This month under provisions of the Clean Air Act, signed by Richard Nixon in 1970, President Obama proposed new carbon limits on electricity generation. The goal of his initiative is a 30 percent reduction of carbon emissions from electricity plants by 2030, three-fourths which come from coal usage. The latest data from the Energy Information Agency show that residential electricity customers in the 25 states generating electricity from coal pay 20 percent less per kilowatt hour than customers in the 26 states and DC that use no coal in the production of electricity. Furthermore, 11 of the 12 highest electricity cost states use no coal in the making of electricity. Data indicate that reducing coal's share of electricity production from a national average of 28.3 percent to 20.0 percent by expanding the share produced by renewable energy will increase the cost of electricity by approximately 19 percent. This increase in cost however, will not be shared evenly. Blue states, those that placed their electoral votes for the Democrat presidential candidate in each of the last four elections, paid electricity prices 43.2 percent higher than states that voted Republican in the same four elections. Not surprisingly, 16 of the nation's 19 Blue states used no coal for electricity creation, while only 5 of 22 Red states used no coal for electricity production. Purple states, those that split their electoral votes between Democrat and Republican presidential candidates, paid 23.3 percent more for electricity production than Red states, and 5 of the 10 Purple states use no coal in the generation of electricity. Thus in addition to environmental and health concerns, one can see potential political motives behind the President's decision. Ernie Goss.

Cutting Coal Electricity Generation: More Costly for Red States

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 signifying weakness. [Index > 50.0 indicates expansion]

<table>
<thead>
<tr>
<th>Table 1: The Mainstreet Economy</th>
<th>May 2013</th>
<th>April 2014</th>
<th>May 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Economic Index</td>
<td>58.8</td>
<td>53.2</td>
<td>55.6</td>
</tr>
<tr>
<td>Loan volume</td>
<td>72.1</td>
<td>73.1</td>
<td>75.4</td>
</tr>
<tr>
<td>Checking deposits</td>
<td>54.5</td>
<td>65.1</td>
<td>54.8</td>
</tr>
<tr>
<td>Certificate of deposits</td>
<td>42.6</td>
<td>42.0</td>
<td>40.3</td>
</tr>
<tr>
<td>Farm land prices</td>
<td>62.1</td>
<td>42.9</td>
<td>46.7</td>
</tr>
<tr>
<td>Farm equipment area sales</td>
<td>52.4</td>
<td>36.7</td>
<td>33.6</td>
</tr>
<tr>
<td>Home sales</td>
<td>73.9</td>
<td>63.8</td>
<td>63.9</td>
</tr>
<tr>
<td>Hiring in the area</td>
<td>59.8</td>
<td>64.0</td>
<td>64.0</td>
</tr>
<tr>
<td>Retail Business</td>
<td>52.3</td>
<td>50.0</td>
<td>51.7</td>
</tr>
<tr>
<td>Economy 6 months from now</td>
<td>54.5</td>
<td>54.0</td>
<td>51.6</td>
</tr>
</tbody>
</table>

Survey Results at a Glance:
- Rural Mainstreet Index rises for a third straight month indicating modest growth.
- Farmland prices decline for sixth straight month.
- More than 90 percent of bank CEOs support completion of construction of the Keystone XL pipeline.
- Almost half the bankers indicated that the lack of fast broadband access for businesses in their area was constraining growth.
**MAIN STREET ON YOUR STREET**

**COLORADO**
After moving below growth neutral for February, Colorado’s Rural Mainstreet Index (RMI) for May inched above the 50.0 threshold for the first time since April’s 54.1. The farmland and ranchland-price index expanded to 55.4 from April’s 50.6. Colorado’s hiring index for May rose to 70.1 from 68.9 in April.

**ILLINOIS**
For a second straight month Illinois’ RMI increased, rising to 55.8 from April’s 53.3. The Illinois farmland-price index rose to 42.3 from April’s 36.2. The state’s new-hiring index improved to 39.6 from April’s 37.4.

**IOWA**
The May RMI for Iowa expanded to 55.8 from April’s 53.5. The farmland-price index for May advanced to a weak 44.1 from April’s 41.4. Iowa’s new-hiring index for May dipped to 61.1 from 61.6 in April.

**KANSAS**
The Kansas RMI for May climbed to 56.3 from 53.8 in April. The farmland-price index for May increased to 52.2 from April’s 46.3. The state’s new-hiring index advanced to 67.5 from April’s 65.4. Dan Coup, of First National Bank in Hope, said, “Dry weather is a concern in our area for our crop producers and also cattlemen planning on grazing cattle this summer. The crop crop in the area is heading and in poor condition, I anticipate the yields to be the poorest in years.”

