

IOWA ECONOMIC SCORECARD

Volume 21, Number 3

August 2013

The Size (and Price) of the Toy!

By Deborah D. Thornton

The favorite toy of many little (and big) boys is a shiny, new pickup truck. Pickup trucks are used for both work and play, by electricians, carpenters, and weekend warriors. A new 2013 Ford F-150 will run a big boy a minimum of \$25,000, and as much as \$50,000.¹ Because of this, new registrations of pickup trucks can be a good indicator of blue-collar job stability and growth and disposable cash levels.

Dr. Bruce Yandle, Distinguished Adjunct Professor of Economics at the Mercatus Center of George Mason University and a member of the Public Interest Institute Academic Advisory Board, has created a “Pickup Truck Economic Indicator.”² In 1998 the number of light trucks sold nationally became greater than the number of cars sold, and has remained so ever since. Beginning in May of 2008, at the start of the 2008 recession, both car and truck sales fell drastically. According to Dr. Yandle, “pickups are (again) outpacing autos.” His conclusion, reinforced by the daily observation of more and newer pickups at gas stations, is that “America is building again. Things are getting better.”

As a rural, mostly agricultural state, pickup trucks are an integral part of the Iowa economy, but frugal farmers are typically not going to buy a new truck unless they’re confident of their ability to pay for it. So, especially for Iowa, new registrations of pickup trucks may be a good indicator of consumer confidence and long-term economic growth.

The Iowa Workforce Development News and Trends Webpage lists Iowa vehicle new registrations, a good proxy for new vehicle purchases. It also provides the raw data back to January 2009 and current to May 2013.³ A chart showing the new car registrations compared to new truck data is on page 3.

Since 2009 there have been only a few months where Iowa truck registrations were greater than car registrations, different from the national experience. More people typically register (after buying) trucks in December and January, presumably to take advantage of year end/beginning vehicle sales and after the fall crop sales for many farmers. The “cash for clunkers” program in July and August of 2009 apparently drove many new fuel-efficient car sales, as in these months the truck sales were as low as 48 percent of car sales. Tax refunds and the new model introductions also result in regular spikes in new registrations in May and August of each year.

However, when the trend line is added to the chart, it is apparent that truck registrations are climbing at a faster rate than car registrations, and if the trend continues, truck registrations should outpace car registrations by early 2014.

At the same time, Iowa farmland prices continue to rise – though many are concerned about a potential “bubble,” based on some land sales of \$20,000 per acre. According to Iowa State University, the market price of “average” Iowa farm land was about \$8,300 in 2012.⁴ One investor’s newsletter

continued on page 3

IOWA ECONOMIC SCORECARD

August 2013
Volume 21, Number 3

Public Interest Institute

Dr. Don Racheter

President

Deborah D. Thornton

Editor

IOWA ECONOMIC SCORECARD is our quarterly economic forecast, arriving in February, May, August, and November. It consists of statistics about and analysis of the Iowa economy.

IOWA ECONOMIC SCORECARD is published by Public Interest Institute at Iowa Wesleyan College, a nonpartisan, nonprofit, research and educational institute whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does **not** accept government grants.

Contributions are tax-deductible under sections 501(c)(3) and 170 of the Internal Revenue Code.

Permission to reprint or copy in whole or part is granted, provided a version of this credit line is used: "Reprinted by permission from IOWA ECONOMIC SCORECARD, a quarterly newsletter of Public Interest Institute." The views expressed in this publication are not necessarily those of Public Interest Institute. They are brought to you in the interest of a better-informed citizenry because IDEAS DO MATTER.

We invite you to:

CALL us at 319-385-3462.

FAX to 319-385-3799.

E-MAIL to: Public.Interest.Institute@LimitedGovernment.org

VIEW our Website at

www.LimitedGovernment.org.

WRITE us at our address on page 8.

Copyright 2013

Red States Raid Blue States for Jobs: It's a Texas Two-Step Versus an Illinois Slow Waltz By Dr. Ernie Goss Creighton University

Economic Recovery Stronger in Red States

Governor Rick Perry of Red-State Texas, took a June Blue-State tour visiting New York and Connecticut, courting and wooing companies in an area of the country that hasn't voted Republican in a national election in the last two decades. Are the economic stars dancing the Texas two-step or the New York Lindy Hop?

