The Creighton University Rural Mainstreet Index for July fell from June's weak reading, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

**Overall:** After improving for four of the last five months, the index, which ranges between 0 and 100, sank to 39.8 from 43.9 in June. This is the 11th straight month the overall index has remained below growth neutral.

Over the past 12 months, farm prices have fallen by 9 percent, and livestock prices are off by 16 percent. These weak agriculture commodity prices are pushing the overall Rural Mainstreet economy lower.

As a result of weaker farm economic conditions, bankers expect almost one in five crop farmers, or 19.5 percent, to suffer negative cash flows where cash expenses exceed cash revenues for 2016.

**Farming and ranching:** The farmland and ranchland-price index for July slumped to 31.3 from 32.3 in June. This is the 32nd straight month the index has languished below growth neutral 50.0.

This month, bankers estimated, on average, farmland prices have fallen by 6 percent over the past 12 months. However, as in previous months, there is a great deal of variation across the region in the direction and magnitude of farmland prices, with prices growing in some portions of the region.

One bank CEO said, “The cow and calf operators, which dominate our market, are the ones that will feel the effect of the downturn in the market the most.”

The July farm equipment-sales index sank to 10.7 from 12.8 in June. Weakness in farm income and low agriculture commodity prices continue to restrain the sale of agriculture equipment across the region.

**Banking:** Borrowing by farmers remains strong even though the July loan-volume index dipped to 67.4 from last month’s 73.5. The checking-deposit index increased to 49.0 from June’s 47.9, while the index for certificates of deposit and other savings instruments improved slightly to 43.9 from to 43.7 in June.

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**Super Rich Meet in Omaha and Propose Higher Income Taxes: Highest Bracket Already Pays Six Times the Rate of the Middle**

Millionaire Hillary Clinton and billionaire Warren Buffet met in Omaha earlier this month to trumpet higher income tax rates on high and middle income earners. Ignoring the data, the two super-rich, joined by income laggards Dallas Maverick owner Mark Cuban and former New York Mayor Michael Bloomberg, argue that levying higher tax burdens on workers in the top income bracket will reduce income inequality.

However between 1980 and 2013 when income inequality, as measured by the Gini Coefficient expanded by 22.2%, the share of federal income taxes paid by the highest earners rose from 64.7% to 88.0% while the share paid by the lowest one-fifth declined from +0.1% to -4.0% (i.e. tax rebates greater than tax payments). Even the middle income’s share dropped from 10.7% to 3.9% over the 33 years.

The reasons that taxing high income individuals more heavily does not reduce income inequality are that excessively high tax rates on high income: 1) discourage individuals from pursing higher education and training to increase income; 2) encourage individuals to reduce work efforts and to increase leisure activity; 3) restrain small business formation and risk taking by entrepreneurs seeking greater financial returns; 4) incentivize individuals to spend excessively on goods and services that are deductible from taxes and; 5) encourage high income individuals to move to lower tax nations. But unfortunately for the economy, envy economics, as evidenced in Omaha in August, remains a viable political tool by generating votes and self-righteous smugness from its devotees. Ernie Goss.
This month, bankers were asked to assess the likelihood of loan defaults in their area. On average, farm loan defaults are expected to rise by 5.4 percent over the next 12 months. However almost one-fifth, or 18.3 percent, of bank CEOs estimate loan defaults will expand by more than 10 percent.

Hiring: After moving above growth neutral for June, the Rural Mainstreet hiring index fell below the threshold for July. According to bankers, Rural Mainstreet businesses reduced jobs slightly for June with a hiring index of 49.0 which was down from June's reading of 53.2. Rural Mainstreet employment is down by approximately 1.8 percent from this time last year. This contrasts to employment gains for urban areas of the region of approximately 1.4 percent for the same 12-month period.

Lyndell Woodbury, president at the First Nebraska Bank in Stanton, Nebraska, reported, "We have quite a few job openings, but no labor pool to draw from."

Confidence: The confidence index, which reflects expectations for the economy six months out, plummeted to 33.3 from 42.8 in June indicating a continuing pessimistic outlook among bankers. While banks already had a downbeat assessment of the rural economy, the British vote to leave the EU (Brexit) softened the outlook even more. Like bankers, I expect Brexit, once begun, to increase the value of the U.S. dollar with a resulting decline in agriculture commodity prices.

The outlook for some bankers was positive. Pete Haddeland, CEO of the First National Bank in Mahnomen, Minnesota, said, "Great looking crop. Rain at the right time."

Home and retail sales: Home sales remain the bright spot of the Rural Mainstreet economy with a robust July index of 61.5, down from a solid 64.6 in June. The July retail sales index slumped to 37.8 from 40.9. Home sales in rural areas of the region continue on a strong trajectory, but rural retailers much like their urban counterparts are experiencing downturns in sales.

Bank CEO expectations挖掘机 holiday sales growth from the 2014 season. On average, a one percent increase in retail sales for Rural Mainstreet businesses is expected. The strong dollar, especially against the Canadian dollar, is depressing retail sales among border states. For example, John Marchell, president of the First State Bank Grand Forks, North Dakota, said, "The decrease in the number of Canadian retail customers is noticeable."

Each month, community bank presidents and CEOs in nonurban areas of the United States are surveyed regarding current economic conditions in their communities and their projected economic outlooks six months down the road. Bankers from Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wyoming are included. The survey is supported by a grant from the Security State Bank in Anselv, Neb.

This survey represents an early snapshot of the economy of rural agricultural and energy-dependent portions of the nation. The Rural Mainstreet Index (RMI) is a unique index covering 10 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It gives the most current real-time analysis of the rural economy. Goss and Bill McQuillan, former chairman of the Independent Community Bankers of America, created the monthly economic survey in 2005.