Thomas Piketty’s New York Times best-selling book, Capital in the Twenty-First Century has created quite a stir among armchair economists, sociologists and politicians. Among Piketty’s most em-braced, rebuked and guileless recommendations for reducing income inequality is to raise income taxes on high income earners. U.S. tax collection data since 1996 crush the soundness of this proposal. In 1996, taxpayers earning more than $200,000 paid an average tax rate that was three times that of workers making less than $50,000, and two times that of taxpayers earning between $50,000 and $200,000. By 2011, those making more than $200,000 paid almost seven times the average tax rate of taxpayers earning less than $50,000, and 2.5 times that of workers earning between $50,000 and $200,000. Furthermore between 1996 and 2011, the bottom half of income earners’ portion of total federal income tax collections dropped from approximately 10.0% to 2.5%. During this period, the degree of income ine-quality rose as measured by the Gini Coefficient. With a higher Gini Coefficient indicating greater ine-quality the expansion in the U.S. Gini Coefficient from 39.3 in 1996 to 47.7 in 2011 indicates significant expansion in income inequality. If taxing the rich more heavily does not reduce income inequality, what does? Education! In 2011, the ten states with the greatest degree of income equality had a high school graduation rate of 90.7% and the ten states with the greatest degree of inequality, had a much lower high school graduation rate of 59.1%. Furthermore, the latest U.S. employment data show that high school dropouts have an unemployment rate almost three times that of college graduates, and average annual earnings that are roughly 42.6 percent that of college graduates. Reduce income inequality, don’t dropout! Ernie Goss.

### Mainstreet Results

#### Rural Mainstreet Economy January ‘11 – June ‘14

Tables 1 below summarizes the findings from this month’s survey with an index above 50.0 indicating growth and an index below 50.0 signaling weakness. [Index > 50.0 indicates expansion]

<table>
<thead>
<tr>
<th>Table 1: The Mainstreet Economy</th>
<th>June 2013</th>
<th>May 2014</th>
<th>June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Economic Index</td>
<td>60.5</td>
<td>55.6</td>
<td>53.6</td>
</tr>
<tr>
<td>Loan volume</td>
<td>66.7</td>
<td>75.4</td>
<td>74.6</td>
</tr>
<tr>
<td>Checking deposits</td>
<td>48.5</td>
<td>54.8</td>
<td>50.9</td>
</tr>
<tr>
<td>Certificate of deposits</td>
<td>33.6</td>
<td>40.3</td>
<td>39.4</td>
</tr>
<tr>
<td>Farm land prices</td>
<td>58.4</td>
<td>46.7</td>
<td>49.1</td>
</tr>
<tr>
<td>Farm equipment area sales</td>
<td>53.2</td>
<td>33.6</td>
<td>35.0</td>
</tr>
<tr>
<td>Home sales</td>
<td>78.1</td>
<td>63.9</td>
<td>66.1</td>
</tr>
<tr>
<td>Hiring in the area</td>
<td>61.4</td>
<td>64.0</td>
<td>63.2</td>
</tr>
<tr>
<td>Retail Business</td>
<td>53.9</td>
<td>51.7</td>
<td>51.8</td>
</tr>
<tr>
<td>Economy 6 months from now</td>
<td>60.0</td>
<td>51.6</td>
<td>55.5</td>
</tr>
</tbody>
</table>

### Survey Results at a Glance:
- Rural Mainstreet Index falls for the first time since February of this year.
- Farmland prices decline for seventh straight month, but rate of decline slows.
- Almost half of bankers reported higher beef and pork prices are a big plus.
- The percent of farmland sales for cash declined to 23.7 percent from 28.4 this time last year.
- Over the past year, bankers reported that the percent of farmland purchased by nonfarm investors sank to 14.4 percent from 19.7.

After moving below growth neutral in February, the Rural Mainstreet economy has moved above the 50.0 threshold for four straight months, according to the June survey of bank CEOs in a 10-state area. However, the index was down from May signaling slower growth. **Overall**: The Rural Mainstreet Index (RMI), which ranges be-tween 0 and 100, with 50.0 representing growth neutral, fell to 53.6 from May’s 55.6.

The overall index for the Rural Mainstreet Economy indicates that economic conditions of the areas of the na-tion highly dependent on agriculture and energy are positive, but somewhat weaker compared to this time last year.

