

Personal Business

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WHAT'S OFFLINE

Praising Private Equity

THE conventional wisdom is that private equity firms are focused strictly on the short term.

The conventional wisdom is wrong, argues Walter Kiechel III, the former editorial director of Harvard Business School Publishing.

True, he concedes, private equity firms often load debt onto the public companies they acquire, sell off assets and then dispose of the acquired business in a relatively short time.

But what is really going on, he contends in *The Harvard Business Review*, is that private equity firms are simply applying, albeit very quickly, the best of classic strategic thinking, and their actions can actually improve the acquired company's long-term performance. The fact that a private equity firm sells the company within a relatively short period is irrelevant.

Mr. Kiechel says the important thing is to look at the actions of the private equity firms. By using leverage efficiently, relentlessly cutting costs and determining the company's major competitive advantage — and disposing of all assets that do not support it — they are actually positioning the companies they are acquiring to succeed for the long haul.

"The difference between the conventional and the P.E. approach to strategy is that the private equity buckoes put their acquisitions through the formulate-a-strategy-and-start-implementing-it process in months rather than years," he says.

MORE GOVERNMENT BENEFICIARIES The opening sure does get your attention.

"More than half of all Americans — 53 percent — now depend on government for their income," Katherine Mangu-Ward writes in *Reason*.

The research comes from the economist A. Gary Shilling, who totaled "federal, state, and local government workers, plus private-sector workers who owe their jobs to the government, plus recipients of Social Security,

other transfer payments and benefits such as food stamps." As startling as that 53 percent figure is, it is not a record high. In 1980, 55 percent of Americans were receiving money from the government in one form or another.

CUTTING DEBT "Two-thirds of all college graduates in America leave school with student loan debt — to the tune of \$20,000 on average," Lynnette Khalfani writes in *BeE Woman*, a relatively new magazine.

Depressing though that can be, Ms. Khalfani outlines the following five strategies to reduce or eliminate that indebtedness:

¶**Negotiate.** The interest rate on federal student loans is not an absolute. While Congress sets a maximum rate, lenders are free to charge less. "Ask for a lower rate in exchange for having payments automatically deducted from your checking and/or because you have a history of paying on time," she suggests.

¶**Make the boss pay.** Many employers will do so, Ms. Khalfani says, if you agree to stay with the company for a certain amount of time.

¶**Work for the federal government.** Under the Federal Student Loan Repayment Program, a federal agency can pay off up to \$10,000 of your student

loan annually, up to a maximum of \$60,000.

¶**Cite hardships.** Sallie Mae, the nation's biggest student lender, offers deferments for "nearly 20 different scenarios," she says. Stay-at-home mothers with babies, new mothers re-entering the work force, the unemployed and military enlistees all qualify, she says.

¶**Do good.** Police officers, lawyers, teachers, nurses and doctors can have their loans forgiven, under certain conditions.

FINAL TAKE This comes courtesy of *Money* magazine, citing research done by Capital One: "More Americans use a piggy bank (42 percent) or change jar (65 percent) than a money market account (35 percent.)"

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