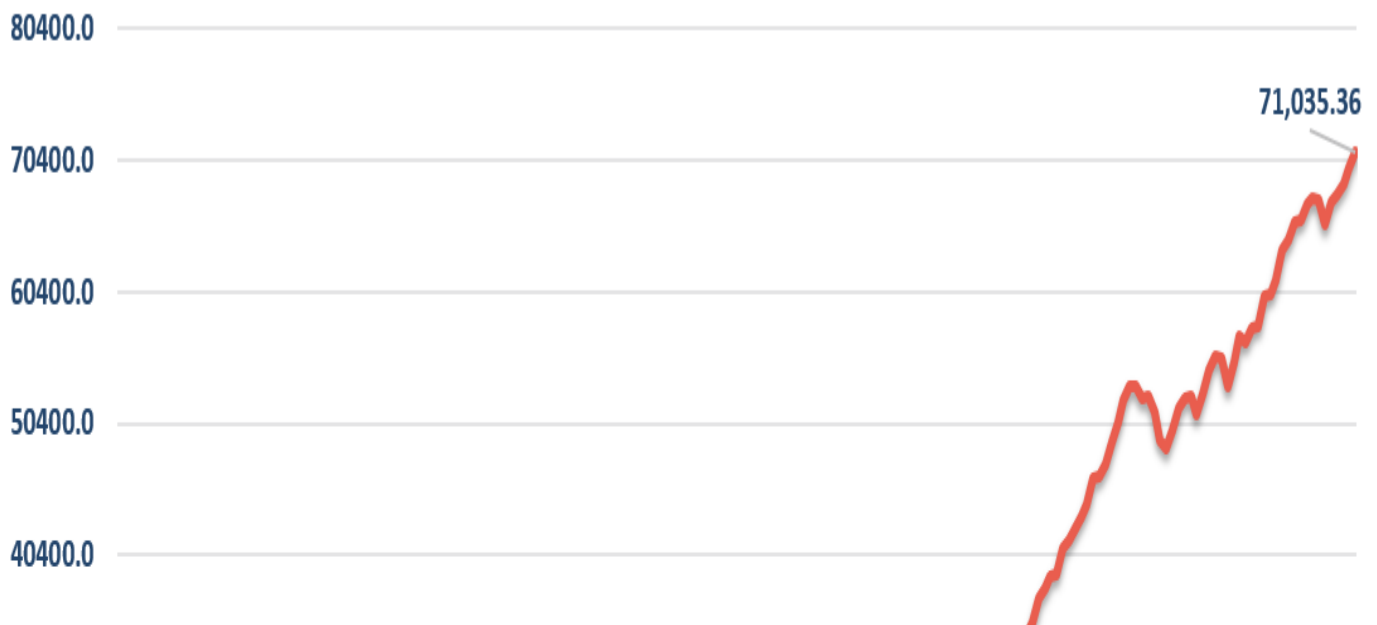


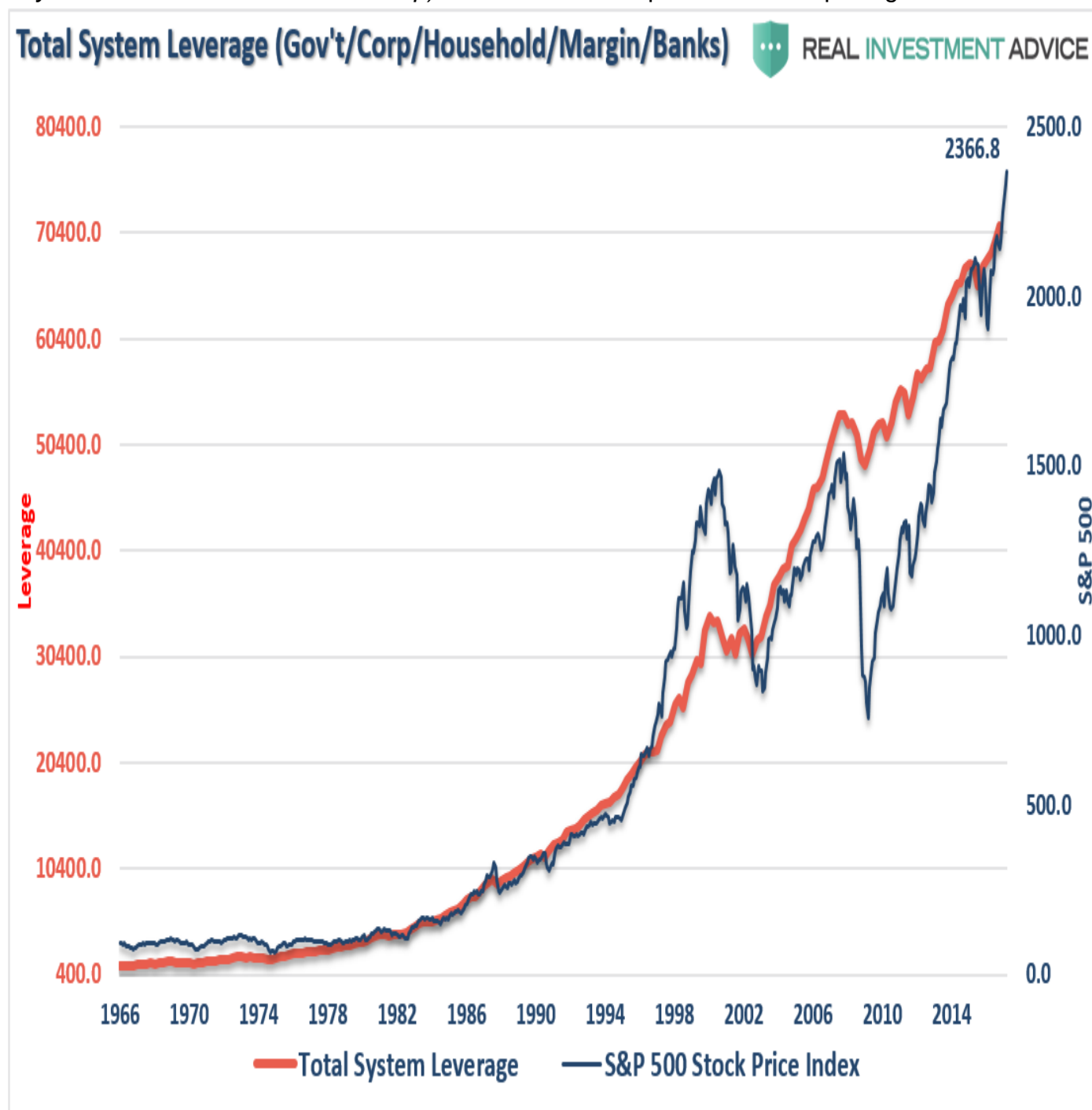


With a continuing resolution for \$1 Trillion passed this week, which will fund the government for 5-whole months, there seems to be little consideration given to the disconnect