Almost half, or 47.3 percent, of bankers reported that higher beef and pork prices have increased overall eco-nomic activity in their area. Most of the remaining bankers indicated little livestock production in their area or very low livestock inventories restrained gains.

However, some bankers anticipate a downside to higher livestock prices. According to David Steffensmeier, president of first Community Bank in Beemer, Neb., “High beef and pork prices will cause the same problems that high grain prices did the last few years - unreasonable expectations.”

**Farming and ranching**: The farmland and ranchland-price index for June rose to a weak 49.1 from May’s even weaker 46.7. Despite the slight improvement, this is the seventh straight month that this index has moved be-low growth neutral. Stronger farm commodity and grain prices over the last several months appear to have put a floor under farmland prices. I expect the index to move above growth neutral next month.

The June farm-equipment sales index inched forward to 35.0 from 33.6 in May. The index has been below growth neutral for 12 straight months. Despite improving economic activity on the regional farm, agriculture equipment and implement dealers in the region are experiencing very weak sales to farmers in the region. On the other hand, farm equipment manufacturers continue to experience positive growth due to healthy sales.
IOWA

The June RMI for Iowa expanded to 56.8 from May’s 55.8. The state’s farmland-price index for June advanced to 57.8 from May’s 57.4. Iowa’s new-hiring index for June soared to 73.9 from May’s 61.1.

KANSAS

The Kansas RMI for June slipped to 54.4 from May’s 56.3. The farmland-price index for June increased to 54.7 from May’s 52.2. The state’s new-hiring index fell to a healthy 67.3 from 67.5 in May.

MINNESOTA

The RMI for Minnesota dipped to 54.3 from May’s 56.4. Minnesota’s farmland-price index for June declined to 53.6 from 55.2 in May. The new-hiring index for the state decreased to 69.1 from May’s 69.9.

MISSOURI

The May RMI for Missouri jumped to 57.2 from April’s 51.3. The June RMI for Missouri sank to 57.2 from May’s 57.2. The farmland-price index for June fell to 57.8 from May’s 68.4. Missouri’s new-hiring index declined to a still healthy 62.3 from May’s 80.5.

NEBRASKA

The Nebraska RMI for June fell to 53.7 from May’s 53.3. The state’s farmland-price index for June advanced to a weak 41.3 from 37.1 in May. Nebraska’s new-hiring index climbed to a solid 56.5 from May’s 54.4. Several bankers reported positive fallout from bad weather. Donald Schmaderer, president of Tri-County Bank in Stuart, said, “There is some amount of wind and hail damage across parts of central and northeast Nebraska.” Larry Rogers, executive vice-president of First Bank of Utica, said, “Severe storms have created employment opportunities for replacing pivots, shingling houses, and construction jobs. Small housing contractors are booked for some time ahead.”

NORTH DAKOTA

The North Dakota RMI for June dipped to 56.4 from May’s 57.8. The farmland-price index fell to 61.1 from May’s 71.8. North Dakota’s new-hiring index expanded to 84.4 from May’s 83.2.

SOUTH DAKOTA

The June RMI for South Dakota expanded to 56.2 from May’s 55.7. The farmland-price index for June increased to 46.4 from last month’s 41.9. South Dakota’s new-hiring index advanced to 60.6 from 59.3 in May. David Callies, CEO of Miner County Bank in Howard, reported, “Excellent moisture, but big concern for low crop prices.”

Wyoming

The June RMI for Wyoming sank to 54.2 from May’s 56.0. The June farmland and ranchland-price index declined to 47.0 from May’s 47.4. Wyoming’s new-hiring index for June fell to 60.8 from May’s 63.8.

The bullish news

- Total nonfarm payroll employment increased by 288,000 in June, and the unemployment rate declined to 6.1%.
- Consumer confidence increased.
- Housing permits rose.

The bearish news

- GDP declined by 2.9% in the first quarter of 2014. This is the worst quarter since Quarter 1, 2009.
- The Consumer Price Index (CPI) increased 0.4% in May after rising 0.3% in April. The index for all items less food and energy rose 0.3% in May after increasing 0.2% in April. Both readings are above the Federal Reserve’s target and could push interest rates up before currently anticipated by the Fed.
- Price earnings ratios for U.S. stocks are getting a bit rich, especially if the Fed begins to talk tough on interest rates.