HOW TO BUILD A
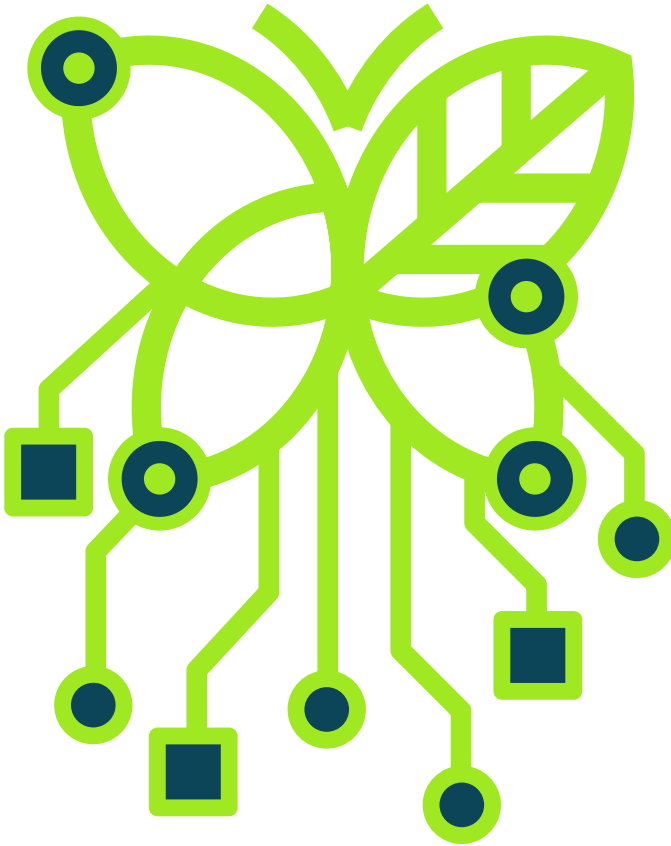# BLOCKCHAIN
ECOSYSTEM

HOW TO BUILD A
BLOCKCHAIN
ECOSYSTEM

You're about to see a $1 billion diagram.

This diagram is easily worth a billion dollars, because it's how all the great blockchain projects have been built. Ethereum. Ripple. Cardano. Binance. USD Coin.

All these projects have built a **healthy blockchain ecosystem.**

Most blockchain projects are started by geeks. They focus on the technology, and forget about everything else. This is like launching a new automobile, and focusing completely on the design of the car, but leaving out consumers, dealers, lenders – the entire auto ecosystem. Your car might make it to a few auto shows, but it will never reach the mass market.

For a blockchain project to have mass appeal (literally, to appeal to the masses, not just a handful of blockchain geeks), *you need to build an ecosystem.*

Just as a natural ecosystem has plants, animals, minerals, all working together, a blockchain ecosystem has an organic network of players.

We're headquartered in the mighty American city of Boston, where we've built a thriving blockchain ecosystem. We've learned a lot along the way; we wrote this guide because it's everything we wish we had known when we were starting out.

This is the Blockchain Ecosystem Playbook.

Peer-to-Peer
= Face-to-Face

Blockchain is a peer-to-peer (P2P) technology–both literally and figuratively. Individual users keep the blockchain running, as decentralized "peers"–not as a top-down technology run by a centralized organization.

So how do you get things done in blockchain? By meeting with your peers.

This means meeting face-to-face (F2F), not interacting on Telegram or "Crypto Twitter." Because blockchain is P2P, all the real work gets done F2F.

Meeting together is an amplifier for good ideas. Because we're having real human conversations–not 140-character

tweets—we can radically accelerate the development of good ideas. It's like rocket fuel for blockchain development.

Because blockchain is a technology, many people think their "blockchain business" should be conducted online. We think this is a mistake. It's hard to do blockchain in a vacuum. Every good thing that has happened to us in the blockchain industry has been because we met and talked with people F2F.

In Boston, we have a large number of Meetups focused on various blockchain topics: from bitcoin clubs, to investing in cryptocurrencies, to blockchain in the enterprise. We can't overemphasize how valuable these Meetups are to the community: this is where we make the connections to build a vibrant blockchain ecosystem. It's where the magic happens.