Have Red States, those that voted Republican in every presidential election for the past two decades, economically out-performed Democrat-voting Blue States, as well as Purple States that divided their electoral votes between Democrats and Republicans, in the same time period?

Do Red States, which are viewed as more pro-business and tax friendly, experience superior economic performance compared to Blue States, which are seen as more pro-government and tax burdensome?

From the beginning of the economic recovery in the third quarter of 2009 through the first quarter of 2013, personal income growth was 14.6 percent for Blue States, 14.9 percent for Purple States, and 17.3 percent for Red States.

Furthermore, May 2013 Red-State unemployment rates were a full one percentage point lower than Blue-State jobless rates, and one-half of one percentage point lower than the rate of joblessness among Purple States.

Since July 2009, employment has grown by 1.7 percent in Red States, a much slower 1.3 percent in Purple States, and an anemic 1.1 percent in Blue States.

Thus, approximately 500,000 jobs shifted from Blue and Purple States to Red States during the recovery.

Data like this are apt to encourage Red-State Governors to mimic Governor Perry's efforts and recruit workers and companies from Blue States like Illinois, with its slow-waltzing economy.

Dr. Ernie Goss, Ph.D., is the MacAllister Chair, Creighton University. Originally published in The Mainstreet Economy Report, July 13, 2013, <http://business.creighton.edu/sites/business.creighton.edu/files/basic-page/MSE_July13.pdf> accessed on July 18, 2013. Reprinted with the author's permission. Details of the analysis may be found at <<http://economytrends.blogspot.com>>.

continued from page 1

estimates that this price is reasonable, supported by the current levels of corn price and per acre yield (which make up farm income), and current interest rates, and is not necessarily a “bubble.” If interest rates remain low for “the long haul” and the price per bushel of corn remains high, then the expected average price per acre may jump up to \$11,000 or \$15,500. On the other hand, if corn prices drop and interest rates rise, the price may fall back to the \$4,500 per acre of 2009.⁵ Unfortunately corn prices, interest rates, and weather are difficult for any one individual to predict or control.

On the downside, the Creighton University farmland-price index for Iowa decreased to just under 50 in June, from 62.2 in May, possibly indicating a drop, or at least more stability, in land prices during 2013. The overall Rural Mainstreet Index increased to 62.2, a solid, positive figure, from 58.1.

If current economic trends continue, and Iowa farmers have a good harvest this year, many boys will have large, shiny, expensive new toys under the Christmas tree...or in the driveway!

(Endnotes)

¹ “Best Cars,” *U.S. News and World Report*, July 25, 2013, <http://usnews.rankingsandreviews.com/cars-trucks/Ford_F-150/> accessed on July 25, 2013.

