

Economic Value Distribution in Blockchain Ecosystems

A Multi-Chain Analysis of Transaction Fees, Validator Compensation, Infrastructure Costs, and Subsidy Mechanisms Across \$4.3T Market Capitalization

This research is an empirical study of annual fee revenue, infrastructure costs, and stakeholder compensation in layer-1 and layer-2 protocols based on comprehensive case studies of 25+ chains and l2 solutions, 20 top protocols and 14 oracles between December 2024 and October 2025.

Crypto Market Cap as of Sept.-Oct. 2025: \$4.3-3.6T¹

Executive Summary

This analysis examines the distribution of economic value generated when users interact with blockchain networks. For every \$1 in transaction fees, value fragments are distributed across multiple recipients. It can be on-chain, among validators, miners, foundations, token holders, oracle networks and MEV searchers. Or it can be off chain among venture investors, infrastructure operators, oracle networks and other service providers.

Given the extensive amount of data, a Github repository has been created as the core reference repository ². This report examines the core dynamics of economic value distribution across the blockchain ecosystem. However, for further, comprehensive details, methodology, and supporting case studies under other point of views or assets, refer to the full repository information.

A key finding of this report is that oracle networks monetize primarily through non-public commercial contracts rather than transparent on-chain fee mechanism while constituting critical Web3 infrastructure, as referenced in the research material for oracles and ³ the oracles case studies as the payment flow and the revenue transparency analysis ⁴.

To create this report, we analyzed end-to-end cash flows across 25+ major networks, 20 leading protocols, dApps per TVL, fees generated, as well as meta-research, using quantitative data and/or expert assessment for cases where public information is limited or unavailable. This report extends the analysis not only to onchain token unlocks and subsidy mechanisms, but also to off-chain financial flows across 14 oracle providers, major

¹ <https://coinmarketcap.com/charts/>

² Mastrangelo, R., September 2025, *Blockchain Payment Flow Analysis*, GitHub, Repository, <https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/README.md>

³ Mastrangelo, R., (2025). *Blockchain-Payment-Flow-Analysis*, GitHub, directory, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/tree/main/reserach_material/Oracles

⁴ Ricosworks1. (2025). *Blockchain-Payment-Flow-Analysis*, GitHub, directory, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/tree/main/case_studies/oracles_refed

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infrastructure entities, venture capital and foundation ecosystems, which together represent the largest hidden cost layer of the blockchain economy. These costs, though largely opaque, are ultimately carried by end users. This underscores the extent to which blockchain remains a subsidized and an externally supported financial experiment rather than a fully self-sustaining system.

The analysis estimates that the blockchain sector operates on an annualized funding base of roughly \$86–113B, with approximately \$13–14B coming from transparent, on-chain revenues inferred through the blockchain metrics analysis⁵ and the remainder from inflationary, issuance-based, and off-chain subsidies. This implies that around 85–90% of the ecosystem's total value flows are still subsidy-driven.

Core on-chain revenues include blockchain base-layer fees with approximately \$3.1B and protocol-level revenues from DeFi, L2s, DEXs, and staking services of around \$10.6B, totaling approximately \$13.7B in identifiable on-chain income.

Primary subsidy mechanisms include token unlocks with \$10–20B annually, Bitcoin mining issuance \$18.1B, Ethereum staking inflation \$4–5B, Solana staking inflation \$4–5B, other Layer-1/L2 and protocols issuance programs \$15–20B⁶, and corporate balance-sheet support such as BNB quarterly burns of \$3.9B annually⁷. The total for these subsidy mechanisms ranges from \$55–71B annually.