This ecosystem can be thought of in the following diagram, which can help you build your next $1 billion project.
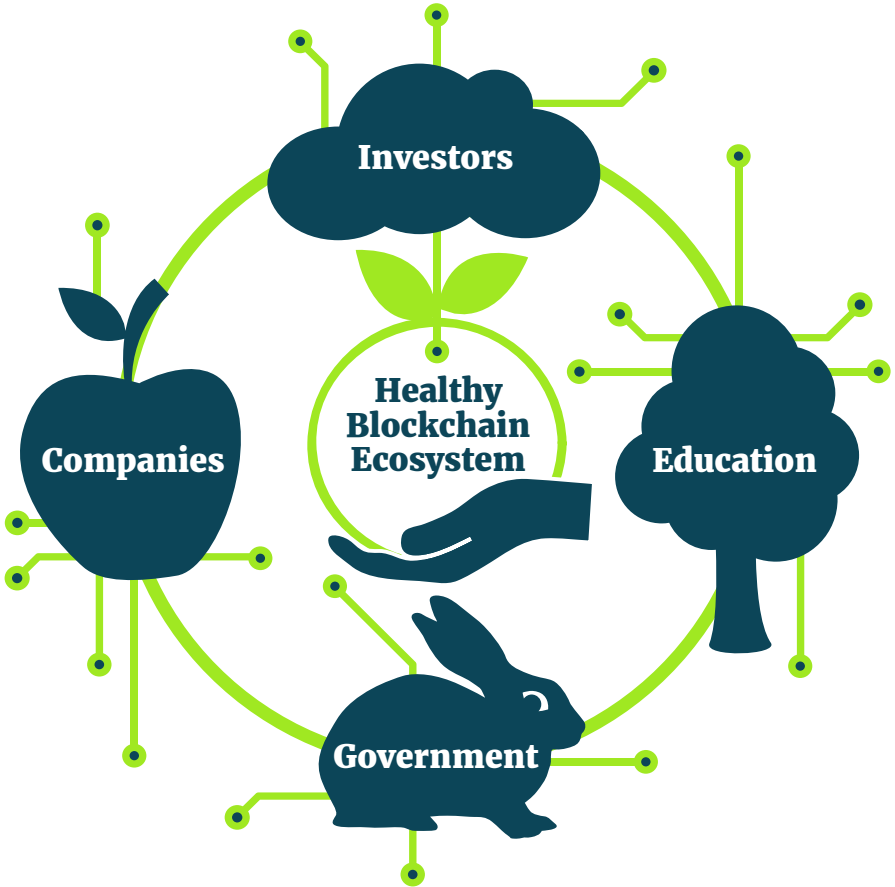
This diagram applies at the *local* level (your city or region), but it also applies at the national and the global level. For blockchain to thrive, we need the strong cooperation of four partners:

Education:
The Blockchain Talent Pipeline

The first need is simply *explaining what blockchain is.* Those of you who are passionate about this technology need to explain to the world what it can do, from your boss to your co-workers to your parents (for a great example, download our report, *What is Blockchain?*)

> **Blockchain For Your Boss**
> *What is blockchain?* We're glad you asked. For a simple description that your co-workers will actually read, share our free report, *What is Blockchain?*:
> bit.ly/what-is-blockchain-report

The second need is to *better educate our students.* Most colleges don't even have a blockchain curriculum yet, much less professors who understand the technology. We need a "roadmap" that teachers can follow, then we need people to "teach the teachers."

Blockchain For Everyone Else
For a funny, page-turning story that teaches blockchain to students and non-technical audiences, try our bestselling book, *Blockchain For Everyone:*
bit.ly/blockchain-for-everyone

Educating people—business leaders, students, and everyone else—is what develops your blockchain "talent pipeline." The more people who learn this new technology, the more workers you have available in your local talent pool.

Again, holding regular Meetups is critical to for this education. When we started our Meetups in 2017, only a few people showed up. But by sticking with it, we began drawing bigger crowds, and now Boston blockchain events are frequently standing room only. A large part of success is just showing up.

Government:
The Blockchain Sandbox

While a friendly regulatory environment helps (meaning government officials who understand and support the technology), in most places that's not happening quickly enough.

Government moves slowly. Most governments are watching each other, waiting to see who's going to make the first move. We think this is a mistake. While most government leaders sit on the sidelines, nervously nibbling their nails, we need a fresh generation of blockchain leaders to boldly lead the way.

