNB was colloquially referred to as "Son of BuBa". Thus, without actually appointing a German to the post of President of the ECB, the BuBa's voice was clearly to be heard, albeit with a Dutch inflection.

The Bundesbank was a powerful institution and one which differed in a significant way from the Federal Reserve in Washington. I recall, a very long time ago, trying to explain what distinguished the two and what I came up with was that the Fed would always set the lowest interest rates it could rationally justify whilst the BuBa set the highest. The BuBa's deeply conservative stance was generally explained away as being driven by German's collective memory of the period of hyperinflation in the early 1920s. Put in context, in November 1923 the US$/Reichsmark exchange rate stood at 4,210,500,000,000 and a loaf of bread cost 200,000,000,000 marks. The image of people carting wheelbarrows full of cash to the shops is not fictitious. Thus it was that Germans were deemed to be genetically extremely fearful of anything inflationary. To some extent there was reason in the argument although even Karl-Otto Pöhl, perhaps the highest profile of all presidents of the Bundesbank who held office from 1980 to 1991 had not been born until 1929 and well after the worst of the hyperinflation had been confined to history. Whether and to what extent the collapse in the value of money in the early 20s led to the eventual rise of Nazism in the 1930s is moot. Anyhow, received wisdom was that the Bundesbank put controlling inflation – in their remit this had been defined as "maintaining the external value" of the Deutsche Mark – top, bottom and on all sides of its monetary policy priorities, supposedly because of the collective memory of 1923.

What has this got to do with the Bank of Israel and its tightening by 50 bps rather than 25 bps? Israel has a far more immediate memory of inflation which stood at 12% in 1971 and which inexorably rose and rose until in 1984 it hit 373%, year over year and an annual increase of 227%. Those are not quite Weimar Republic levels although the period during which the country lived with annual inflation of over 20% lasted from 1973 until 1986. So, when it comes to summoning the gods of the collective memory of pernicious inflation, Israel can justifiably put up its hand. So, if the Bank of Israel decides to leapfrog market expectation and to shock by tightening by more than consensus, everybody else should be pricking up their ears and sharpening their pencils.

At the same time, however, they should be looking to Frankfurt and be asking themselves what the game is that that Tower of Babel-like cast of characters at the ECB is playing? Jens Weidmann, formerly President of the Bundesbank who was consciously passed for the top job at the ECB – Christine Lagarde got it and as a sop the French let Ursula van der Leyen, a minister with a

deeply dodgy record in Mutti Merkel's Berlin government, head up the EU Commission - will be sitting there tearing his hair out. My impression at the time of Lagarde's appointment, and her tenure has by no means not all bad, was that she, with no experience at all of central banking, had been put in the office not as a banker but as "Minister for the Single Currency". The stresses on the single currency project which as been exerted by the Greek crisis were beginning to build up again in Italy and the last thing Brussels wanted to see was somebody like Weidman in charge who would have been loath to do "whatever it takes" and to do the wrong thing for the right reason.

As opposed to Karl Otto Pöhl, the current Governor of the Bank of Israel Amir Yaron does have a living memory of out-of-control inflation and watching his actions and movements is surely not without merit. Although I believe that the early easing merchants and their obsession with Fed pivots have now been firmly put back in their box, nobody has yet taken on board that the FOMC might conceivably, if deemed necessary, also leap ahead of he market and tighten by more than market consensus. That said, although that scenario is no more than an outside possibility and one which I personally believe to be unlikely, it would be foolish not to at least build it into one's thinking.

I last night read the text of an address given by the Bank of England's Chief Economist and MPC member Huw Pill – another Oxford PPE graduate – to the Warwick Think Tank. He discusses inflation as a "wicked problem" but the bit which caught my eye was his quoting Yogi Berra who said in his inimitable way "It's difficult to make forecasts – especially about the future". Pill then goes on to reassert the B of E's commitment to a 2% inflation rate although he also quite freely acknowledges that higher levels of inflation might persist for an unspecified time. Peace on earth, England winning the football World Cup and 2% inflation. Thank you, message received.