Excluding the approx. \$28-42B of Bitcoin mining infrastructure spending⁸, for conservative estimations, supplementary value flows add another \$31-43B, include Maximum Extractable Value (MEV) of \$3–7B, although estimates of MEV based on data compiled in MEV Comprehensive Analysis Summary are higher. To ensure a conservative baseline across networks, the total reported MEV figure was divided by two, reflecting potential over-aggregation across overlapping datasets and double-counted searcher profits⁹. On top infrastructure and node service providers charge between \$0.5-1B for blockchain services, including top companies like Infura, Alchemy, QuickNode, Ankr, The Graph¹⁰. Ecosystem

⁵ Mastrangelo, R. (2025). *Blockchain Payment Flow Analysis – L1s & L2s 24h Metrics Dataset* [Data set]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_24h_metrics_refed/blockchain_metrics_analysis.csv

⁶ Mastrangelo, R. (2025). *Token Unlock Analysis 2025* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/Token%20Unlocks/token_unlock_analysis_2025.md

⁷ Binance. (2025, April 16). *BNB Chain completes 31st quarterly token burn, eliminating \$916 million worth of BNB*. Binance.com, <https://www.binance.com/en/square/post/04-16-2025-bnb-chain-news-bnb-chain-completes-31st-quarterly-token-burn-eliminating-916m-worth-of-bnb-22987577284722>

⁸ Mastrangelo, R. (2025). *Bitcoin Mining Distribution with Sources* [Technical report], GitHub, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/04_bitcoin/bitcoin_mining_distribution_with_sources.md

⁹ Mastrangelo, R. (2025). *MEV Comprehensive Analysis Summary* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/mev_refed/mev_comprehensive_analysis_summary.md

¹⁰ Mastrangelo, R. (2025). *RPC Infrastructure Revenue Analysis* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/rpc_and_infrastructure_providers_refed/rpc_infrastructure_revenue_analysis.md

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foundations subsidize \$1-2B¹¹ in grants, hackathons, etc., venture-capital invest \$13–20B¹² yearly, and Binance exchange extracts of \$17B earned annually with \$6-7B in profits, based on latest report¹³¹⁴.

When adding all identifiable sources, the total ecosystem funding base amounts to approximately \$86–113B at minimum, annually. Of this, subsidy-driven components account for 85–90% of all value flows, confirming that much of blockchain network activity is sustained by inflationary issuance, token unlocks, unsustainable infrastructure costs, and external capital injections rather than self-sustaining on-chain fee revenues. These estimates are approximative rather than exact, as the blockchain sector continually generates new projects with inflated notional valuations. However, due to limited liquidity and thin secondary-market depth, the realizable economic value of many of these assets is substantially lower than reported market capitalizations, suggesting that the apparent scale of blockchain wealth creation is largely sustained by subsidized issuance rather than organic cash flows.

Interestingly, a limited subset of ecosystems is very close to be potentially self-sustaining models. Hyperliquid, for instance, generates an estimated \$0.9–1.35B in annualized trading-fee profits¹⁵, while Base extracts all revenue and is profitable¹⁶ and Optimism operates with superchain architecture that captures portions of the fees of 40 other L2s, but not yet breakeven¹⁷. Yet even these exceptions face material long-term risks: Hyperliquid's \$12B in team token unlocks scheduled for 2026 may significantly test the stability of its business model and reinforce the broader conclusion that most blockchain economies remain heavily reliant on subsidized capital flows rather than sustainable user-derived income.

Bitcoin requires \$54-72B annually to secure \$115M annually in fees. Ethereum, shifted from deflationary to 0.8% inflation post-Dencun, and Solana depends on \$4.5-5B in annual subsidies versus \$55M annually in daily fees. Most networks are therefore expected to continue relying on elaborate highly inflationary token redistribution mechanisms, with user

¹¹ Mastrangelo, R. (2025). *Foundation Ecosystem Funding Analysis* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/foundations_refed/foundation_ecosystem_funding_analysis.md

¹² Mastrangelo, R. (2025). *VC Money Flow Analysis* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/vc_refed/vc_money_flow_analysis.md

¹³ Binance.com, (2025). *7 Big Money-Making Companies in the Cryptocurrency Industry: With \$14 Billion in Annual Profit, This Company Is the Most Profitable*, [Online article], GitHub, <https://www.binance.com/en/square/post/20642089256402>

¹⁴ Binance.com, (2025). *Binance's 2024 Financial Performance*, [Online article], Binance Square, <https://www.binance.com/en/square/post/21381071722209>