The good news is that a local government can do a lot to support blockchain, as the state of Wyoming has shown.[1] It hasn't waited for the national government to get its act together; it has acted now, by creating blockchain-friendly legislation to attract more industry resources and talent.

Even at the local level, a lot can be done. The city of Boston has made significant investments in financial technologies through fintech incubators, and fintech partnerships between colleges and companies. Even if it's just getting local officials to attend your Meetup, that's a start.

A blockchain-savvy government is like a "sandbox" that can allow a safe space to play around and build stuff. So start the sandbox: build relationships, educate your leaders, and dig in.
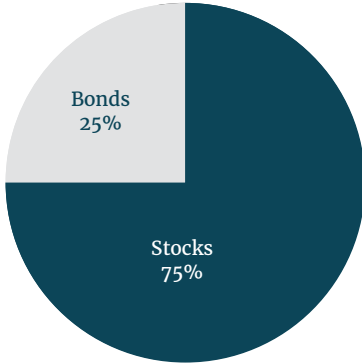
Why should governments embrace blockchain? *Because it literally represents the future of money.* An investment in the technology now is likely to pay handsome dividends in the future.

Take the region of Zug, Switzerland, which made an early investment in blockchain (it was one of the first municipalities to accept payments in bitcoin): it's now the fastest-growing tech hub in Europe.[2]
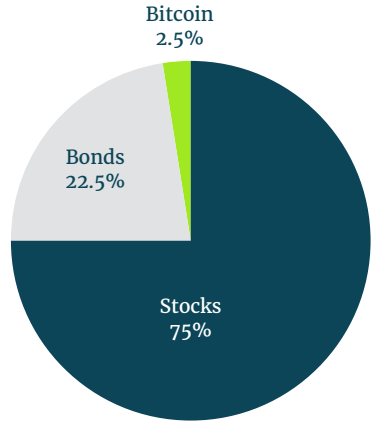
Governments around the world would do well to remember: A bitcoin invested is a bitcoin earned.
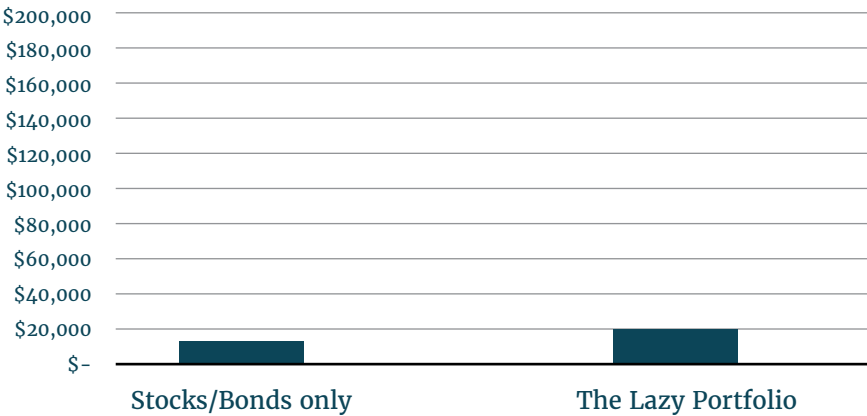
INVESTING STRATEGIES COMPARED

Stocks/Bonds only

Bonds
25%

Stocks
75%

The Lazy Portfolio

Bitcoin
2.5%

Bonds
22.5%

Stocks
75%

$10,000 Invested Three Years Ago

$200,000	
$180,000	
$160,000	
$140,000	
$120,000	
$100,000	
$80,000	
$60,000	
$40,000	
$20,000	
$-	