I don't think there will be too many out there who can remember the name of Rick Wagoner. Wagoner was at heart a car salesman who somehow rose to become chairman and CEO of General Motors. He ruled from 2000 until 2009 during which time he all but destroyed the company. Wagoner lived by quarter over quarter car sales and, as far as many could see, had no strategic vision whatsoever. He drove full speed until the tank was empty. In his role there – at the time I was a little more conversive with the ins and outs of the automotive sector – he became the first public figure to whom I attached the sobriquet "Muppet in Chief". As GM, during the GFC, fell into inevitable

Chapter 11 bankruptcy its rescue by the O'Bama administration was tied to the condition of Wagoner's resignation. That he did, albeit with a redundancy and retirement package which flagrantly belied his disastrous leadership of the now bankrupt company.

For a while there was no more Muppet in Chief, although 'ere long the title was acquired by Jean Claude Juncker, who as President of the European Commission displayed all that was wrong with the EU and who's overbearing attitude without a doubt played a significant part in the British people's decision to vote "leave" in the 2016 Brexit referendum. His elevation to Muppet in Chief was eventually justified and consolidated when he famously declared with respect to rampant fiscal indiscipline within many of the member countries, especially Greece, "We all know what to do, but we don't know how to get re-elected once we have done it." Since Juncker's term ended, the title has again been vacant.

The time has come, alas, to hand it out again and the proud recipient is of course none other the David Solomon, Chairman and CEO of Goldman Sachs. Just like Wagoner, Solomon has made a wonderful job of burning shareholders' equity on the bonfire of his own vanity. My dear friend Morris Sachs of the IBWOC.com podcast, along with his co-presenter Liam Allen, have had Solomon in their crosshairs for some time now and I cannot recall whether it was they who placed him in my shooting gallery or whether I put him there myself. Who cares?

Solomon, a former commercial paper salesman at Irving Trust and later Bear Stearns, has made a complete pigs' ear of running the most powerful firm on Wall Street. Fortunately the firm as a collective is more powerful than any individual and try as hard as he may, he cannot push Goldman's over the edge. His attempt to bring the firm into the retail banking space is worthy of its own episode of South Park – nod, nod, wink, wink, say no more – and he is now going through his third reorganisation and restructuring, a large part of which is being executed by firing a bunch of people who have had nothing to do with Solomon's dream of becoming the next Jamie Dimon.

Please don't get me wrong. I'm not suggesting that Goldman Sachs is done for and that we are about to see it joining the great Street in the sky along with Bear Stearns and Lehman Brothers. I also can't see it being subsumed like Salomon Brothers was by Citi or Merrill Lynch by Bank of America, or Paribas

by BNP for that matter, but it is trapped in no man's land as it is neither a JP Morgan, nor is it a Morgan Stanley. It would be best served of course if it stuck to being what it is best at and that is being Goldman Sachs, the world's most powerful and best connected investment bank. Why the obsession with stability of earnings? It is in a boom and not so boom sector and it commanded the stage like no other.

In the 1970s, all the rage was for conglomerates when the ideal company had its fingers in as many uncorrelated pies as possible. Stable earnings in all circumstances. Goldman grew rich, really rich, by being at the forefront of disassembling conglomerates and touting the message that the value of the sum of the parts was significantly greater than that of the whole. Unlocking value and all that jazz was what turned hated corporate raiders and asset strippers into fantastically rich and admired private equity geniuses. Goldman Sachs held a PhD in midwifery and made out like a bandit putting companies together and then taking them apart again.

Solomon, supreme leader of the Vampire Squid, obviously missed the message, tried to turn Goldman into a financial supermarket…. and failed. And yet he is still in the chair, is going around trying to justify himself and has apparently even been seen on the trading floor in New York, a place which he has assiduously avoided for some time. He called a partners' meeting in Florida and apologised. Not bad scheduling a boondoggle right in the middle of the process of firing 6 ½% of the workforce. Not bad choosing that event to express regret for not having fired all those people a year earlier.

I believe that David Solomon, who in his spare time – where he takes that from I struggle to work out – spins discs under the sobriquet of DJSol, has rightfully eared the vacant title of Muppet in Chief. I do hope you agree.