¹⁵ Mastrangelo, R. (2025). *Hyperliquid Fee Distribution: Comprehensive Analysis with References* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/07_hyperliquid/07_hyperliquid_money_flow.md

¹⁶ Mastrangelo, R. (2025). *Base Fee Distribution: Comprehensive Analysis with References* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/05_base/05_base_money_flow.md

¹⁷ Mastrangelo, R. (2025). *Optimism Fee Distribution: Comprehensive Analysis with References* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/14_optimism/14_optimism_money_flow.md

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fees representing at best 5-15% of total economic flows even for major established networks.

Caution remains warranted, as blockchain markets exhibit persistent structural opacity. Sophisticated actors continue to extract disproportionate value through non-transparent mechanisms: exchanges charge \$1–5 million listing fees while engaging in wash and proprietary trading, and market makers demand 10–15% token loans with options allocations, manufacturing liquidity that obscures true price discovery¹⁸. Venture funds frequently coordinate distribution cycles via private communication channels and algorithmic social-media amplification.¹⁹

A new emerging “Digital Asset Treasuries (DAT)” narrative appears primarily designed to repackage illiquid tokens for secondary distribution, coinciding with a 70–90% collapse in retail participation since 2021, after Luna, FTX and other catastrophic retail wipe out. The most recent being the 10th of October forced \$19B in liquidation, about 12 times bigger than the \$1.6B FTX liquidation. The market is now dominated by professional liquidity extractors, so new thematic cycles increasingly function as exit strategies rather than vehicles of genuine adoption.

Against this backdrop of engineered liquidity and extractive practices, it becomes essential to trace the money flows sustaining this ecosystem — where value originates, how it circulates, and who ultimately captures it. The following sections map the principal financial channels and intermediaries shaping today’s market value distribution.

¹⁸ From personal experience and other projects that listed on exchanges in general.

¹⁹ Mastrangelo, R., 2024-2025, a year at crypto conferences and events.

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Money Flow Categories (to table of contents)

Direct Recipients of User Fees

When users pay transaction fees, the money immediately flows to:

1. **Validators/Miners:** Network security providers receiving fee revenue
2. **Token Burn Mechanisms:** Reducing supply to benefit all token holders
3. **Protocol Treasuries:** DAOs and foundations receiving fee shares
4. **Layer 1 Settlement:** L2s paying for Ethereum security
5. **MEV Extractors:** Searchers and validators capturing MEV value

Indirect Ecosystem Funding

Beyond direct fees, ecosystem participant indirectly fund the ecosystem through:

1. **Token Inflation:** New token issuance diluting existing holders
2. **Foundation Grants:** Ecosystem development funding
3. **VC Investments:** Private funding flowing to protocols and infrastructure
4. **Airdrop Programs:** Token distributions for user acquisition
5. **Infrastructure Services:** Oracle and RPC provider fees

Hidden Value Extraction

Additional parties extract value without direct user payment:

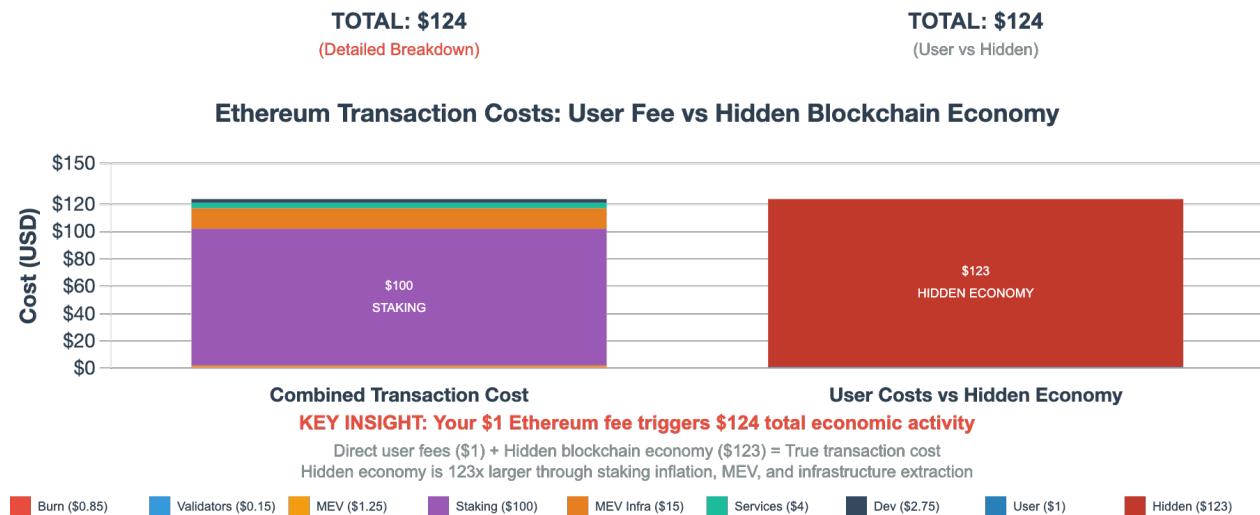
1. **MEV Infrastructure:** Searchers, builders, and relay operators
 2. **Exchange/Market Maker Partnerships:** Revenue sharing with protocols
 3. **Institutional Services:** Custody, staking, and compliance providers
 4. **Indexing Services:** \$30-80M annually
-

Major L1 Networks: Money Allocation Analysis (to table of contents)

Ethereum - Decentralized Value Distribution

Ethereum burns 100% of the base fee under EIP-1559 ($\approx \$0.75\text{--}\0.90 per transaction), while validators capture priority fees ($\approx \$0.10\text{--}\0.25 per transaction) and MEV rewards, depending on network congestion and block composition. Following the Dencun upgrade, the network transitioned from deflationary conditions to an estimated 0.7–0.8% trailing annual inflation. Aggregate ecosystem value flows total \$6–10B annually, comprising approximately \$65 million in chain fee revenue, \$1–5B in MEV extraction, \$120–130 million in Ethereum Foundation expenditures, and \$50–150 million each across RPC, infrastructure, and oracle services. Post-Dencun, only $\approx 40,000$ ETH are burned annually, while $\approx 960,000$ ETH are newly issued to stakers, resulting in net issuance of roughly 920,000 ETH per year²⁰.

Ethereum payment flow²¹



When a user pays \$1 in Ethereum fees:

Direct Fee Recipients

- **Token Burn (EIP-1559):** \$0.80-0.90 (100% of base fees destroyed)
- **Validators:** \$0.10-0.20 (priority fees + MEV share)
- **MEV Extractors:** \$0.50-2.00 additional value captured per transaction (a user spending \$1 for his blockchain transaction may spend an additional \$2 for MEV!)

Latest Inflationary pressure

- **Deflationary Pressure:** 40K ETH burned annually

²⁰ Mastrangelo, R. (2025). Ethereum Money Flow [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/01_ethereum/01_ethereum_money_flow.md

²¹ \$8B (annual ecosystem flow)/\$65M(annual fee generation)

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- **Staking Rewards:** 960,000 ETH issued annually to stakers
- **Net Effect:** Inflation of 920K ETH annually

Ecosystem Funding Recipients

- **Client Development:** \$35M annually for all L1 R&D
- **Research Grants:** \$30-60M annually for protocol research
- **Ecosystem Grants:** \$44-61M annually for applications, tools and bd

Infrastructure Value Extraction

- **Oracle Providers:** \$10-70M annually from Ethereum DeFi (opaque market)
- **MEV Infrastructure:** \$1-2B annually total MEV value
- **RPC Providers:** \$50-150M annually (Infura, Alchemy, QuickNode)
- **Indexing Services:** \$30-80M annually (The Graph, Dune Analytics)
- **Ethereum Foundation:** \$120-140M annually (average) for core development