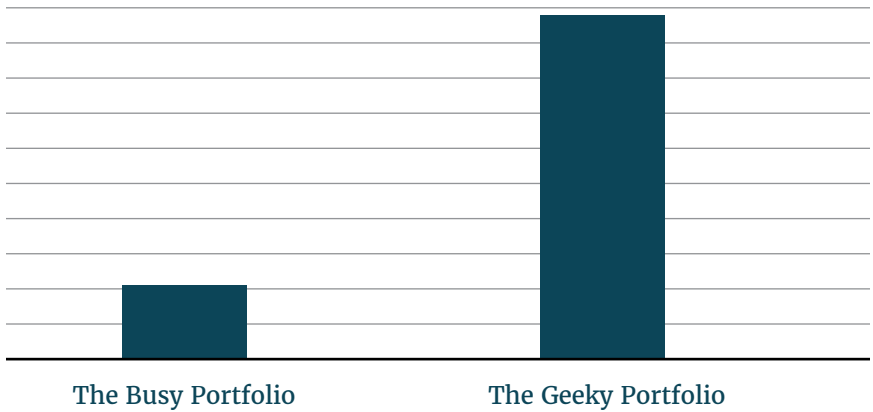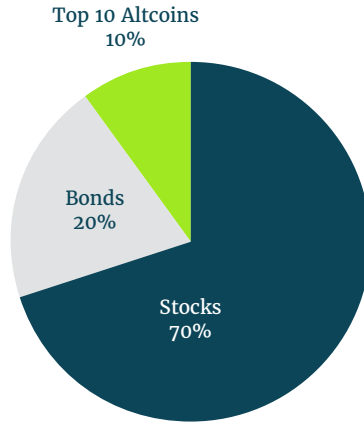Stocks/Bonds only   The Lazy Portfolio

Time period 9/1/15–9/1/18. Top 10 altcoins chosen by market cap on 9/1/15.
Data sourced from CoinMarketCap and Yahoo Finance.

The Busy Portfolio

Top 10 Altcoins
5%

Bonds
20%

Stocks
75%

The Geeky Portfolio

Top 10 Altcoins
10%

Bonds
20%

Stocks
70%

The Busy Portfolio
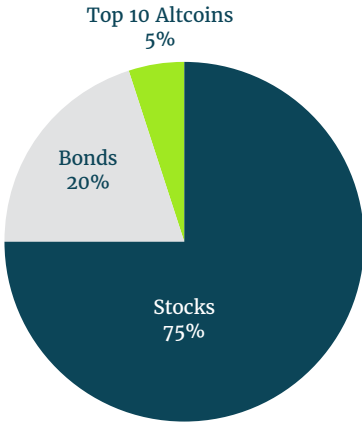
The Geeky Portfolio

For more sample portfolios, sign up for our newsletter at
www.bitcoinmarketjournal.com

→ **Switzerland:** Home to "Crypto Valley," Switzerland continues its long history of financial innovation and commitment to privacy with blockchain technology.

→ **Bermuda:** With a friendly regulatory environment, the island has attracted major-league talent like Circle, whose USD Coin will now be accepted by the government for tax payments.

→ **Gibraltar:** The British territory in southern Spain has built a thriving economy around online casinos, which now employ 10% of its residents; blockchain exchanges are next.[3]

China: Although skeptical toward cryptocurrencies, China is leading the way with digital currencies, creating a digital version of the renminbi.

Malta: The tiny island has built a friendly framework for issuing cryptocurrencies, making it a hotbed of innovation for entrepreneurs and investors.

BEST GOVERNMENTS FOR BLOCKCHAIN

Companies:
The Blockchain Growth Engine

One thing we've learned from visiting blockchain communities around the world: everyone thinks everyone else is doing it better.

Even big cities can feel like underdogs. In the early 2000s, for example, New York City looked enviously at Silicon Valley's technology domination. Dot-coms were the hottest thing on Wall Street, but these hot companies weren't located on Wall Street, they were all headquartered in the Bay Area.