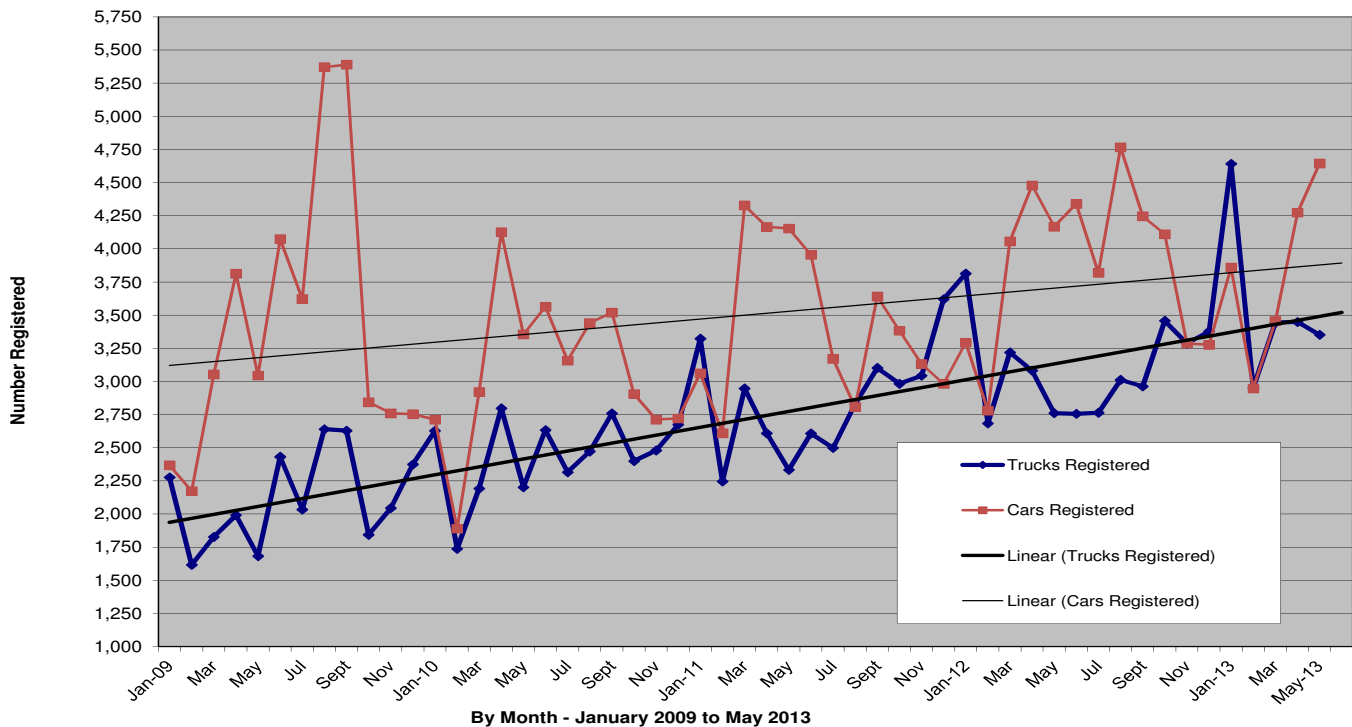
² Bruce Yandle, Ph.D., “The Economic Situation,” Mercatus Center at George Mason University, June 17, 2013, pp. 2-3, <<http://mercatus.org/publication/economic-situation-june-2013>> accessed on July 17, 2013.

³ “News and Trends,” Iowa Workforce Development, <<http://www.iowaworkforce.org/trends/>> accessed on July 25, 2013.

⁴ “Farm Land 2012 – Boom or Bubble?” Farmland Forecast, June 19, 2012, <<http://farmlandforecast.colvin-co.com/2013/06/19/farm-land-2013---boom-or-bubble.aspx>> accessed on July 25, 2013

⁵ Ibid.

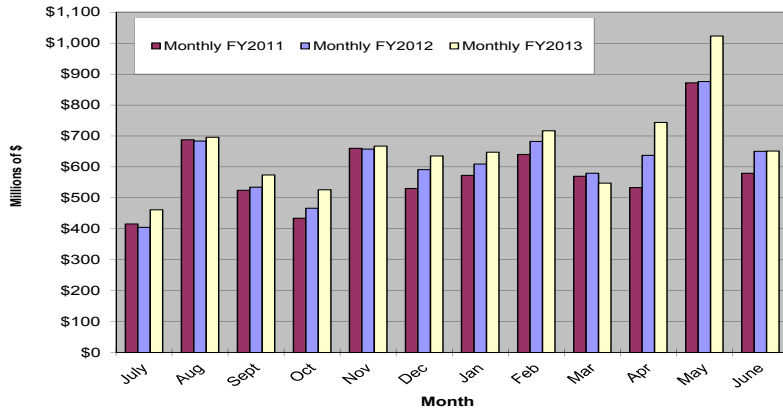
Trucks Compared to Cars Registered in Iowa