**MINNESOTA**
The May RMI for Minnesota rose to 56.4 from April’s 54.1. Minnesota’s farmland-price index for May increased to 55.2 from April’s 50.0. The new-hiring index for the state grew to 69.9 from 65.7 in April. Brian Goetz, CEO of America State Bank of Grygla reported, “Northwest Minnesota needs warm weather and sunshine. We’ve had an extended period of cold, rainy weather that has prevented any spring fieldwork. Farmers are anxious to get to work.”

**MISSOURI**
The May RMI for Missouri jumped to 57.2 from April’s 51.3. The farmland-price index for May soared to 64.8 from April’s 42.3. Missouri’s new-hiring index skidded to 80.3 from 55.5 in April.

**NEBRASKA**
Nebraska’s RMI expanded to 55.3 from April’s 53.0. The farmland-price index for May advanced to a very weak 37.1 from 35.8 in April. Nebraska’s new-hiring index dipped to a solid 54.4 from April’s 57.1. Several bankers reported negative fallout from bad weather. For example, Larry Rogers, executive vice-president of First Bank of Utica said, “We have heard of tornados. (It) will hurt our area economy.”

**NORTH DAKOTA**
The North Dakota RMI for May dipped to 57.8 from April’s 59.4. The farmland-price index grew to 71.8 from April’s 64.5. North Dakota’s new-hiring index expanded to 83.2 from April’s 80.0.

**SOUTH DAKOTA**
The May RMI for South Dakota expanded to 55.7 from April’s 53.4. The farmland-price index for May increased to 41.9 from 38.1 in April. South Dakota’s new-hiring index advanced to 59.3 from April’s 58.9.

**WYOMING**
The May RMI for Wyoming improved to 56.0 from 53.6 in April. The May farmland and ranchland-price index grew to 47.4 from April’s 40.9. Wyoming’s new-hiring index for May improved to 63.8 from April’s 61.1.

**THE BULLISH NEWS**

- From the May surveys of supply managers, Creighton University’s and the nation’s point to improving growth through the third quarter of 2014.
- U.S. employers added 217,000 non-farm jobs in May and the unemployment rate remained steady at 6.3%.
- While the housing market has slowed, automobile sales have moved back into the recession level and are at their highest level in 9 years.

**THE BEARISH NEWS**

- While the overall May unemployment rate was 6.3%, it was 11.5% for Blacks, 19.2% for teenagers, and 7.7% for Hispanics.
- The number of long term unemployed was up in May.
- In May, average hourly earnings for all employees on private nonfarm payrolls rose by 5 cents to $24.38. Over the past 12 months, average hourly earnings have risen by a puny 2.1% and only slightly above inflation.

**WHAT TO WATCH**

- Retail Sales: On June 12, the U.S. Census Bureau will release retail sales numbers for May. An increase of more than 1% from April’s retail sales will be bullish for the economy, but bearish for bonds as the threat of inflation rises.
- Jobs: On Friday July 4, the U.S. Bureau of Labor Statistics (BLS) will release employment report for June. Another strong report (job additions above 200,000) will result in long term interest rates rising more quickly.
- CPI: On June 17, the Bureau of Labor Statistics releases consumer price indices for May. Monthly increases of more than 0.2% will encourage the Fed to maintain and potentially reduce its monthly bond buying program. It will point to higher long-term interest rates and could even encourage the Fed to raise short-term interest rates before the end of Q3.

**THE OUTLOOK**

- From GOSS: The U.S. 2014 budget deficit to decline by to roughly $500 billion, or 2.8% of GDP.
- The U.S. trade deficit to remain unacceptably high as many of our global trading partners experience slower economic growth thus buying less from us.
- U.S. housing price growth to slow to a more sustainable annual growth rate of 4% - 6%.

**OTHER FORECASTS:**
National Association of Business Economics (June 2014) SUMMARY: “NABE’s June 2014 Outlook Survey panelists expect stronger economic growth for the balance of this year than they did three months ago,” said NABE President Jack Kleinnetz, chief economist of the National Retail Federation. “The consensus forecast is that real GDP will advance at a strong 3.5% annualized clip in the second quarter of 2014, bolstered by activity that postponed due to adverse weather conditions earlier in the year. The March survey called for a 2.8% second-quarter gain. Growth expectations for the third and fourth quarters of 2014, at 3.1% and 2.3%, respectively, have also been revised upward. The majority view is that the Federal Reserve will terminate its long-term asset purchase program by the end of 2014 and begin to raise the federal funds rate in 2015.

**GOSS EGGS (RECENT DUMB ECONOMIC MOVES)**

- Once again Congressional Democrats and Republicans are bending to advance bailouts for some of the nation’s biggest corporations. This time it is funding for the Depression era relic, the Export-Import bank. The bank hands out loans, capital and credit insurance to support U.S. exports. Last year, the bank’s authorizations exceeded $27 billion. Why should the U.S. taxpayer guarantee loans that private lenders reject?

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**THE MAINSTREET ECONOMY REPORT**
“A monthly survey of community bank CEOs”

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