A turning point came when New York City (pre-fueled with government and educational support) lured Google to set up a New York office, as reported by journalist Steve Lohr in his article "It Started with a Jolt: How New York Became a Tech Town."[4]
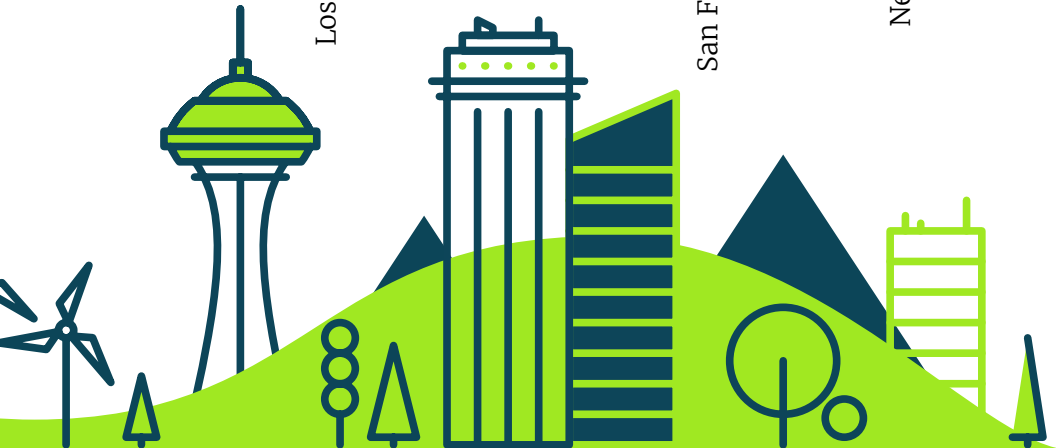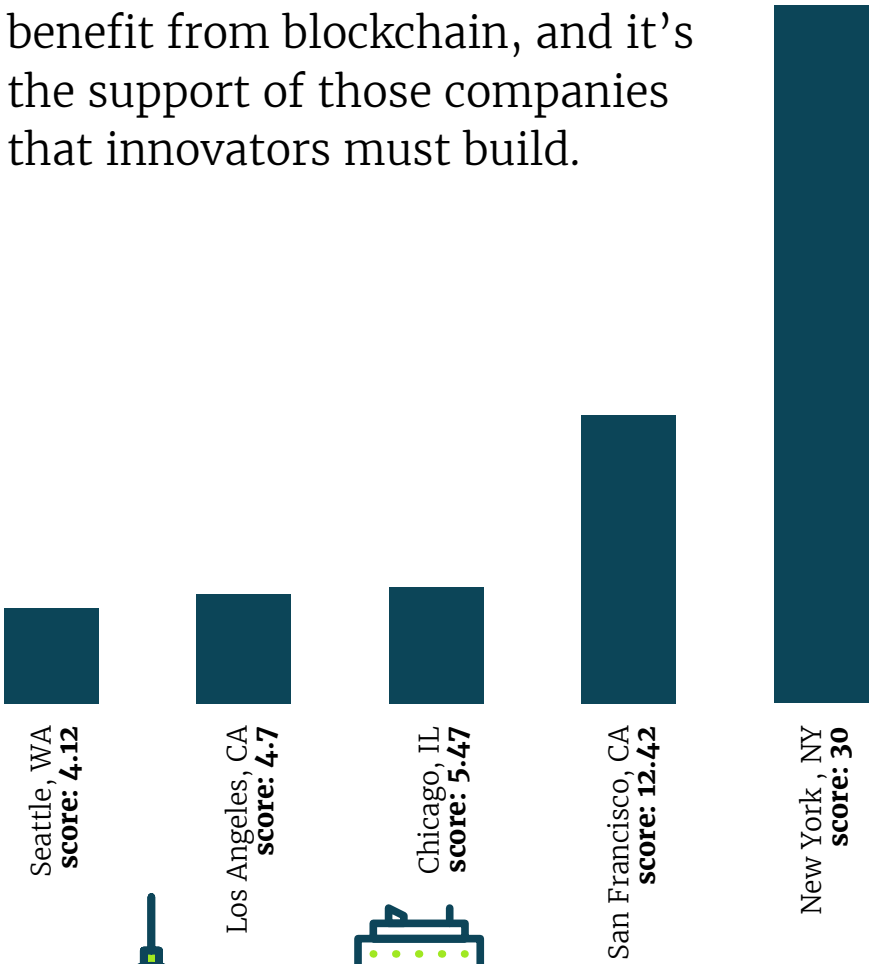
New York took stock of its strengths. *What could lure tech companies to the Big Apple?* One area that New York dominated was advertising. Traditionally centered around Madison Avenue, New York owned the ad industry, which desperately needed to go digital. Tech companies like Google understood they needed a strong advertising infrastructure. Thus a partnership between New York and Google was born.

But you don't have to be New York. The key question is: "What strengths does your city have?" Whether that's schools, companies, or natural resources, there's always an existing industry that can

TOP U.S. CITIES FOR BLOCKCHAIN JOBS

Denver, CO **score: 1.87**

San Jose, CA **score: 2.19**

Palo Alto, CA **score: 2.58**

Austin, TX **score: 3.15**

Boston, MA **score: 3.28**

benefit from blockchain, and it's the support of those companies that innovators must build.