*Have you renewed your membership with
Public Interest Institute?*

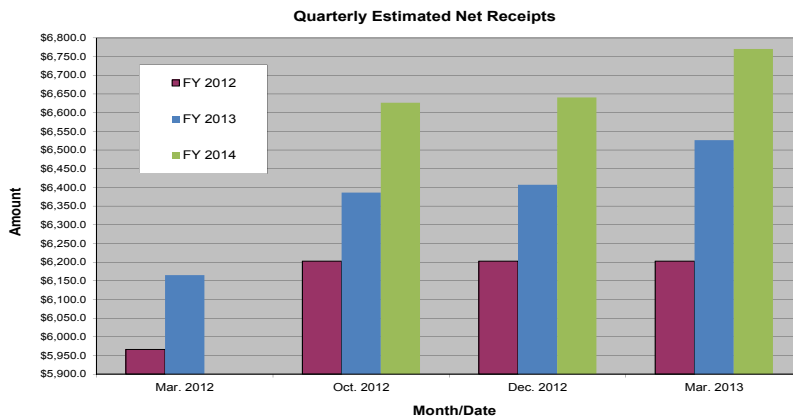
Public Interest Institute relies on the support of individuals like you, who be challenges, to continue our publications. Please use the enclosed postage-p

Iowa's Monthly State Revenue and Estimated Net Yearly Revenue (in millions)



Monthly State Revenue:

As of June 2013 the FY13 state revenue, fiscal year-end total was \$7.88 billion, over \$516 million higher than in FY12. State tax collections are at an all-time high, increasing by almost a billion dollars since FY09. What could Iowa workers and families do with this money?

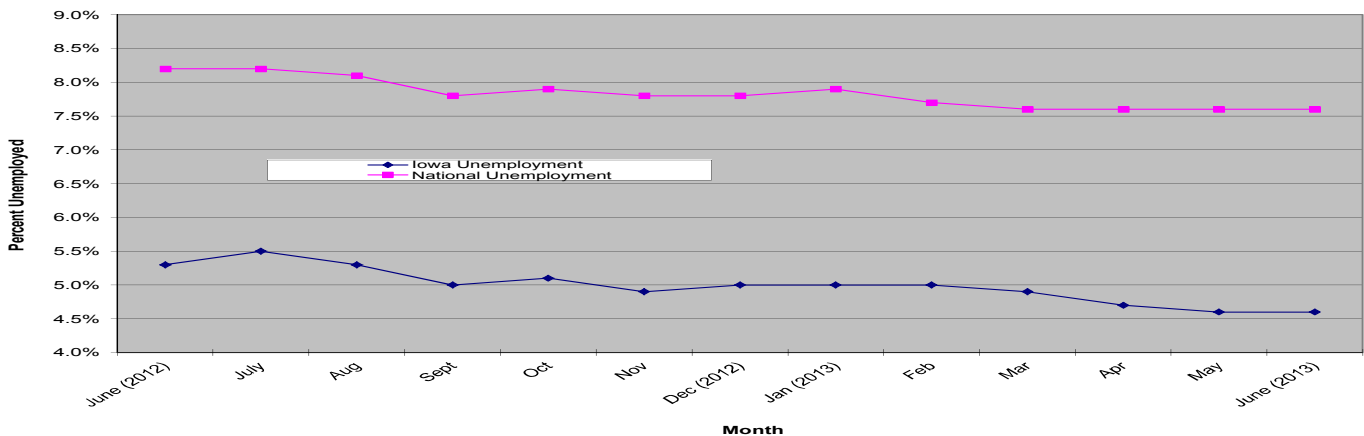


Estimated Net Yearly Revenue:

The Revenue Estimating Conference has not met since March, so the revised prediction for FY13 of \$6.53 billion in tax collections stands. This was up from the official December 2011 estimate of \$6.17 billion. The FY14 estimate remains at \$6.77 billion.

Source: Legislative Services Agency, "Monthly General Fund Revenue Memo," and Revenue Estimating Conference Report

