Obama the Economic Anti-Reagan
Reagan Faster Overall & Wage Growth; Obama Swifter Profit Growth

Obama’s former campaign manager Jim Messina said in 2015 that “President Obama in many ways has helped start the same kind of political revolution that Reagan did 30 years ago.” Conservative commentator Charles Krauthammer argued instead that Obama seeks to be the anti-Reagan. In reaction to the recessions that each inherited, the two leaders differed markedly in terms of policy response.

During the first 7.5 years of their terms, as a percent of gross domestic product (GDP), Obama increased federal taxes by 3.5%, while Reagan reduced federal taxes by 2.1%. And in terms of federal spending, Obama expanded federal outlays as percent of GDP by 0.03%, but Reagan reduced federal spending by 10.0%. As a result of superior economic growth during the Reagan era, the federal debt as a percent of GDP expanded at a slower 17.0% pace under Reagan than the more rapid 27.8% gain under Obama. Not only have Obama’s taxing and spending policies been in sharp contrast to Reagan’s, his economic outcomes have likewise been very different.

After 7.5 years, areas where Obama’s economic gains exceeded those of Reagan: 1) the U.S. unemployment rate declined by 2.9% compared to 1.9% for Reagan; 2) Business profits, as a share of GDP, expanded by 3.7 percentage points during Obama's tenure compared to a weaker 1.9 percentage points under Reagan; 3) the U.S. stock market advanced by 133% in contrast to a weaker 100% during the Reagan era.

Metrics in which Reagan’s economic performance in his first 7.5 years bested Obama were: 1) U.S. GDP expanded by 27.3% versus 15.3% for Obama; 2) U.S. non-farm jobs grew by 16.1% in contrast to Obama’s more tepid 9.7%; 3) Wages as a share of GDP advanced by 2.1% during the first 7.5 years of the Reagan term, but declined by 1.8% during Obama’s first 7.5 years; 4) Historical U.S. economic performance data show that Obama’s policies as well as economic outcomes qualify for the label of anti-Reagan, Ernie Goss.

MAINSTREET RESULTS

Rural Mainstreet Index Below Growth-Neutral for 12th Straight Month: Farmland Prices Expected to Decline Further

<table>
<thead>
<tr>
<th>Table 1: The Mainstreet Economy</th>
<th>Aug 2015</th>
<th>Jul 2016</th>
<th>Aug 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Economic Index</td>
<td>50.0</td>
<td>39.8</td>
<td>41.1</td>
</tr>
<tr>
<td>Loan volume</td>
<td>73.0</td>
<td>67.4</td>
<td>41.1</td>
</tr>
<tr>
<td>Checking deposits</td>
<td>55.0</td>
<td>49.0</td>
<td>41.3</td>
</tr>
<tr>
<td>Certificate of deposits</td>
<td>34.0</td>
<td>43.9</td>
<td>44.5</td>
</tr>
<tr>
<td>Farm land prices</td>
<td>32.7</td>
<td>31.3</td>
<td>25.6</td>
</tr>
<tr>
<td>Farm equipment area sales</td>
<td>14.2</td>
<td>10.7</td>
<td>14.8</td>
</tr>
<tr>
<td>Home sales</td>
<td>70.4</td>
<td>61.5</td>
<td>58.9</td>
</tr>
<tr>
<td>Hiring in the area</td>
<td>63.3</td>
<td>49.0</td>
<td>47.9</td>
</tr>
<tr>
<td>Retail Business</td>
<td>50.0</td>
<td>37.8</td>
<td>38.1</td>
</tr>
<tr>
<td>Economy 6 months from now</td>
<td>42.0</td>
<td>32.3</td>
<td>27.2</td>
</tr>
</tbody>
</table>

Survey Results at a Glance:

- For a 12th straight month, the Rural Mainstreet Index fell below growth neutral.
- Farmland prices remained below growth neutral for the 33rd consecutive month.
- Bank CEOs expect farmland prices to fall by another 6.9 percent over the next 12 months.
- Approximately 56.5 percent of bank CEOs expect the Federal Reserve to raise rates before the end of 2016.
- Agriculture equipment sales remain close to record low.

The Creighton University Rural Mainstreet Index rose for August, but remained below growth neutral for the 12th straight month, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

Overall: The index, which ranges between 0 and 100 increased to 41.1 for August from July’s weak 39.8. This month’s reading is well off the index for August 2015 when it stood at 50.0.

Over the past 12 months, farm prices have fallen by 11 percent, cattle prices are off by 22 percent, and grain prices are down by 20 percent. Weak agricultural commodity prices are pushing farm income lower and sinking the overall Rural Mainstreet economy.

Farming and ranching: The farmland and ranchland-price index for August slumped to 25.6 from 31.3 in July. This is the 33rd straight month the index has languished below growth neutral 50.0.

This month, bankers estimated, on average, farmland prices would fall by another 6.9 percent over the next 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.

Bank CEOs reported an average annual cash rent per acre of $252 with almost one-fourth of bankers de-tailing annual cash rents exceeding $299.

The August farm equipment-sales index increased to 14.8 from 10.7 in July. Weakness in farm income and low agricultural commodity prices continue to restrain the sale of agriculture equipment across the region.