Seattle, WA
score: 4.12

Los Angeles, CA
score: 4.7

Chicago, IL
score: 5.47

San Francisco, CA
score: 12.42

New York, NY
score: 30

Source: cryptofundresearch.com

More blockchain companies means more blockchain jobs, which means more support from government and more need for schools to produce well-educated blockchain workers. The ecosystem is coming together, but there's still one more piece.
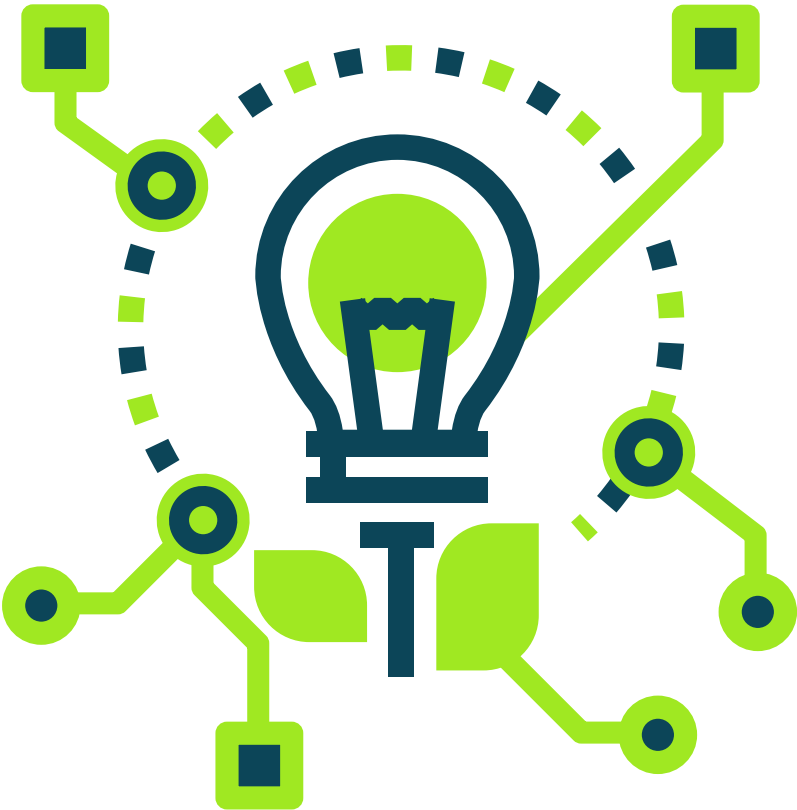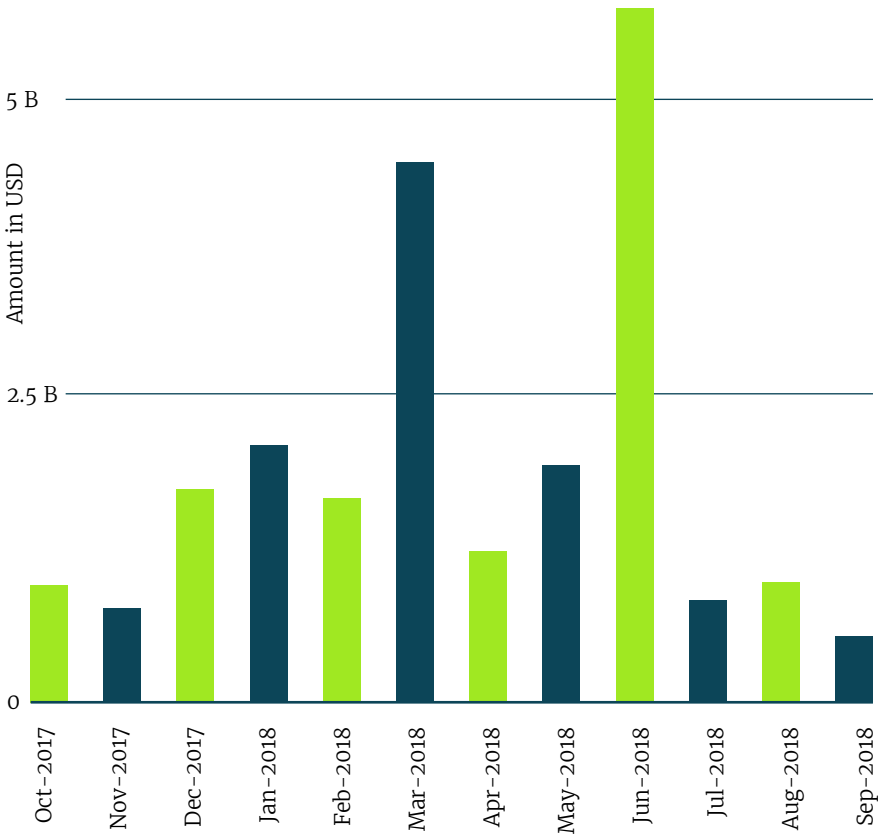
Investors:
The Blockchain Rocket Fuel