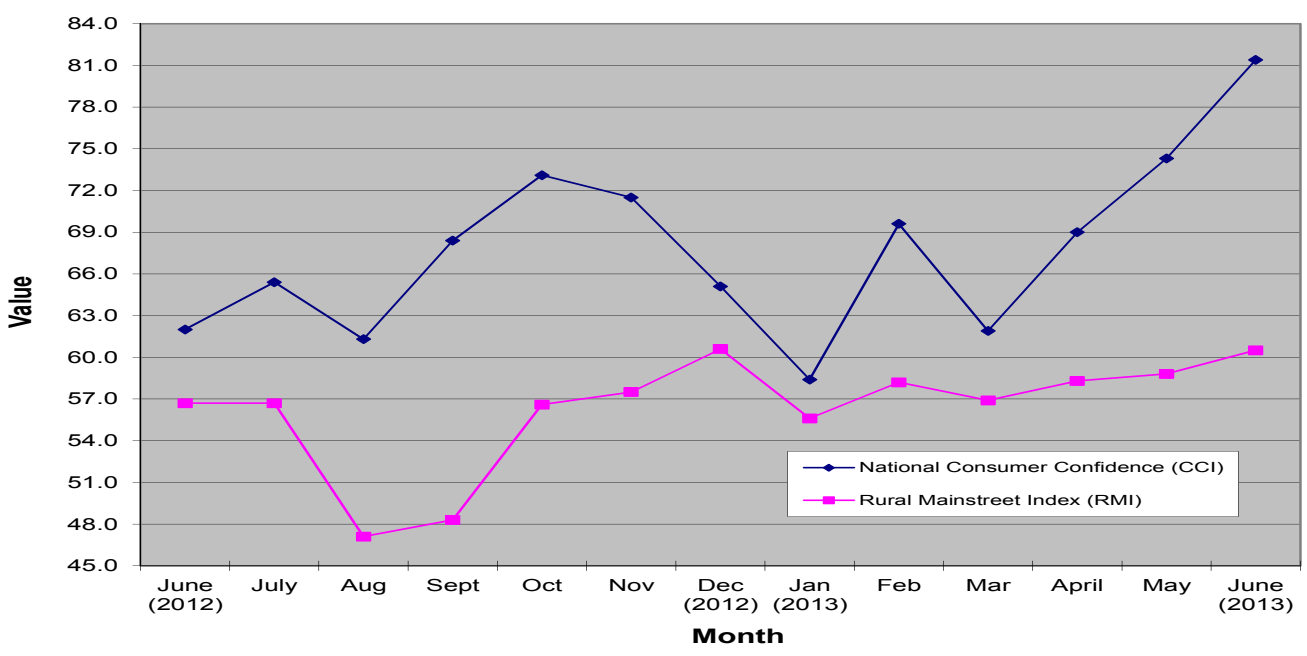
U.S. and Iowa's Unemployment, June 2012 - Present



Nationally, employment growth remains stagnant, reflected in 7.6 percent unemployment all summer. Unemployment among young people and minorities remains high, with under-employment still a concern. Iowa's unemployment rate has dropped slightly to 4.6 percent, while 76,000-77,000 remain unemployed. The total potential Iowa workforce has increased to almost 1,654,000, as more people look for jobs.

Source: Iowa Workforce Development, Labor Market Information Bureau, "Monthly Unemployment Rate News"

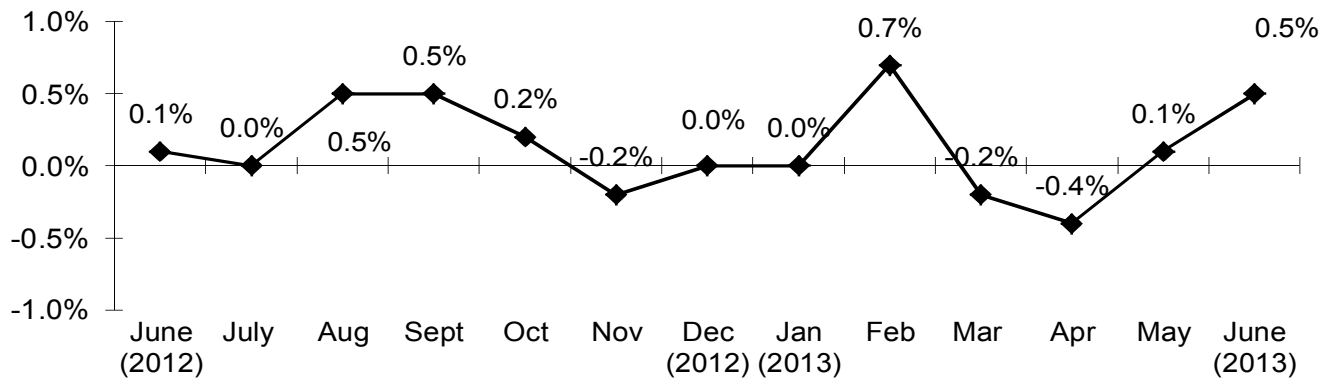
Consumer Confidence Index



The national Consumer Confidence Index (CCI) remains neurotic, swinging from 62 last June to 73 in October 2012, back down to 58 in January 2013, and most recently up to 81. According to the CCI, “Consumers are considerably more positive about business and labor market conditions than they were at the beginning of the year.” The midwest regional RMI increased from the high 50s to just over 60 in June. Jeffrey Gerhart, Chairman of the Bank of Newman Grove in Nebraska, reported, “Corn and soybeans are in and growing without the assistance of irrigation in our area. What a difference one year makes.”

