Why Aren't Bitcoin Businesses Talking About SegWit?

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By most accounts, the activation of Segregated Witness (SegWit) should be a boon for bitcoin.

The code has been introduced to the network, and at least **20% of bitcoin's hashing power** is now signalling support for the software change. First proposed last December, SegWit is expected to provide the first significant boost in capacity to the bitcoin blockchain in its near-decade-long history.

While the mechanics of its rollout ensure that its implementation is not a forgone conclusion, to the technical community, SegWit is seen as a significant technical milestone. As described by Blockstream's Greg Sanders, the change (even at proposal) is one of the "largest ever" to the bitcoin code base.

"It touched nearly every part of the codebase – serialization, peer-to-peer, wallet, codebase. That doesn't happen very often," he said at the Scaling Bitcoin conference this year.

Yet, despite the promise the technology holds, the bitcoin startup community has so far only tepidly embraced the idea that Segregated Witness will bring benefits. As summed up by Blockchain CEO Peter Smith, the view from consumer-facing firms that have seen usability issues while debate and testing were ongoing is more measured.

Smith told CoinDesk:

"On the whole, SegWit is good technology that we are looking forward to deploying in our products if it activates. At this time, activation does not look certain however. Specifics aside, we're firmly in support of all scaling measures and generally are in favor of the bitcoin protocol evolving as quickly as possible."

Smith's comments point to the effects of the **months of public fighting** that ultimately led to the introduction of the code, and the general sentiment among entrepreneurs that the bitcoin block size will need to be adjusted upward eventually to accommodate more users.

The viewpoint has contrasted with how Bitcoin Core, the software's main development project, has conducted work on the bitcoin protocol, which has seen it arguably prioritize optimizations that enable the software to be more effective within current constraints.

Regardless of how it was created, the resulting impasse has fostered the conditions under which bitcoin businesses aren't quite championing the change, however well-considered or beneficial it may be when (or if) it is implemented.

One bitcoin startup, for example, declined repeated attempts to discuss the news, with one of its executives ultimately explaining that there was "little upside" in commenting on the issue.

"I'm guessing some folks just don't want to get in the middle of anything that might have to do with the Core roadmap, positively or negatively," he said.

'Political' climate

The lack of dialogue has not gone unnoticed.

Industry analysts like Cato Institute's Jim Harper said that SegWit has perhaps suffered from the poor state of community dialogue, which he critiqued as divisive and ill-meaning.

"For me, this illustrates the crying need for greater social capital in the bitcoin world – deep research into every dimension of bitcoin as a technology and as a tool," he told CoinDesk. "Reddit subs shouldn't dominate, but should be second-fiddle to serious, carefully framed discussion in journals, academic conferences and among computer scientists, economists and other experts."

The comments are supported by ample observational evidence.

Bitcoin now has two dominating Reddit forums (r/btc and r/bitcoin), both of which have shown a tendency to echo the MSNBC/Fox News-style schism observed in media more broadly. While r/bitcoin appears friendlier to Bitcoin Core, r/btc has championed alternative development teams, as well as the investors willing to devote capital to such explorations.

In this light, Harper credited the lack of dialogue to the "extreme hostility" that has characterized the debates ongoing in these environments.

This view was supported by Wedbush Securities research director Gil Luria, whose firm **for years** has issued forecasts on the potential market impact of the technology.

"The reluctance of bitcoin companies to react to SegWit either way could be a result of the desire to keep options open and avoid getting unnecessarily involved in what is still somewhat of a political debate," Luria said.

Faint praise

That's not to say there isn't positivity about the changes in bitcoin's business community, it's just that there has yet to be a galvanization of sentiment around the issue (like, say, what happened when many startups **spoke out against** the New York BitLicense).

Smaller consumer-facing bitcoin startups appear more apt to be vocal about the protocol change, particularly because it would make way for other upgrades – including the **Lightning Network** and sidechains (both solutions expected to bolster capacity and functionality).

Respondents who met this profile were more likely to show an appreciation for benefits that would remove business pressures that have resulted from a lack of available block space.

Sebastian Serrano, CEO of bitcoin processor **BitPagos**, for instance, said he expected SegWit would reduce the time it would take partner companies to send funds, as well as reduce the cost his company pays in mining fees.

Even firms like Coinbase, whose executives have long been **highly critical** of the Bitcoin Core development group, offered praise (however faint) for the proposal.

The company said in a statement:

"Coinbase is excited to see the bitcoin network scale and believes SegWit is a step in the right direction."

The comments are notable given that Coinbase has been one of the more vocal critics of Bitcoin Core and what its executives perceive as their inability to adjust development timelines in accordance with business pressures.

Quiet adoption

Representatives of Bitcoin Core largely agreed that bitcoin businesses seem to want to "quietly adopt" SegWit without much fanfare.

In the face of critiques, the group has argued that the long rollout has been necessary given the strain of testing, as well as the burden it has placed on Core's working processes.

In Milan, Sanders spoke of the difficulty in coordinating activity. In one instance, he cited a situation in which there were too many Bitcoin Improvement Proposals (BIPs) submitted, some of which had overlapping aims due to their sheer volume.

The comments point to perhaps a central disconnect in the larger public understanding of Bitcoin Core's processes, and how despite the nature of bitcoin as a well-oiled blockchain, its upkeep requires time and resources that (outside of the altruism of a few for-profit companies) is still largely volunteer.

In statements, representatives of the group disagreed with CoinDesk's findings, arguing our questions may have been disadvantaged by their intended public nature. In their survey of businesses, they said the business and startup community is "widely anticipating" the rollout of SegWit and its forthcoming benefits.

Bitcoin Core representatives further cited the fact that nearly 70 businesses operating on the bitcoin blockchain have indicated that they **plan to upgrade to the code.**

Bigger blocks

But comments from companies like Blockchain perhaps suggest that this technical readiness doesn't amount to a full-fledged endorsement.

In statements, Smith was keen to note that it remains a possibility SegWit won't be enacted. This remains a possibility that's both technical and political.

Due to the need for the upgrade to appear "non-contentious", SegWit requires that 95% of bitcoin miners show support for the upgrade consistently over a two-week timespan.

Complicating matters is that Bitcoin.com and **ViaBTC,** two mining pools with a combined **9.3% of the bitcoin hash rate,** have pledged to support alternatives to the Bitcoin Core software that would more rapidly increase the block size.

Of course, both mining pools are comprised, in part, by independent miners who have joined the pools for profit, meaning that these miners could withdraw their support. But as of now, both could effectively stop SegWit from activating, Smith noted.

Other respondents put forward the idea that even with SegWit, future increases to capacity (and possibly block size) would be needed. (Members of Core agreed, citing it as a niche belief that bitcoin wouldn't ever increase its block size).

Bitflyer CEO Yuzo Kano, for instance, said he didn't know if SegWit would be "sufficient" to fix the "block size issue" stating that he is "pro bigger blocks" because he believes it would make bitcoin more user friendly.

The comments showcase how, despite the short-term divisions, there remains a still significant agreement in the project's overarching aims.

He said:

"Increasing block sizes will be necessary sometime soon."