Finally, a strong blockchain ecosystem needs a strong flow of capital (read: money). This is what enables new companies to try new things. Early investors help fuel the startups and entrepreneurs that help fuel the ecosystem.
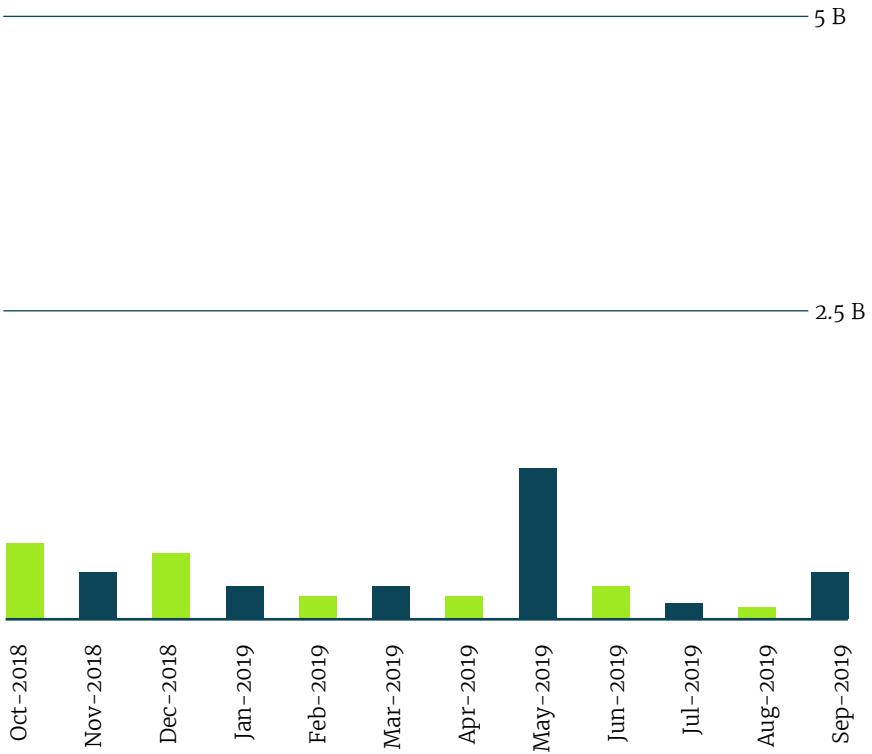
This is what we saw during the ICO boom of 2017, as investors poured capital into the blockchain ecosystem, with the hope of getting a rich payout on the value of their "tokens" (which were essentially like shares of a blockchain project). That explosion of capital fueled an explosion of innovation.

Expectations were ahead of reality, and when the innovation failed to materialize as quickly as investors hoped, the market crashed.

FUNDS RAISED VIA ICOs in U.S. Dollars

Amount in USD

5 B	
2.5 B	
0	

Oct-2017, Nov-2017, Dec-2017, Jan-2018, Feb-2018, Mar-2018, Apr-2018, May-2018, Jun-2018, Jul-2018, Aug-2018, Sep-2018

But smart investors continued to patiently watch the market, digging through opportunities until they struck gold.

5 B

2.5 B

Oct-2018 Nov-2018 Dec-2018 Jan-2019 Feb-2019 Mar-2019 Apr-2019 May-2019 Jun-2019 Jul-2019 Aug-2019 Sep-2019

Source: CoinSchedule.com

Today, we see more sophisticated investors—angel investors, family offices, even some hedge funds —making bigger investments in blockchain, from seed funding to buying cryptocurrencies. These are paving the way for the big money: institutional investors.

Which Comes First:
The Chicken or the Egg?

