Foundations for Blockchain Data Analytics
Workshop
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SPEAKER TITLES/ABSTRACTS

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“An Economic Analysis of the Bitcoin Payment System”

The Bitcoin payment system is a platform with two main constituencies: users, who make and receive payments; and profit-seeking miners, who maintain the system's infrastructure. We seek to understand the economics of the system: How does the system raise revenue to pay for its infrastructure? How are usage fees determined? How much infrastructure is deployed? What are the implications of changing parameters in the protocol?

To address these questions, we offer and analyze an economic model of a cryptocurrency system featuring user-generated transaction fees, and focus on Bitcoin as the leading example. The analysis leads to design suggestions for future cryptocurrencies.

This is joint work with Jacob Leshno (Chicago) and Gur Huberman (Columbia).