between increase debt levels and slower economic growth. The chart below shows the growth of total debt as compared to GDP growth since 1966.

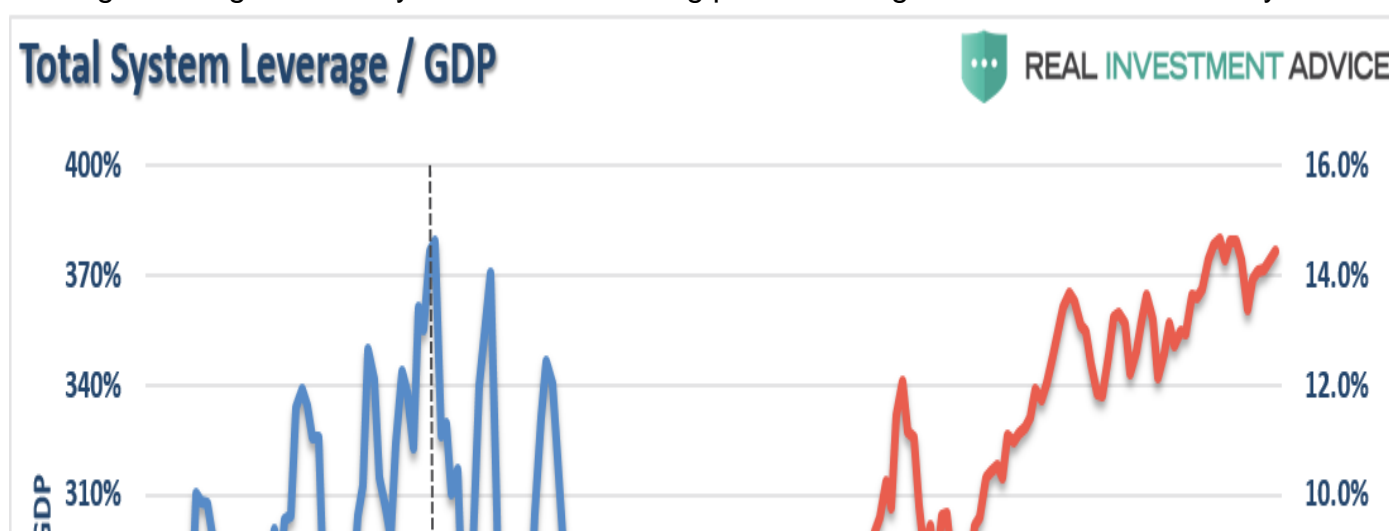
Total System Leverage (Gov't/Corp/Household/Margin/Banks) REAL INVESTMENT ADVICE