There's a strange chicken-or-egg phenomenon at play: investors can't wait until companies get on board, and government can't wait until education gets on board. It all works together. If you're overwhelmed by this model, remember that it happens in baby steps. In Boston, we've been plugging away a little bit at a time on each of these four areas:

• On the **education** front, we've pulled together professors and students from schools like MIT, Harvard, Boston College, Northeastern, and Babson to share curriculum and best practices.

- We've had fruitful discussions with **government** officials, building support for blockchain development.
- We're building on our strengths in fintech, attracting top-tier blockchain **companies** like [Circle](#) and [Algorand](#), as well as financial giants like [Fidelity](#).
- And we've built a strong network of **investors**, like [New England Venture Capital Association](#) and [Chain Reaction](#), which focuses exclusively on blockchain startups.

For blockchain innovators, this is the model to use. For blockchain investors, this is the model to look for. Whether you're building or looking for the cities, regions, and nations that are likely to thrive and prosper in blockchain, it all starts with a healthy ecosystem.
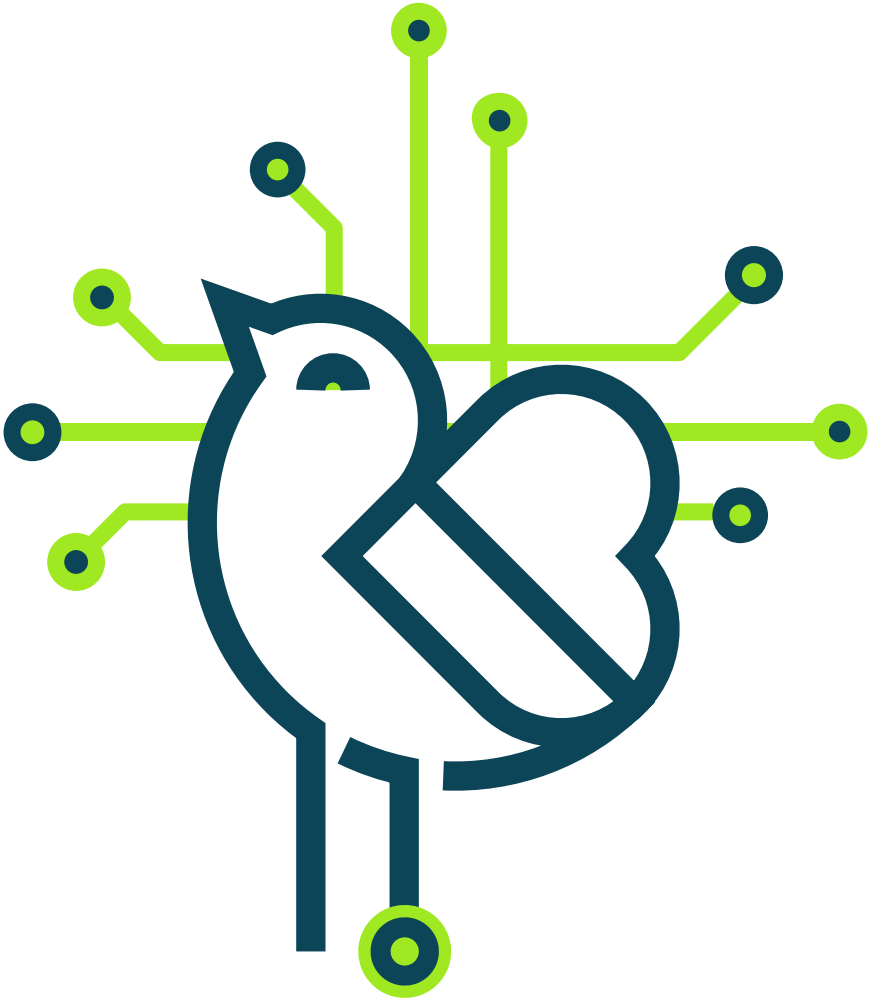
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[1] https://www.wired.com/story/newest-haven-cryptocurrency-companies-wyoming/
[2] https://cointelegraph.com/news/switzerlands-crypto-valley-zug-ranked-fastest-growing-tech-hub-in-europe
[3] https://www.nytimes.com/2018/07/29/technology/cryptocurrency-bermuda-malta-gibraltar.html
[4] https://www.nytimes.com/2019/02/22/technology/nyc-tech-startups.html

Health, wealth, and happiness.

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