

Bitcoin: A Poker Chip, or Money? Only 1 of 700 U.S. Businesses Accept Bitcoin

In 1999, prophetic Milton Friedman, 1976 winner of the Nobel prize in economics, said, "I think the internet is going to be one of the major forces for reducing the role of government. The one thing that's missing, but that will soon be developed, is a reliable e-cash." Bitcoin, and other cryptocurrencies are attempting to fill Friedman's void.

But can Bitcoin be regarded as money? Since its introduction in January 2009, the currency has expanded by 1,624,036% measured against the U.S. dollar rising from \$0.04 to \$7,638.62 on June 2, 2018. During this same period of time, the price of gold (in U.S. dollars) climbed by 6.4%, and the value of the U.S. dollar against the Eurozone currency, the Euro, actually declined by 9.7%.

To serve as money, whether dollar, gold or Bitcoin, it must first be a medium of exchange, and second a store of value. How has each served these two functions?

Medium of exchange (acceptance). According to Coinmap.org, 11,291 businesses accepted Bitcoin for payment of products and services at the end of 2017. Despite acceptance rates growing by 38% per year, less than one in 700 U.S. businesses accepted Bitcoin as a unit of payment at the end of 2017. Data on the acceptance of gold to purchase goods and services were not available, but 100% of U.S. businesses are legally required to accept the U.S. dollar for payment for goods and services.

Store of value. In 2017 against the Euro, the Bitcoin varied by 71.3% from its average, the U.S. dollar varied by 7.3% from its average, and gold deviated by only 0.1% from its average. Since the beginning of this year against the Euro, Bitcoin plummeted by 50.2%, the U.S. dollar sank by 3.2%, and gold rose by 2.6%. Clearly, Bitcoin from 2009 to 2018, was not a reliable store-of-value.

Verdict: Bitcoin, at this point-in-time, is moe of a poker chip than money. However, the rapid acceptance of Bitcoin for payment will support its wide-spread use as money in the years ahead---just not likely in 2018, 2019 or 2020.

MAINSTREET RESULTS

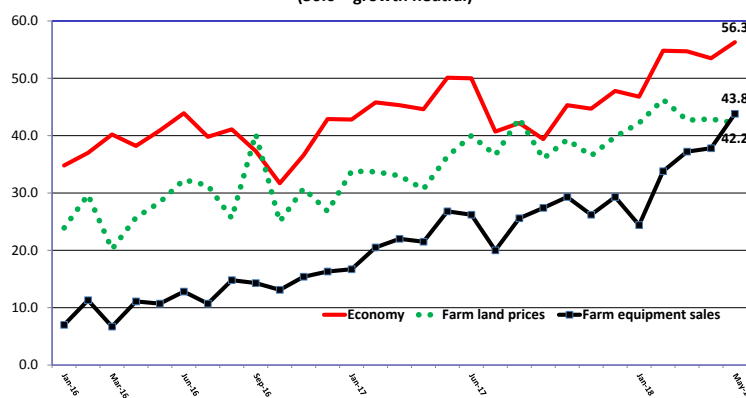
Rural Mainstreet Index at Highest Level in Almost 5 Years: Rising Regulatory Greatest Banking Challenge

Survey Results at a Glance:

- For a fourth straight month the overall index rose above growth neutral.
- On average, bankers expect farm loan defaults to rise by only 3.0 percent over the next 12 months.
- Over the past year, average annual cash rents on farmland declined by 3.0 percent to \$239 per acre.
- More than one-third of bank CEOs identified rising regulatory costs as the top economic challenge to their banking operations over the next five years.

	May 2017	April 2018	May 2018
Area Economic Index	50.1	53.5	56.3
Loan volume	74.5	68.7	74.3
Checking deposits	48.9	56.0	43.9
Certificate of deposits	38.9	45.3	40.9
Farm land prices	36.4	42.9	42.2
Farm equipment area sales	26.8	37.8	43.8
Home sales	63.6	57.1	62.1
Hiring in the area	60.1	64.0	56.0
Retail Business	48.9	53.6	46.9

Rural Mainstreet, Economic Indicators, Jan. 2016 – May 2018
(50.0 = growth neutral)



The Creighton University Rural Mainstreet Index climbed above growth neutral in May for a fourth straight month, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy. This is the first time since the July 2015 that we have recorded four straight months of overall indices above growth neutral.

Overall: The overall index rose to 56.3, its highest level since July 2013, and up from 53.5 in April. The index ranges between 0 and 100 with 50.0 representing growth neutral.

Surveys over the past several months indicate the Rural Mainstreet economy is trending upward with improving, and positive economic growth. While agriculture commodity prices have improved recently, prices remain below breakeven for a large share of grain farmers.

More than one-third, or 36.4 percent of bank CEOs identified rising regulatory costs as the top economic challenge to their banking operations over the next five years.

