Dual Liquidity in Bitcoin Forks

Temporary Liquidity Duplication and the Energetic Vote in Proof-of-Work Systems

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Abstract

This paper examines the potential economic and energetic consequences of a hypothetical split within the Bitcoin network—one in which *Bitcoin Core* and *Nots* both claim legitimacy as the "true" Bitcoin. Drawing from historical precedents (e.g., Bitcoin Cash 2017, Ethereum Classic 2016), it analyzes how temporary duplication of liquidity, miner incentives, ideological friction, and market efficiency interact to shape the evolution of consensus in a Proof-of-Work (PoW) environment.
The study concludes that **energy remains the ultimate vote**—the final determinant of which narrative survives.

1 · Introduction — A Divided Genesis

Bitcoin's open architecture allows ideological divergence to manifest directly in code.
When two chains claim authenticity—as *Bitcoin Core* and *Nots* might—the network enters a brief era of **dual existence**, where consensus fractures yet operational stability persists.
For a moment, every holder possesses "two Bitcoins," reflecting not the creation of new wealth but a **split of faith, liquidity, and energy**.

2 · The Phenomenon of Temporary Liquidity

A fork creates a mirror image of the entire monetary base across two ledgers.
Nominal wealth appears to double, yet aggregate purchasing power remains constant.
Immediate competition emerges for **liquidity, trust, and hashpower**—the three pillars of a PoW currency.

Historical evidence shows that such events produce:

- Volatility spikes exceeding 200 percent;
- Short-term premiums for early sellers;
- Progressive liquidity drainage from the minority chain within ≈ 90 days.

3 · The Energetic Vote

In Proof of Work, **energy is governance**.
Hashrate functions as an invisible parliament where each joule serves as a ballot for one canonical ledger.
Ideology may sustain a minority chain temporarily, but **thermodynamic economics decides its fate**.
Miners—producers of Bitcoin's raw material, block space—optimize for reward per energy unit.
The chain capturing greater energy density survives; the weaker enters **entropic decay**.

4 · Block Space, Filtering and Incentive Mechanics

The debate over *censorship* by mining pools is often misinterpreted.
Selective transaction inclusion is not tyranny; it is **market signaling**.
When pools ignore low-value or non-monetary inscriptions, they create a secondary incentive layer that rewards efficiency and discourages waste.
Each block is scarce real estate; each byte has opportunity cost.

This competitive filtering:

- Preserves miner autonomy and ideological freedom;
- Prices inefficient data higher, promoting monetary usage;
- Converts ideological diversity into economic feedback loops.

Importantly, the occasional decision of miners or pools to **exclude transactions** is *beneficial* to Bitcoin's long-term health. It introduces **a new layer of incentives and disincentives** that penalizes inefficient use of block space while naturally privileging monetary throughput.
Such filtering reflects a legitimate expression of free-market dynamics within Bitcoin's ecosystem—where those expending energy have the right to curate the data they secure.

Thus, the right to mine implies the right to curate.
Bitcoin's permissionless nature is untouched: users may broadcast; miners may ignore.
The resulting equilibrium rewards **energy-efficient, monetarily relevant transactions**.

5 · Predictive Outlook — Return to Monetary Gravity

Should a Core–Nots fork occur, its early phase would echo prior schisms—chaos, speculation, and noise.
Beyond that noise lies an inevitable gravitational pull toward Bitcoin's **monetary core**.

As ideological miners filter transactions according to both profit and principle, the network will evolve toward a **diversified yet economically optimized block space**.
This evolution will not suppress alternative uses of the chain; it will **price them correctly**.

Key expectations:

- Holders experience temporary duplication of assets alongside systemic instability;
- The dominant chain consolidates energy and liquidity, restoring price discovery;
- The weaker chain faces a rapid deflationary collapse, accelerated by cash-out behavior;
- Market incentives reaffirm Bitcoin's monetary function as the most sustainable path for energy expenditure.

Based on cyclical patterns, renewed growth is expected toward **late 2028**, coinciding with the next halving and ushering in a new epoch of scarcity—*another zero added to the collective imagination*.

6 · Conclusion — The Law of Energy Prevails

Every fork is a **referendum on belief**.
For a brief period, humanity witnesses the illusion of wealth creation through duplication; then energy—immutable and unforgiving—casts the decisive vote.
Bitcoin's resilience lies in its capacity to transform ideological conflict into measurable proof.
Consensus without energy is opinion; **consensus secured by energy becomes truth**.

References / Sources & Methodology

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