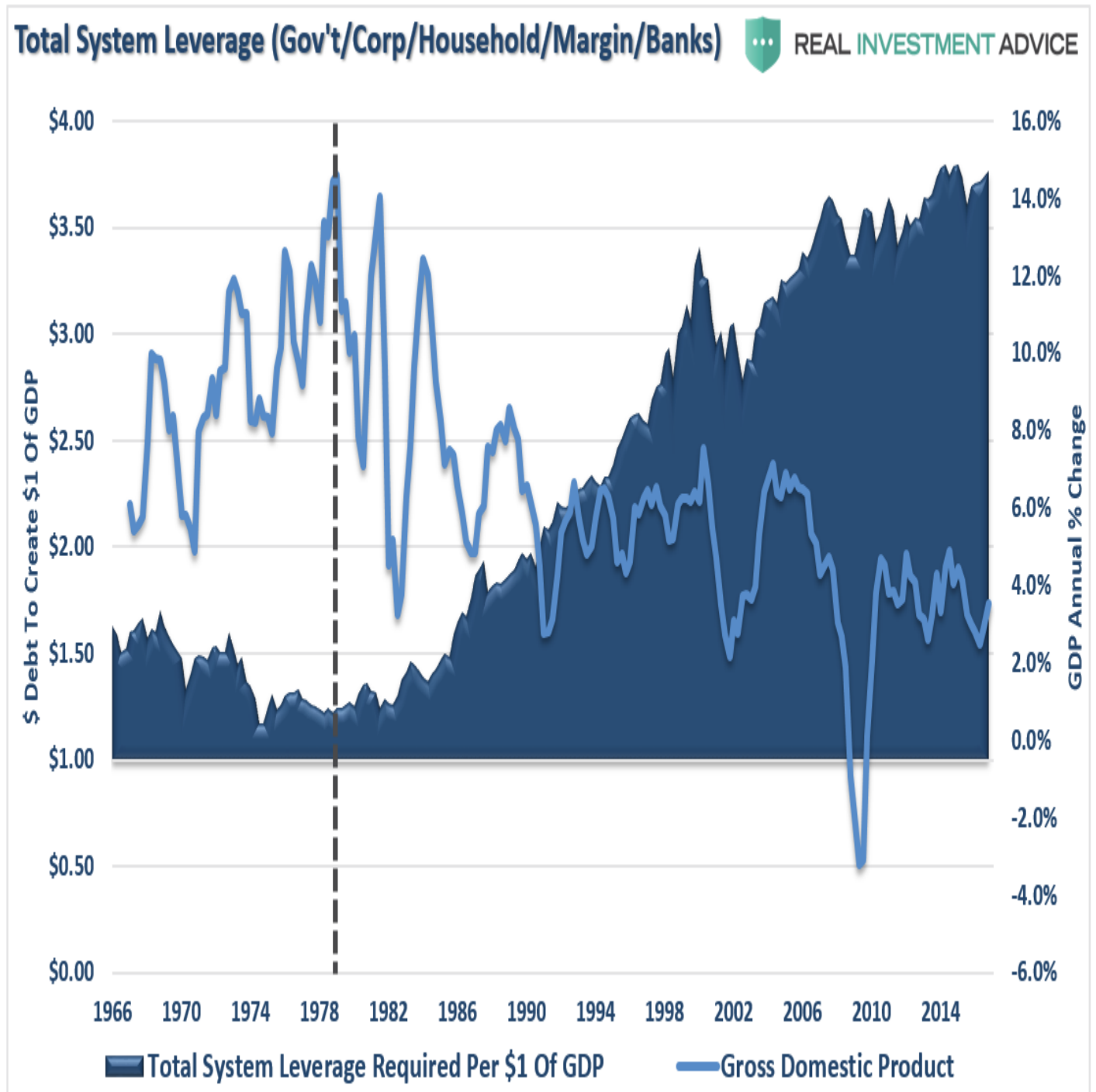
Not surprisingly, as the system becomes inherently more leveraged (as corporations issue debt to buy back stock and investors lever up) there rise in asset prices is not surprising.



The problem, however, is that rising asset prices and surging debt levels, despite rumors to the contrary, do not translate into stronger economic growth. As shown below, the transition to leverage starting in the early 80's was the turning point for the growth rate of the economy.



To put this into economic terms, it currently requires almost \$4.00 of debt to create \$1.00 of economic growth. This is a problem when 70% of the economy is driven by consumption and there is a finite limit to the amount of debt that can ultimately be taken on by households.



I know. It's crazy talk. But I see two options for Congress here:

- If you want 3-4% economic growth in the future, you can start taking some fiscal responsibility and pay attention to the "debt elephant" in the room.
- Or, you can pass a health care bill that will hit taxpayers for another \$250 Billion in subsidies over the next decade along with continued high costs of insurance for individuals.