Farming and ranching: The farmland and ranchland-price index for May declined to 42.2 from April's 42.9. This is the 54th straight month the index has fallen below growth neutral 50.0.

Bankers were asked the average cash rent per acre of farmland in their area. On average, bankers reported \$239 per acre which is down by approximately 3.0 percent from this time last year.

According to Lonnie Clark, president of the State Bank of Chandler in Chandler, Minnesota, "Late planting due to late snow melt and wet conditions."

On the other hand, Jim Eckert, CEO of Anchor State Bank in Anchor, Illinois, reported, "Planting is behind schedule and the area is very dry."

The May farm equipment-sales index climbed to a weak 43.8 from April's 37.8. This marks the 57th consecutive month the reading has moved below growth neutral, 50.0.

Banking: Borrowing by farmers expanded for May as the loan-volume index rose to 74.3 from 68.7 in April. The checking-deposit index plummeted to 43.9 from April's 56.0, while the index for certificates of deposit and other savings instruments sank to 40.9 from 45.3 in April.

Bankers were asked to project farm loan defaults over the next 12 months. On average, bank CEOs expect farm loan defaults to increase by only 3.0 percent over the next 12 months. This compares to an expected increase of almost 5.0 percent recorded last year at this time. Clearly even with 2018 net farm income rising little from 2017, bankers expect little increase in farm loan defaults.

Hiring: The employment gauge fell to a still healthy 56.0 from April's 64.0. The Rural Mainstreet economy is now experiencing positive year-over-year job growth. The Rural Mainstreet economy has added jobs at a 1.3 percent pace over the past 12 months compared to a lower 0.9 percent for urban areas of the region. Job growth in rural areas is now exceeding that of the urban areas of the 10-state region.

Confidence: The confidence index, which reflects expectations for the economy six months out, was unchanged from April's 50.0 indicating little economic optimism among bankers. An unresolved North America Free Trade Agreement (NAFTA) and rising trade tensions with China continue to be a concern.

Home and retail sales: The home-sales index moved higher for the Rural Mainstreet economy in May advancing to 62.1 from April's 57.1. The May retail-sales index slumped to 46.9 from April's 53.6.

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.

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) for May expanded to 58.8 from 54.8 in April. The farmland and ranchland-price index dipped to 42.8 from April's 43.4. Colorado's hiring index for May declined to 60.6 from April's 68.9. Colorado's Rural Mainstreet job growth over the last 12 months is 4.6 percent.

ILLINOIS

The May RMI for Illinois advanced to 57.2 from 52.2 in April. The farmland-price index sank to 42.5 from 43.5 in April. The state's new-hiring index fell to 57.7 from last month's 70.3. Michael Flahaven, president at Wenona State Bank in Wenona said, "The continuous regulations, from the State of Illinois on cities and schools, are a major drag on our rural communities." Illinois' Rural Mainstreet job growth over the last 12 months is 0.4 percent.

IOWA

The May RMI for Iowa slipped to 54.0 from 54.5 in April. Iowa's farmland-price index for May slipped to 42.1 from April's 43.3. Iowa's new-hiring index for May sank to 53.5 from April's 67.5. Iowa's Rural Mainstreet job growth over the last 12 months is minus 0.9 percent.

KANSAS

The Kansas RMI for May climbed to 56.2 from April's 53.9. The state's farmland-price index decreased to 42.1 from 43.0 in April. The new-hiring index for Kansas declined to 53.9 from April's 65.3. Kansas's Rural Mainstreet job growth over the last 12 months is 1.5 percent.

MINNESOTA

The May RMI for Minnesota rose to 56.0 from April's 54.7. Minnesota's farmland-price index decreased to 42.1 from 43.4 in April. The new-hiring index fell to 53.1 from April's 68.6. Pete Haddeland, CEO of the First National Bank in Mahanomen reported, "Spring planting conditions vary a lot in our area." Minnesota's rural Mainstreet Job grow over the last 12 months is minus 1.0 percent.

MISSOURI

The May RMI for Missouri jumped to 59.0 from 57.0 in April. The farmland-price index declined to 43.2 from 44.3 in April. Missouri's new-hiring index for May bounced to 64.9 from April's 54.1. Missouri's Rural Mainstreet job growth over the last 12 months is 1.1 percent.

NEBRASKA

The Nebraska RMI for May expanded to 56.0 from April's 54.0. The state's farmland-price index increased to 42.0 from last month's 39.9. Nebraska's new-hiring index sank to 52.8 from 65.4 in April. Nebraska's Rural Mainstreet job growth over the last 12 months is 0.0 percent.

