

## 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 fiscal 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; Historical U.S. economic performance data show that Obama's policies as well as economic outcomes qualifies for the label of anti-Reagan. Ernie Goss.

## MAINSTREET RESULTS

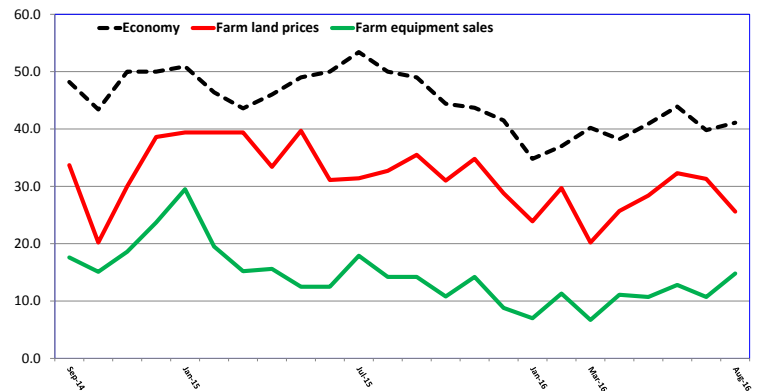
### Rural Mainstreet Index Below Growth-Neutral for 12th Straight Month: Farmland Prices Expected to Decline Further

Table 1: The Mainstreet Economy	Aug 2015	Jul 2016	Aug 2016
Area Economic Index	50.0	39.8	41.1
Loan volume	73.0	67.4	78.3
Checking deposits	55.0	49.0	41.3
Certificate of deposits	34.0	43.9	44.5
Farm land prices	32.7	31.3	25.6
Farm equipment area sales	14.2	10.7	14.8
Home sales	70.4	61.5	58.9
Hiring in the area	63.3	49.0	47.9
Retail Business	50.0	37.8	38.1
Economy 6 months from now	42.0	32.3	27.2

### 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.

Rural Mainstreet, Economic Indicators, Sept. 2014 – August 2016  
(50.0 = growth neutral)



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

loan-volume index expanded to 78.3 from last month's 67.4. The checking-deposit index fell to 41.3 from 49.0 in July, while the index for certificates of deposit and other savings instruments improved slightly to 44.5 from 43.9 in July.

Approximately 56.5 percent of bank CEOs expect the Federal Reserve to raise rates before the end of 2016.

**Hiring:** After moving above growth neutral for June, the Rural Mainstreet hiring index fell below the threshold for July and August. According to bankers, Rural Mainstreet businesses reduced jobs for August with a hiring index of 47.9 which was down from July's 49.0.

Rural Mainstreet employment is down by approximately 1.6 percent from this time last year. This contrasts to employment gains for urban areas of the region of approximately 1.5 percent for the same 12-month period.

**Confidence:** The confidence index, which reflects expectations for the economy six months out, plummeted to 27.2 from 32.3 in July indicating an intense pessimistic outlook among bankers. Negative economic assessments by the U.S. Department of Agriculture for 2016 farm income combined with recent downturns in agriculture commodity prices pushed banker's economic outlook even lower.

**Home and retail sales:** Home sales remain the bright spot of the Rural Mainstreet economy with a robust August index of 58.9, but down from July's 61.5. The August retail-sales index increased slightly to a very weak 38.1 from July's 37.8. Despite low inventories of homes for sale, Rural Mainstreet home sales continue on a strong trajectory, but rural retailers, much like their urban counterparts, are experiencing downturns in sales.

Each month, community bank presidents and CEOs in nonurban agriculturally and energy-dependent portions of a 10-state area 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 Security State Bank in Ansley, Neb.

This survey represents an early snapshot of the economy of rural agriculturally 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 Banks of America, created the monthly economic survey in 2005.

## MAINSTREET ON YOUR STREET

### COLORADO

Colorado's Rural Mainstreet Index (RMI) declined slightly to 51.1 from 52.4 in July. The farmland and ranchland-price index soared to 59.0 from July's 42.1. Colorado's hiring index for August rocketed to 64.8 from July's 52.6. Colorado job growth over the last 12 months; Rural Mainstreet, 0.7 percent; Urban Colorado, 3.0 percent.

### ILLINOIS

The August RMI for Illinois increased to a feeble 21.2 from July's regional low of 18.1. The farmland-price index fell to 17.5 from July's 29.4. The state's new-hiring index rose to 44.2 from last

month's 42.4. Illinois job growth over the last 12 months; Rural Mainstreet, -1.9 percent; Urban Illinois 1 percent.

### 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 40.5 from 49.7 in July. Iowa's new-hiring index for August expanded to 58.1 from July's 55.4. Iowa job growth over the last 12 months; Rural Mainstreet, 1.1 percent; Urban Iowa, 1.7 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 30.0 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 slipped 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 fell to 15.6 from 30.3 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, -2.3 percent.

## THE BULLISH NEWS

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

## GOSS EGGS (RECENT DUMB ECONOMIC MOVES)

- The EU last week fined Apple more than \$14 billion in back taxes. Their decision was based on Ireland's corporate tax that is too low by EU standards. In their attempt to "harmonize" or provide uniformity across the EU, they are simply ratifying Great Britain's decision to leave the EU. Ireland has benefited mightily for its competitive corporate tax structure. Decisions like this will encourage other EU exits.

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This month's survey results will be released on the third Thursday of the month, Sep. 15.

- 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 a seasonally adjusted 0.2% for June and is 5.1% above the reading for June 2015.

## THE BEARISH NEWS

- The U.S. PMI and the Creighton PMI both fell below growth neutral for August indicating that U.S. and regional manufacturing are losing economic steam.

- Average hourly earnings rose 3 cents last month to \$25.73, an annualized rate of 2.4%. After previous recessions, wage growth has typically hit at least 3%.

## WHAT TO WATCH

- Federal Reserve (Fed) Meetings:** On Sept. 20-21, the interest rate setting committee of the Fed meets to consider changing 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 past 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 to 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."