

The Future of Bitcoin Depends on Developing a Real Life Ecosystem

By Asif Imtiaz

Back in November 2008, someone with a pseudonym, Satoshi Nakamoto, posted on the cryptography mailing list about his (or her) endeavor to create a new electronic cash system that is fully peer-to-peer and it would not rely on any third party central database or server for the transactions. The research paper is now publicly [available](#) and it was the humble beginning of the Bitcoin cryptocurrency that changed the financial landscape of the world forever.

Since its inception, the popularity of the peer-to-peer network based currencies increased geometrically around the world. Within the last six years, the Bitcoin's ecosystem went from being a darling of the computer enthusiasts to the mainstream media, and back to the consumers regarding being accepted by major retail outlets and e-commerce giants. The widespread use of Bitcoin has prompted people of significance to acknowledge the viability of the cryptographic currencies in future commerce.

One of the key features of the Bitcoin is the predefined maximum cap on the number of Bitcoins, which is set at 21 million in the source code. As the popularity of the Bitcoin increased, the supply of Bitcoin lagged behind the demand. This is because it takes a concentration of vast computing power to resolve the mathematical problems embedded in the Bitcoin blockchain to produce the Bitcoin. As a result, and due to this artificial scarcity, speculators rushed to hoard as many Bitcoin as they could get their hands on. This kind of speculative hoarding, initially, caused the price of Bitcoin to experience large swings that undermined its true prospects and underlying strengths.

However, analysts believe that the large price swings happened due to the lack of real life Bitcoin ecosystem in the beginning. Former Senior Fellow at Harvard Law School's Berkman Center for Internet & Society, James F. Moore defined a business [ecosystem](#) as "an economic community supported by a foundation of interacting organizations and individuals." Similar to a business ecosystem, the Bitcoin ecosystem also consists of suppliers and producers who are ready to accept Bitcoin as a viable payment option, as well as consumers who would choose to buy the products and services from them by transactions made in Bitcoins.

As more and more online and brick and mortar retail shops are [accepting Bitcoin](#), the Bitcoin ecosystem is gradually spreading beyond the realm of "geeks and nerds." The widespread acceptance by major outlets and brands are establishing a sense of the practical use of the cryptocurrency among the general population, which lacked even a few years ago.

For instance, when Bitcoin first came to the limelight, it was compared to gold because of the relative scar nature of these two assets. Hence, the hoarding and speculative behavior were rampant. In fact,

people used to consider Bitcoin transactions as a safeguard against governments tracking every movement of citizens. It was considered as protection of privacy to use Bitcoin.

However, as the Bitcoin's ecosystem grew into the real lives of its users in the last two years or so, the debate about Bitcoin has changed from its "viability" as a currency to the utilities of Bitcoin against other payment systems. For example, now, the mainstream media talks about how inexpensive it could be to make a transaction in Bitcoin compared to other online payment systems or wallet providers, a.k.a the Paypals of the world.

The fact remains that Bitcoin itself is valueless, just like any other object. However, if the users of Bitcoin think it has the merits to change the world of finance, their collective belief and values will be reflected in demand and subsequently on the price of the cryptocurrency.

For example, Jeremy Rubin and Dan Elitzer, two MIT students recently started a campaign to distribute \$100 worth of Bitcoin to their classmates and raised half a million dollars to fund their campaign. Such display of passion for the Bitcoin would eventually be translated into real value as these kinds of campaigns would help propagate the real life ecosystem of Bitcoin.

As the Bitcoin's ecosystem becomes stronger, the topics of discussion about Bitcoin would evolve closer to our real life situations, that we can relate to. As more people choose to embrace the cryptocurrency solution, we would feel the network effect more strongly.