NORTH DAKOTA

The North Dakota RMI for May slipped to 52.3 from April's 52.7. The state's farmland-price index moved lower to 40.5 from 42.5 in April. The state's new-hiring index plummeted to 38.0 from 60.4 in April. North Dakota's Rural Mainstreet job growth over the last 12 months is minus 3.5 percent.

SOUTH DAKOTA

The May RMI for South Dakota moved above growth neutral climbing to 56.5 from April's 52.8. The state's farmland-price index decreased to 42.2 from April's 43.4. South Dakota's new-hiring index fell to 54.9 from 68.9 in April. South Dakota's Rural Mainstreet job growth over the last 12 months is 1.3 percent.

WYOMING

The May RMI for Wyoming rose to 57.5 from April's 52.9. The May farmland and ranchland-price index rose to 42.7 from 38.9 in April. Wyoming's new-hiring index declined to 59.0 from April's 74.1. Wyoming's Rural Mainstreet job growth over the last 12 months is 1.5 percent.

THE BULLISH NEWS

- The nation added 223,000 jobs for May and the unemployment rate declined to an 18 year low of 3.8%.
- This spring, the U.S. had more job openings than unemployed workers.
- In order to reduce borrowing costs, the state of Connecticut is issuing debt with the promise to limit state spending and future borrowing and funnel excess into a reserve fund.
- On June 4, the Nasdaq stock index notched a record high as Apple and Amazon soared to new highs.

THE BEARISH NEWS

- This year, for the first time since 1982, social security payments will exceed receipts as baby boomers retire.
- The nation's labor force participation rate for May stood at an unacceptably low 62.7%.

WHAT TO WATCH

- **Inflation, Inflation, Inflation:** The Bureau of Labor Statistics will release the inflation gauge for June on July 12. An annualized increase above 2.5% will be bearish for bond prices (rising yields, falling prices).
- **Wage Data for June:** On July 6, the U.S. Bureau of Labor Statistics will release wage data for June. Year over year growth approaching 3.0% will be a strong inflation signal (more interest rate increases from the Fed).
- **Trade Balance:** On July 6, the U.S. Bureau of Economic Analysis will release May exports and imports for the nation. A widening trade deficit will push the President and Congress to undertake even more aggressive, and wrong-headed trade restrictions.

STATISTIC OF THE MONTH

- 10.5 million barrels per day. This May U.S. crude oil output climbed to a record high and second only to Russia.

THE OUTLOOK

FROM GOSS:

- I expect **three more Federal Reserve rate hikes by the end of 2018 (0.75% or 75 basis points); **mortgage rates to climb by another ¾% by the end of 2018.

OTHER FORECASTS:

- **NABE Business Conditions Survey (June 2018):** "NABE Outlook Survey panelists are slightly less optimistic about the U.S. economy in 2018 than they were three months ago," said NABE Vice President Kevin Swift, CBE, chief economist, American Chemistry Council. "However, they are much more positive about the prospects for industrial

production—anticipating 3.8% average growth in 2018, up from the 3.3% gain forecasted in March, and up significantly from the 2.3% forecasted in the December survey. The panel's median forecast for average annual real gross domestic product (GDP) growth in 2018 is 2.8%, off the 2.9% expected in the previous survey, but still an increase from the 2.5% anticipated in the December survey. Note that 57% of panelists believe that 2018 risks to real GDP growth are weighted to the downside, and nearly 71% believe the risks to inflation are weighted to the upside."

BANKER READING ROOM

ICBA. **White Paper: Focus on Farm Policy:**

- White paper outlines key agricultural focus areas, including key principles for a new farm bill: "Adequately Fund Commodity Programs and Crop Insurance, which are key risk-management tools that enable producers to obtain farm loans. Enhance the USDA's Farm Loan Programs—which provided more than \$7.7 billion in loans for producers in 2017 and supported 42,000 farmers and ranchers—by increasing loan limits, providing greater flexibility for loan approvals, and eliminating unnecessary regulatory burdens. Sustain USDA Rural Development Programs by maintaining the USDA's focus on guaranteed loan programs and preserving funding for programs such as the Business and Industry Guaranteed Loan Program for small businesses. Reform the Farm Credit System, which has experienced dramatic growth while sharply reducing service to family farmers, to ensure this government-sponsored enterprise remains focused on serving farmers and does not venture into broad non-farm lending activities. ICBA's Five Key Farm Bill Principles, which include ample funding, regulatory relief, fair treatment of all stakeholders, and more."

<http://www.icba.org/icba-forms/advocacy---request-icba-focus-on-farm-policy>

GOSS EGGS (RECENT DUMB ECONOMIC MOVES)

- On June 1, President Trump has ordered Energy Secretary Rick Perry to "prepare immediate steps," including subsidies, to stop the closing of unprofitable coal and nuclear plants around the country. Alternatively, the President should stop the subsidies going to solar and wind.

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Next month's survey results will be released on the third Thursday of the month, June 21.