Did Ethereum's Fork Validate Bitcoin Block Size Conservatism?

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Could a development on the ethereum blockchain help resolve one of bitcoin's longest-running debates?

It may not seem like an obvious question given the differences between the two blockchain networks. After all, bitcoin aims to provide an uncensorable digital currency, while ethereum seeks to serve as a platform for decentralized applications.

However, given that a decision made last month has effectively split ethereum into two competing blockchains, some academics and analysts are wondering just that.

More than a month after the collapse of The DAO, two ethereum blockchains operate, a development that has resulted in a chaotic transaction environment and criticisms that linger to this day as to whether the move that led to this result was the "right choice" in response to the challenges faced.

It's in this context of decentralized governance that the ethereum hard fork is now helping to inform the block size debate in the bitcoin community. That debate, which began in 2015, has divided bitcoin users on how best to scale the network to accommodate more users for months.

To some, the Bitcoin Core development team was seen as too conservative, too worried about the technical failures of a hard fork to take actions that could improve the ability of the network to grow. But since ethereum's public struggles changing its consensus rules with this technical fix, sentiment has shifted.

Joe Colangelo, executive director of Consumers' Research, for example, said that he believes the result "completely vindicates" the path taken by Bitcoin Core, the network's largely volunteer development team.

Colangelo reasons that the conservative nature of the development team, while perhaps frustrating to some in context of a capacity change, has given himself and others confidence in other rules that make bitcoin valuable.

He told CoinDesk:

"The intransigence of the bitcoin development community is a feature, not a bug. If it's this hard to raise the block size, that 21m limit for bitcoin looks rock solid."

Conservatism rewarded

To recap, it helps to understand the context of why both blockchain networks needed to consider forking their code, or making a change that would require participants to accept new rules for the blockchain, and how they differ.

Late last month, the development community behind ethereum forged ahead with a decision to push a change to its blockchain that effectively recouped investor losses in The DAO, a smart contract-based funding vehicle that collected millions in ether this summer.

To do this, all participants in ethereum needed to adopt a new version of the blockchain's history, one where the stolen funds were moved to a new wallet for investors.

This was an emergency measure, spurred by the perceived need to stop illicit actors from absconding with the funds.

In some ways, issues on bitcoin started similarly, first with the network hitting its capacity for transactions, and then with others calling for action in response.

But Bitcoin Core, the volunteer development community that works on the code, resisted calls for a hard fork that would boost the block size. Rather, its members have prioritized more incremental solutions like Segregated Witness as mechanisms for scaling the network.

Some argue that the stance of bitcoin's developers, while controversial, has been validated by ethereum. Others argue that the implications go beyond that, and could have lasting repercussions for the industry.

Industry observer Chris DeRose told CoinDesk that bitcoin's success to date is the result of a development team that is "decoupled from short-term speculative incentives".

"The bitcoin leadership model seems much better geared towards more prudent management of actual users' macroeconomic issues – despite the, often times horrendously loud, interests of short-term speculators," he said.

'Too early' to say

As to what lessons were learned – and whether the hard fork conservatism is justified – other aren't so sure.

Some observers told CoinDesk that time will decide whichever viewpoint emerges as the one that informs the larger industry, or if any conclusion can be reached

Gil Luria, head of technology research for Wedbush Securities, said he believes it's "too early to say" to draw conclusions from the ethereum fork.

One potential reason is that it's not clear whether ethereum classic, the old version of the blockchain that is now maintained by a new development team, will be able to sustain its early growth and momentum. Traders, those who provide market liquidity for both blockchains,are now debating this question.

"Ethereum has gone into uncharted territory and that community is learning something new every day," he told CoinDesk, adding:

"These last few weeks are not unlike the early days and months of bitcoin, which survived many challenges and came out stronger."

Jim Harper, a senior fellow at the Cato Institute, agreed.

"I think the [ethereum hard fork] will produce valuable lessons for bitcoin and cryptocurrency generally. I just don't think we can know what they are yet," he said.

Right move to make

Others, on the other hand, viewed the ethereum hard fork as a positive development for blockchains broadly, one that might make even conservative elements of its communities open to change.

Investor Roger Ver, a bitcoin investor who has pushed strongly for an increase in the block size, argued that the ethereum hard fork wasn't the disaster that many observers believe.

By providing investors with value on both blockchains, he argues, more value was created in the development of two networks, and that ethereum's reputation remains largely unchanged.

"The combined market cap of [ethereum's two blockchains] is actually greater after the fork than before, so this means that the market valued ETH and ETC more than ethereum alone," he told CoinDesk.

In his view, even though the network was split, no parties came to any harm as a result.

"This means that no one lost any money, no one was hurt, and the ecosystem now has an additional cryptocurrency to choose from," he said.

Ver went on to say that such a move is "perhaps it is the best option for bitcoin going forward", adding that multiple versions of bitcoin would provide more choices to potential users.

The disagreements show that the event is likely to be scrutinized for some time, and that it will, at the very least, continue to inform debate on how blockchain communities can – and should – achieve change.