



**BILL ACHTMEYER**  
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## BILL ACHTMEYER PERSPECTIVE

# The Unfortunate and Ultimate Paradox

**DECEMBER 2011** – For much of our nation’s history, most folks would assert that a divided government was far superior to a united one. Only mature legislation with the backing of both parties would pass. Everything else would either simmer until done or be turned down from the start. Of course, all this was back when elected officials were esteemed and expected to practice the art of compromise.

Business was fairly content with this state of affairs. Government was less likely to “regulate” (read obstruct) and more inclined to keep the wheels churning on the mighty engine of American commerce—even if at a sometimes lumbering and bloated pace. “Let the market reign!” was the guiding philosophy, and this permitted business to operate with modest interference.

Today, after a lean regimen of necessary self-discipline, we find most businesses at the best fighting weight of their lifetimes, with new capabilities now within their reach. Break evens are down, excess costs have been squeezed out, margins and cash balances are at all time highs. Interest rates are effectively zero for good credit corporations. Technology abounds with 4G and the cloud to guarantee further productivity improvements.

When I asked our Chief Economist, Roger Brinner, and Deputy Chief Economist, Richard DeKaser, to diagnose the current market valuation of the S&P 500, they concluded that this index today is 50% undervalued.

To what do we owe the honor of this tremendous discrepancy? In a nutshell, Western governments on both sides of the Atlantic have finally and unmistakably reached their collective D-Day. Yet having passed the buck for so long, they seem incapable of coming to their senses on what next to do. We are surrounded by a perfect storm in which we all now realize that we spend more than we make and that to continue on this path spells certain doom. Interestingly, we knew how this story would unfold last year, a decade ago, even a generation ago. A funny thing about the science of demography: it predicts perfectly a generation in advance! What we didn’t know was the immigration side of the equation, but there are plenty of models to predict that factor as well.

So, how do we unlock the full potential of the world economy?

Business and the community of economists seem uncharacteristically aligned. Stimulate in the short run and restructure the income statement and balance sheet in the long run. The latter comprises a combination of increases in tax revenues through more efficient tax policies like gasoline taxes, consumptions taxes, elimination of the myriad of special interest loopholes that exist (at least in the USA), and primarily spending cuts in the arena of entitlements. The blueprints are there for the taking. In the US, we have Simpson/Bowles, the Gang of Six, and Rivlin/Domenci. In Europe, similar groups of practical persons have put forth bold and serious proposals.

Comprehensive and workable solutions exist. No miracles are needed. It takes one thing and one thing only: political will. Unfortunately, there appear to be no leaders ready to rise above the fray to win the hearts and minds of the people. We see no Reagans, no Kohls, no Thatchers on the horizon gifted with that extraordinary talent to inspire their countrymen to work together for the common good.

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Resolution of the Euro crisis trumps solving the US deficit crisis. The former contributes two-thirds to the under valuation and the latter one-third.

My view is that business leaders need to unite now to put irresistible pressure on our elected officials. We are the folks who know how to seed an economy and make it grow. We are the folks who know how to compromise and move on. We are the folks the candidates all come to for campaign contributions. Let them hear our voices. We must force our politicians to desist their partisan nonsense, to face the unavoidable realities, to compromise and to act.

This can be bigger and better than the Tea Party and Occupy Wall Street movements combined. No refugee tents in city parks, no outlandish placards or weird looking hats, no silly extremes of ideological lunacy. Just normal, hard working citizens willing to sacrifice if we can get our game plan of practical solutions adopted and permit the next generation the opportunity afforded us by the Greatest Generation of World War II.

Good times are there for the having. We need only the courage and motivation to usher them in. Politicians should not be allowed to impede the progress of the people. Government needs to accede to the wishes of the majority or be thrown out.

## About Bill Achtmeyer

Bill Achtmeyer has guided Parthenon's vision since its founding. He is a recognized expert in corporate and business unit strategy and in mergers and acquisitions. Previously, Mr. Achtmeyer was a Director at Bain & Company where he led the mergers and acquisitions practice. Mr. Achtmeyer is a member of the boards of Briggs and Stratton Corporation and Citizens Energy Corporation.

Mr. Achtmeyer is Chairman of the Board of Overseers at the Tuck School of Business at Dartmouth and Vice Chair of the Board of Trustees of Belmont Hill School. He is former Chairman of the Massachusetts Society for the Prevention of Cruelty to Children. He is also a trustee of the Boston Symphony Orchestra and an Overseer for the Handel and Haydn Society and the Museum of Fine Arts.

Mr. Achtmeyer holds a B.A. in Public and International Affairs from the Woodrow Wilson School at Princeton University and an M.B.A. from the Tuck School of Business at Dartmouth.

## About The Parthenon Group

The Parthenon Group is a leading advisory firm focused on strategy consulting with offices in Boston, London, Mumbai, and San Francisco. Since its inception in 1991, the firm has embraced a unique approach to strategic advisory services built on long-term client relationships, a willingness to share risk, an entrepreneurial spirit, and customized insights. This unique approach has established the firm as the strategic advisor of choice for CEOs and business leaders of Global 1000 corporations, high-potential growth companies, private equity firms, educational institutions, and healthcare organizations.

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