Source: Conference Board, “Consumer Confidence Survey,” and Creighton University

Consumer Price Index, Monthly Change



According to the U.S. Bureau of Labor Statistics, “Over the last 12 months, the all-items index increased 1.8 percent before seasonal adjustment. The gasoline index rose sharply in June and accounted for about two thirds of the all items change. Other energy indexes were mixed, with the electricity index rising, but the indexes for natural gas and fuel oil declining. The food index increased in June as the index for food at home turned up after declining in May.”

Source: U.S. Department of Labor, Bureau of Labor Statistics

Why the White House Is Panicking About ObamaCare

By John Goodman, President
National Center for Policy Analysis

Actors. Actresses. NFL football players. Baseball players. Librarians. Mayors. City Councilmen. Members of AARP. The Obama administration is looking far and wide, leaving no stone unturned in a relentless search for...well...for help.

Help with what? Help with getting people to enroll in health-insurance plans this fall. And why is that? Because the administration is facing the very real possibility that its signature piece of legislation may fall flat on its face.

By way of background, consider this: About one in every four individuals who are eligible for Medicaid in this country has not bothered to enroll. About one in five employees who are offered employer-provided health insurance turns it down; among workers under 30 years of age, the refusal rate is almost one in three.

Think about that for a moment. Millions of people are turning down (Medicaid) health insurance, even though it's free! Millions of others are turning down their employers' offers. Since employees pay about 27 percent of the cost of their health insurance, on the average, millions of workers are passing up the opportunity to buy health insurance for 27 cents on the dollar.

You almost never read statistics like these in the mainstream media. Why? Because they completely undermine health-policy orthodoxy: the belief that health insurance (even Medicaid) is economically very valuable, that it improves health and saves lives, and that the main reason why people don't have it is that they can't afford it.

Welcome to the huge disconnect in health reform. On the one hand there are the people who are supposed to benefit from health reform. On the other hand there are the people who talk about it and write about it. I think it's fair to say these two groups almost never meet.

Study after study has purported to have found that health insurance improves health, saves lives, makes people happier, etc., etc. But these studies almost always ignore two cardinal facts: We have made it increasingly easy in this country for the uninsured to obtain health care after they get sick. We have also made it increasingly easy for people to get health insurance after they get sick. Both developments reduce the incentive to spend time and money enrolling in a health plan.

I have described before the experience of emergency room care in Dallas: At Parkland Memorial Hospital both uninsured and Medicaid patients enter the same emergency room door and see the same doctors. The hospital rooms are the same, the beds are the same, and the care is the same. As a result, patients have no reason to fill out the lengthy forms and answer the intrusive questions that Medicaid enrollment so often requires. At Children's Medical Center, next door to Parkland, a similar exercise takes place. Medicaid, CHIP, and uninsured children all enter the same emergency room door; they all see the same doctors, and receive the same care.

Interestingly, at both institutions, paid staffers make a heroic effort to enroll people in public programs — working patient by patient, family by family, right there in the emergency room. Yet they apparently fail more than half the time! After patients are admitted, staffers go from room to room, continuing with this bureaucratic exercise. But even among those in hospital beds, the failure-to-enroll rate is significant.

Clearly, Medicaid enrollment is important to hospital administrators. It determines how they get paid. Enrollment may also be important to different sets of taxpayers. It means federal taxpayers pay more and Dallas County taxpayers pay less. But aside from the administrative, accounting, and financial issues, is there any social reason we should care?

Economics teaches that people reveal preferences through their actions. If people act as though they are indifferent between being uninsured and being on Medicaid, we may infer — based on this behavior — they are equally well off in both states of the world from their own point of view.

