

*December 12, 2010***Introduction**

The year 2010 has been an eventful and historic year. The U.S. economy as measured by GDP has been erratic at times, yet in general has provided evidence of a slow and gradual recovery in the second half of 2010. Key reasons for optimism into 2011 center around the Republican landslide in November, an incoming Congress promising to maintain or reduce current taxes, unexpectedly strong retail sales for October and November, a personal savings rate which continues to remain north of 5.5% and a revised third quarter GDP of 2.5%. We are still concerned about the mounting U.S. National Debt which will surpass \$14 trillion dollars by year's end and mixed signals being sent regarding future inflation by the price of gold and recent CPI data.

Key October/November Data**Positive Signs**

According to the latest Manufacturing ISM Report on Business, the manufacturing sector of the U.S. economy continued to grow in November as evidenced by the Purchasing Managers Index remaining at a healthy level of 56.6%. U.S. productivity remains near record levels while cash balances for non-financial based U.S. corporations is at \$1.93 trillion. Fixed mortgage interest rates edged up slightly to 4.87% but remain near record lows while the survey of consumers intending to purchase an automobile over the next six months remained positive in November. The November Conference Board Global Leading Economic Indicators report shows U.S., Europe and China were positive at .5%, .4% and .6% growth respectively. The U.S. savings rate continues to be strong realizing a rate of 5.7% in November. Automotive sales are up 15.7% from November 2009.

The Conference Board report on Consumer Confidence grew in November to 54.1. CPI data for November suggests inflation is running at an annualized rate of less than 1.5%. Finally, pending home sales rose 10.4% in October but are still down 20.5% from October 2009.

Negative Signs

Less than impressive job growth ended the month of November with concern for U.S. investors and the economy as a whole evidenced by an unemployment rate of 9.8%. Gold fell slightly but remains just south of \$1,400 an ounce and silver surpassed \$30 an ounce, respectively in November, this coupled with recent FED policy gives us further reason to be concerned regarding future inflation. Unemployment benefits remain at record levels with an extension probable by year end. Finally, the Dow Jones Industrial Average fell 118 points last month, discontinuing from its strong October and September pace.

Current Issues**A Time For Leadership In Washington, DC**

The need for visionary leadership in Washington, DC has never been greater than our demand for it today. In the upcoming year the White House and Congress will debate many issues vital to the future of America. Issues like: a) the proper role of government, b) constitutional limits on federal spending, c) a flat rate tax, d) The Club for Growth's tax proposal, e) a Bowles/Simpson style deficit reduction plan, and f) a Federal Balanced Budget Amendment (similar to those found in 49 out of 50 states).

For this to be fruitful we will need leaders in Washington who:

1. Communicate a strong vision for America based on the history and traditions which have made this country great; traditions like individual responsibility, civic

stewardship, thrift, limited government and sound fiscal policy. Leaders who will openly and honestly deal with the problems this nation faces with candor and a sense of urgency.

2. Have a passion and commitment for all who are citizens of these United States—rich and poor alike.
3. Act with financial acumen and integrity, woman and men who will not sacrifice the long term viability of this country for short term political gains, pork barrel projects and the promotion of political ignorance.
4. Transform the political process and organizational efficiency of the U.S. Congress. Men and Woman who can and will work across the aisle for the good of the country through debate, dialogue and fiscal discipline, a process that will tell and teach Americans not what they want to know rather what they need to know.
5. Put the survival and growth of America first and their own personal and party aspirations second, third or even fourth.

A Time for Action

Noted Presbyterian minister William J. H. Boetcker suggested in a 1916 article titled “The Ten Cannots” a model for leading this country and our incoming congress forward. He said:

1. You cannot bring about prosperity by discouraging thrift.
2. You cannot strengthen the weak by weakening the strong.
3. You cannot help little men by tearing down big men.
4. You cannot lift the wage earner by pulling down the wage payer.
5. You cannot help the poor by destroying the rich.
6. You cannot establish sound security on borrowed money.
7. You cannot further the brotherhood of man by inciting class hatred.
8. You cannot keep out of trouble by spending more than you earn.

9. You cannot build character and courage by destroying men's initiative and independence.
10. Finally, you cannot help men permanently by doing for them what they can and should do for themselves.

Political leaders who put America first and follow Reverend Boetcker's advice can and will develop the leadership strategy and tactics which will help to assure the proper size and scope of government and the next major expansion of economic and human progress for America and all her citizens!

Conclusions

As 2010 comes to a close we hope the pork-barrel spending and political horse trading taking place in the December lame duck session of Congress also comes to a close. Economic and human progress will only be advanced in 2011 with a bipartisan effort from Congress and the White House coupled with a reduction in the size and scope of government.

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