One of those isn't going to work. In the meantime, here is what I am reading this weekend.

Tax Plan/Politics

- **Do Tax Cuts Pay For Themselves**[by Caroline Baum via MarketWatch](#)
 - **Here Are The Major Health Care Bill Changes**[by Bob Bryan via Business Insider](#)
 - **The Trump Empire Expands**[by Nomi Prins via The Daily Reckoning](#)
 - **\$5.5 Trillion - The Cost Of Trump Tax Plan**[by Committee For A Responsible Federal Budget](#)
 - **Trump: Peddling Reagan Era Snake Oil** [by William Greider via The Nation](#)
 - **Trump's Tax Plan Not So Good For Middle Class**[by David Cay Johnston via Daily Beast](#)
 - **Only Real Growth Will Down The Deficit**[by Stephen Moore via The Washington Times](#)
 - **Yes, The U.S. Can Afford Tax Cuts**[by Tyler Cowen via New York Post](#)
 - **Good & Bad News About Trump's Tax Plan** [by Charles Gasparino via New York Post](#)
 - **Tax Lies For The Gullible**[by Thomas Sowell via IBD](#)
 - **Are Trumps Tax Cuts Worse Than Reagan's**[by Steven Rattner via NYT](#)
 - **Tax Plan Would Blow Up The Deficit**[by Rob Garver via Fiscal Times](#)
 - **Art Laffer's Theory Of Tax Cuts Comes Alive**[by Peter Baker via NYT](#)
 - **Why Tax Revenue Projections Are ALWAYS Wrong**[by Richard Rahn via Washington Times](#)
 - **With This Budget Deal - Swamp Wins**[by IBD](#)
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Markets

- **Wall Street's Earnings Hopium**[by David Stockman via Daily Reckoning](#)
 - **Market Set For 51% Fall**[by Jody Chudley via Wall Street Examiner](#)
 - **Bianco: We'll Get To Mars Before Rates Get To 4%**[by Akin Oyedele via BI](#)
 - **Bad Sentiment May Be Good News For Stocks**[by Simon Constable via US News](#)
 - **JP Morgan: 6 Red Flags For Stocks**[by Tyler Durden via ZeroHedge](#)
 - **Is The Market Headed Higher? Or For A Crash?** [by Knowledge@Wharton](#)
 - **Investors Getting Fed & Economy All Wrong**[by Boris Schlossberg via CNBC](#)
 - **It's Hope That Kills You**[by Alexandra Scaggs via FT Alphaville](#)
 - **This Is Irrational Exuberance**[by Anora Mahmudova via MarketWatch](#)
 - **As Optimism Multiplies, Risk & Disappointment**[Expand by Doug Kass via Real Clear Markets](#)
 - **Who Is Right - Stocks Or Bonds** [via Mark DeCambre via MarketWatch](#)
 - **Rarely Has Investor Complacency Been So Broad**[by Landon Thomas via NY Times](#)
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Research•/ Interesting•Reads

- **Carmageddon, Not Yet, But Bubble Is Leaking**[by Wolf Richter via Wolf Street](#)
- **Pension Tension: A Tightrope Into The Unknown**[by Danielle DiMartino-Booth via Money Strong](#)
- **CEO Pay Is Out Of Control**[by Roger Lowenstein via Fortune](#)
- **Relying On Social Security? Maybe You Shouldn't**[by Sean Williams via USA Today](#)
- **Millennials Owe A Record Amount Of Debt**[by Raul Hernandez via BI](#)
- **How We Got Here: Our Road To \$20 Trillion**[by Jonathan Bydlak via Medium](#)
- **\$1 Million Just Ain't What It Used To Be**[by Jeff Rose via CNBC](#)
- **What We're Seeing Can't Be Correlated With Expansion**[by Jeffrey Snider via Alhambra Partners](#)
- **What If Bogle Is Right About 4% Returns**[by Mitch Tuchman via MarketWatch](#)
- **Kyle Bass: All Hell Is About To Break Loose In China**[by Tyler Durden via ZeroHedge](#)
- **What's Going On With Retail?**[by Brian Langis via ValueWalk](#)

- **Fear Of Missing Out (FOMO) Makes Investors Desperate** [by John Hussman via Hussman Funds](#)
 - **Rydex Mutual Fund Traders - All Bullied Up** [by Dana Lyons via Tumblr](#)
 - **When Your UBER Driver Tells You To Sell Naked Puts** [by Jesse Felder via The Felder Report](#)
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?It?s fine to celebrate success but it is more important to heed the lessons of failure.? -Bill Gates

Questions, comments, suggestions ? please [email me](#).