Banking: Borrowing by farmers remains strong as the August
Regional low of 18.1. The farmland-price index fell to 17.5 from July's 18.1.

IOWA
The August RMI for Iowa advanced to a strong 58.3 from July's 51.9. Iowa's farmland-price index for August slumped to 46.5 from 49.7 in July. Iowa's new-hiring index for August expanded to 58.1 from July's 53.4. Iowa job growth over the last 12 months; Rural Mainstreet, 1.1 percent; Urban Iowa, 0.7 percent.

KANSAS
The Kansas RMI for August sank to 24.6 from July's 37.4. The state's farmland-price index for August slumped to 13.4 from 25.6 in July. The new-hiring index for Kansas increased to 44.6 from 39.5 in July. Kansas job growth over the last 12 months; Rural Mainstreet, 1.1 percent; Urban Kansas, 0.9 percent.

MINNESOTA
The August RMI for Minnesota fell to 30.3 from July's 35.9. Minnesota's farmland-price index slumped to 18.0 from 38.0 in July. The new-hiring index for the state climbed to 49.9 from last month's 48.2. Minnesota job growth over the last 12 months; Rural Mainstreet, 0.7 percent; Urban Minnesota 1.6 percent.

MISSOURI
The August RMI for Missouri plummeted to 22.4 from 37.8 in July. The farmland-price index slipped to 14.9 from July's 29.6. Missouri's new-hiring index fell to 17.1 from 22.6 in July; Missouri job growth over the last 12 months; Rural Mainstreet, -11.7 percent; Urban Missouri 2.1 percent.

NEBRASKA
The Nebraska RMI for August advanced to regional high of 64.5 from 51.5 in July. The state's farmland-price index sank to 43.5 from July's 49.3. Nebraska's new-hiring index grew to 59.2 from 55.2 in July. Nebraska job growth over the last 12 months; Rural Mainstreet, 1.6 percent; Urban Nebraska, 1.1 percent.

NORTH DAKOTA
The North Dakota RMI for August fell to 17.8 from 35.9 in July. The farmland-price index sank to 12.1 from July's 21.2. North Dakota's new-hiring index slumped to 25.6 from June's 38.9. North Dakota job growth over the last 12 months; Rural Mainstreet, -9.2 percent; Urban North Dakota, 1.2 percent.

SOUTH DAKOTA
The August RMI for South Dakota advanced to 54.3 from July's 40.1. The farmland-price index slumped to 27.3 from 28.0 in July. South Dakota's new-hiring index improved to 53.3 from July's 47.5. South Dakota job growth over the last 12 months; Rural Mainstreet, 0.9 percent; Urban South Dakota, 3.2 percent.

Wyoming
The August RMI for Wyoming plummeted to 18.9 from July's 31.2. The July farmland and ranchland-price index soared to 15.8 from 10.9 in July. Wyoming's new-hiring index increased to 39.6 from July's 34.9. Wyoming job growth over the last 12 months; Rural Mainstreet, 2.6 percent; Urban Wyoming, 3.2 percent.

BULLISH NEWS
- The U.S. trade deficit dropped by 11.6% in July due to a sharp increase in exports.

BEARISH NEWS
- The U.S. non-farm payrolls rose by 151,000 in August. A lot of economists are slamming this “not too hot”; “not too cool” reading. I consider it a good indicator.
- The U.S. Case-Shiller home price index rose by seasonally adjusted 0.2% for June and is 5.1% above the reading for June 2015.

WHAT TO WATCH
- Federal Reserve (Fed) Meetings: On Sept. 20-21, the interest rate setting committee of the Fed meets to consider short-term interest rates. While they may not raise rates at this meeting, they may set the stage for a Dec. rate increase in their post-meeting statements.
- The Jobs Report: On Oct. 7, the Bureau of Labor Statistics will release the September jobs report. Another very strong report (i.e. more than 200,000 jobs) will push the Federal Reserve to raise rates later in 2015.
- PMIs for US and Mid-America: On Oct. 3, Creighton and the Institute for Supply Management will release their readings on manufacturing in Mid-America and U.S. Another set of readings below growth neutral 50.0 will be bearish for U.S. stocks.

THE OUTLOOK
From Goss:
- “I put the likelihood of a Federal Reserve rate hike in September at 20%. However, I place the probability of one more rate increase in 2016 at 90%. **With U.S. corporations in a profits recession and increases short-term interest rates, there is a high likelihood of a significant pullback in the U.S. stock market. Growing dividend payments have been paid for largely with corporate borrowing, not profits.

Other forecasts:
- Janet Yellen, Head of Federal Reserve (August 2016)
  Last week Janet Yellen, head of the Federal Reserve said that current, “moderate pace of economic growth has had a positive effect on the labor market. Due to healthy job additions in June and July, the average job additions in the last three months were 190,000. Keep in mind that revised job additions for May were just 24,000. Yellen further said that labor utilization measures have improved. These measures look at the slack in the labor market, if any. On inflation, she had nothing more to add than what the Fed has already said again and again, that inflation continues to run below their mandated level of 2% due to earlier declines in imports and crude oil prices.”