Against this conclusion, advocates of “behavioral economics” might argue that people don’t know what’s best for them. They have to be “nudged.” Seeing a football star on TV encouraging young men to enroll in a health plan might do the trick. But for the Obama administration that doesn’t solve the problem. People need more than an initial nudge. They have to be nudged every month.

Take Massachusetts. That state cut its uninsurance rate in half. But the main vehicle was Section 125 plans set up by employers. These accounts allow employees to pay their share of the premiums with pre-tax dollars and they are mandatory. Further, for lower-income employees the insurance is highly subsidized by the state. More to the point, under this arrangement, the employee’s contribution is automatically deducted every pay period.

Under ObamaCare, similarly situated individuals are going to be expected to pay a monthly premium the way they pay their utility bills. But with this difference. When people don’t pay their electricity bills, the utility cuts off their electricity. When they don’t pay their rent, the landlord throws them out in the street. But when they don’t pay their health-insurance premium, what happens then? Not much.

Why is it so important to the administration to have people enroll? If they don’t enroll in Medicaid, I don’t think it matters very much.

But if they don’t enroll in private plans sold in health insurance exchanges, it will matter a great deal.

Iowa Statewide Economic Indicators

Latest Economic Indicators	Actual Number	Amount of Change	Time Period Reported
 New Vehicle Registrations	58,276 YTD	7.5%	May 2012 - May 2013
 New Housing Permits	3,689 YTD	7.9%	May 2012 - May 2013
 Existing Home Sales - Midwest	1,210,000	16.3%	June 2012 - June 2013
 Total Resident Jobs	1,577,200	1.7%	June 2012 - June 2013
 Non-Farm Employment	1,530,300	1.6%	June 2012 - June 2013
 Factory Jobs	216,400	2.5%	June 2012 - June 2013
 Initial Unemployment Claims	10,903	-5.4%	June 2012 - June 2013
 Jobless Rate	76,500	4.6%	June 2013
 Personal Income (per capita)	\$42,126	2.4%	2011 - 2012
 Exports of Goods	\$14.6 B	10.0%	2011 - 2012
 Farmland Values (High Quality)	\$11,515	9.4%	October 2012 - March 2013

Source: Iowa Workforce Development News and Trends, July 19, 2013,

www.iowaworkforce.org/trends/

www.iowaeconomicdevelopment.com/newsdetails/5654

www.extension.iastate.edu/agdm/wholefarm/pdf/c2-75.pdf

**Public Interest Institute
at Iowa Wesleyan College
600 North Jackson Street
Mount Pleasant, IA 52641-1328**

NONPROFIT ORGANIZATION
U.S. POSTAGE PAID
MAILED FROM ZIP CODE 52761
PERMIT NO. 338

Remember, these will be artificial markets in which insurance will be underpriced to the sick and overpriced to the healthy. A lengthy, complicated enrollment process will further discourage those with no health problems. But if the only people who enroll are those who are sick, the average premium will go through the roof. A death spiral will ensue as ever-increasing premiums price more and more buyers out of the market, leaving only those whose expected medical expenses exceed those high premiums.

The bright side of all this is a possible teaching moment. The whole nation may be treated to one vast demonstration of why prices matter.

John C. Goodman is President and CEO of the National Center for Policy Analysis and author of the new book, Priceless: Curing the Healthcare Crisis. He is widely known as the “Father of Health Savings Accounts,” and Modern Healthcare named him as one of four people who have most influenced the modern health-care system. Originally published July 22, 2013, by the National Center for Policy Analysis, reprinted with permission, <<http://healthblog.ncpa.org/why-the-white-house-is-panicking-about-obamacare/#more-31242>> accessed on July 22, 2013.

If you would be willing to help us hold down our printing and mailing cost by receiving your publications from Public Interest Institute by e-mail rather than regular mail delivery, please let us know your e-mail address and give us permission to switch your delivery. We will not sell, rent, trade, or lend your e-mail address.

As a thank you for helping us, we will send you copies of our POLICY STUDIES as well as our weekly newspaper columns, In the Public Interest.

You can send your e-mail address by e-mail to **Public.Interest.Institute@LimitedGovernment.org** or call our office at **319-385-3462**.