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Dow Jones Industrial Avg.	**16,284.70**	**Standard and Poor's 500**	**1920.03**
2015(YTD) - 8.63 %	3rd Qtr. - 7.58 %	2015(YTD) - 6.70%	3rd Qtr. - 6.94%

"Déjà vu", Part II – "The budget should be balanced, the treasury should be filled, the public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed, lest Rome will become bankrupt. People must again learn to work, instead of living on public assistance." Cicero, 55 BC (Apocryphal)

Repeating History? - This quote cannot be directly linked to Cicero's writings or his Facebook page, rather a similar quote is found in a 1965 historical novel about him entitled "A Pillar of Iron" by Taylor Caldwell. Although she did extensive translation of his writings, it seems the quote is simply Caldwell's view of Cicero's thoughts about Roman governance during his time. The phrase "arrogance of officialdom" does nicely describe the current attitude of our "leaders" in Washington today. For an extended period of time, they have been unable to craft an annual budget or devise a way to limit the annual deficit and stem the rise in the national debt. Did not the Roman Empire crumble because of weak leadership, an entitled citizenry, and growing unrest among its neighbors as well as its subjects in its far-flung provinces, who ultimately succeeded in bringing the Empire to its knees? Is there still enough time for the United States to avoid a similar fate? Neither our leaders nor our citizenry appear capable of addressing the issues preventing our nation from achieving its true potential. Even more distressing is the fact our politicians have discovered the recipe for electoral success, promise the voters anything. Treat them just like you treat the young trick-or-treaters in your neighborhood. At least we pay for our treats. They never seem to be too concerned about the cost. Today's Washington is replete with examples of such actions by both political parties. Compromise has become a four letter word. The common good is no longer a shared concept. That is why the national deficit will soon lead us to "the Land of the Lost." Like the Romans of 1600 years ago, we will have that bewildered look and be asking ourselves, "How did this happen?"

A Roadmap Out of the Morass – Although anathema to virtually all politicians regardless of party, will it be possible to return to the simple concept of living within our means or have we passed the point of no return? The acid test will be the 2016 Presidential campaign and election. One candidate and party needs to be courageous enough to make the case for the nation's return to a sound budget process. It cannot start the way one party's candidates have chosen by promising significant tax cuts for all, nor can it helped be another party introducing more new programs, such as free public college education for all. Since the country has made a habit of annual budget shortfalls, what sense does it make to propose a meaningful cut in revenue or propose expensive new programs?

Here is a pathway to a rational solution. It starts at the top – yes, with President Obama. As his administration winds down, he undoubtedly is giving more thought to his legacy. If he is honest with himself, he knows his record is spotty, yet he still has a brief twelve month window to improve his ranking. It would require him to confront a few of his shortcomings by convening a national summit with the Congressional leaders of both parties with the sole purpose of creating a list of the nation's top ten (or 20 or 25) priorities. This would be accomplished by the end of June, 2016. However this would require him to listen to the elected representatives of the people and to share the spotlight. There is little evidence to date of his willingness to do either. Once the framework based on the priorities is established, serious budgeting can be instituted. By putting at risk his legacy, he can demonstrate how much he cares about the future of our country and his willingness to accept other points of view. Instead of being remembered as the first black President, he would burnish his reputation and also be hailed as the President who initiated the actions needed for the country to avoid fiscal disaster. Is such a scenario even a remote possibility? No, but action needs to be taken soon so next year's election demands more careful scrutiny.

Congress Can Contribute - A more practical approach is for Congress to adopt a more cooperative, consultative approach on its own. Our own elected representatives should be willing to cast caution to the wind and begin a discussion to rationalize the tax code. An easy target. Consider the code in 1913 was a hefty 400 pages, yet now it is … wait … 74,608 pages! It should be discarded and rewritten – post haste. It is hard to imagine the time and money wasted by businesses and individuals trying to comply with this monstrosity. Washington does not have a monopoly on bureaucracies, states and cities or towns have shown an affinity for them as well. Lightening the regulatory load would be beneficial to businesses and taxpayers as well. It is also likely to rejuvenate the entrepreneurial spirit which has been flagging in the last decade.

What Is in Store for the Economy? – The outlook remains subdued. Nothing currently happening in Washington is likely to lift us from our stupor. Not many are aware the economy has bumped up against an obstacle to continued growth – "full employment". Five percent unemployment has long been regarded as the optimum level to achieve, and the level now is 5.1%. Now it may be time to shift the focus back to productivity of the workforce, so higher compensation levels can be justified. Upgraded skills are one avenue and are desirable both from the standpoint of the employer and the employee. Another longer term approach is to give high school and college students a better appreciation for professions which are likely to provide the best employment opportunities when they expect to enter the workforce. External events are more likely to exert a negative impact considering the mass migration into Europe; China flexing its muscles; Russia inserting itself into the Mideast; not to mention Iran and North Korea.

Investments, Fore and Aft - Aft is first. The third quarter stock market results were severely depressing with equities declining between seven and eight-and-a-half percent. Once again, the Federal Reserve (i.e., FED) contributed to the unease, along with nervousness over earnings, and China's flagging growth prospects. Almost in the blink of an eye, the market rebounded in October and was able to fully overcome the third quarter tumble as those concerns vanished into thin air. (Poof!) As the critical holiday season approaches, the question all retailers are pondering is, "Where are the consumers?" In spite of low unemployment; the big jump in minimum wage levels in many communities; and the large windfall from low gasoline prices, consumers are reluctant spenders. Future growth is dependent upon finding a way to encourage them to resume their spending. As stated on previous occasions, it is time for the FED to terminate its zero interest rate policy. Failing to do so perpetuates the distortions which have skewed the marketplace for money for far too long. Savers and investors deserve to earn a fair return on their money, and borrowers have had the upper hand long enough. At this point the primary beneficiaries of this outdated policy appear to be large corporations, who are increasing their debt to either buy back their own stock or to buy another corporation. No economic growth is the result of either of these types of transactions, rather they qualify as financial engineering. An argument can be made the reason that they do it is because it costs virtually nothing. They win; savers lose.

Looking forward, the outlook is mildly positive. Momentum has swung in favor of investors. This was reinforced by better than expected corporate earnings. With economic growth continuing, it is reasonable to expect the market to finish the year with an upside push. October's robust rally has boosted prices to levels that again require greater care before making any purchases. There is definitely a tinge of speculation in the fall air.

Final Notes for 2015 - - If you have IRAs and have reached 70 ½, you must take your Required Minimum Distribution (RMD) based on the total of <u>all</u> of your IRAs before the end of the year. Another suggestion is to take advantage of any capital losses carried forward by offsetting them with gains taken earlier in the year or gains realized before year-end. You may also be able to write-off as much as $3,000 of losses on your income taxes. We aim to make tax efficient decisions on your behalf, but we may not be aware of tax situations outside of our purview. If you decide to make gifts to children or grandchildren before the end of the year, the gift tax exclusion is $14,000 per person for 2015. Remember your favorite local charities as well. They will be most appreciative of your support. Consider making any gifts to charities with appreciated securities. This allows you to write-off the full value of the securities while avoiding the gain you would incur with a sale. Be sure to check with your accountant or tax adviser regarding these matters. Enjoy your Thanksgiving and have a Happy Holiday Season. -- JML