Total Ecosystem Value Flow: \$5-8B annually beyond \$65M chain revenue

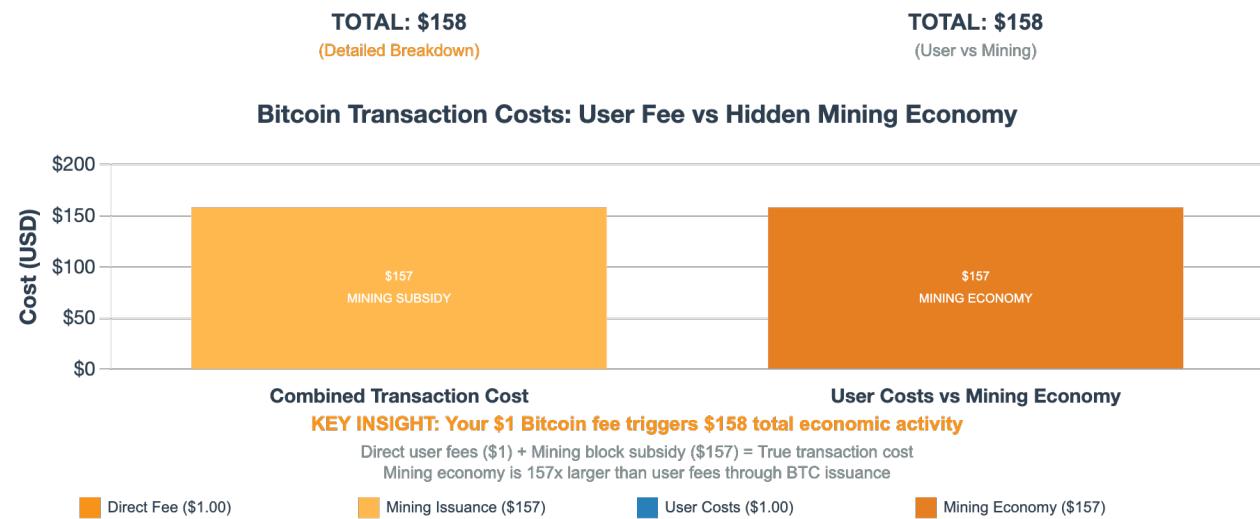
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Bitcoin - Mining-Centric Distribution

Bitcoin's monetary flow exhibits near-total dependence on inflationary block rewards rather than user-generated fees. The mining economy totals \$44–60B annually, funded almost entirely through new token issuance instead of transaction revenue. The network issues approximately 164,500 BTC per year ($\approx \$18.2B$) while collecting only $\approx \$115$ million in user fees, resulting in a substantial subsidy gap where less than 1% of miner compensation originates from transaction activity. This dynamic effectively transfers value from all Bitcoin holders to miners via monetary issuance, underscoring that Bitcoin functions as an inflation-funded rather than fee-sustained network²².

Bitcoin payment flow²³



When a user pays \$1 in Bitcoin fees:

Direct Fee Recipients

- **Miners:** \$1.00 (100% of transaction fees)
- **Mining BTC Issuance:** Additional \$157 per \$1 of fees

Bitcoin Issuance Economics

- **Yearly Bitcoin Issuance:** $450 \text{ BTC} \times 365 \times \$111,000 = \$18.2B$

Ecosystem Funding Recipients

- **Bitcoin Core Development:** \$5-15M annually
- **Lightning Development:** \$20-50M annually

²² Mastrangelo, R. (2025). *Bitcoin Mining Distribution with Sources* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/04_bitcoin/04_bitcoin_money_flow.md

²³ \$18.2B annual BTC issuance/\$115M annual fee generation

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- **Mining Infrastructure:** \$28-42B annually (hardware, energy, facilities)

Hidden Value Flows

- **ASIC Manufacturers:** \$8-12B annually (Bitmain, MicroBT, others)
- **Mining Pool Operators:** \$500M-1B annually in fees
- **Custodial Services:** \$1-3B annually for institutional Bitcoin services
- **Lightning Service Providers:** \$50-200M annually in routing fees

Total Mining Economy: \$44-54B annually beyond user fees

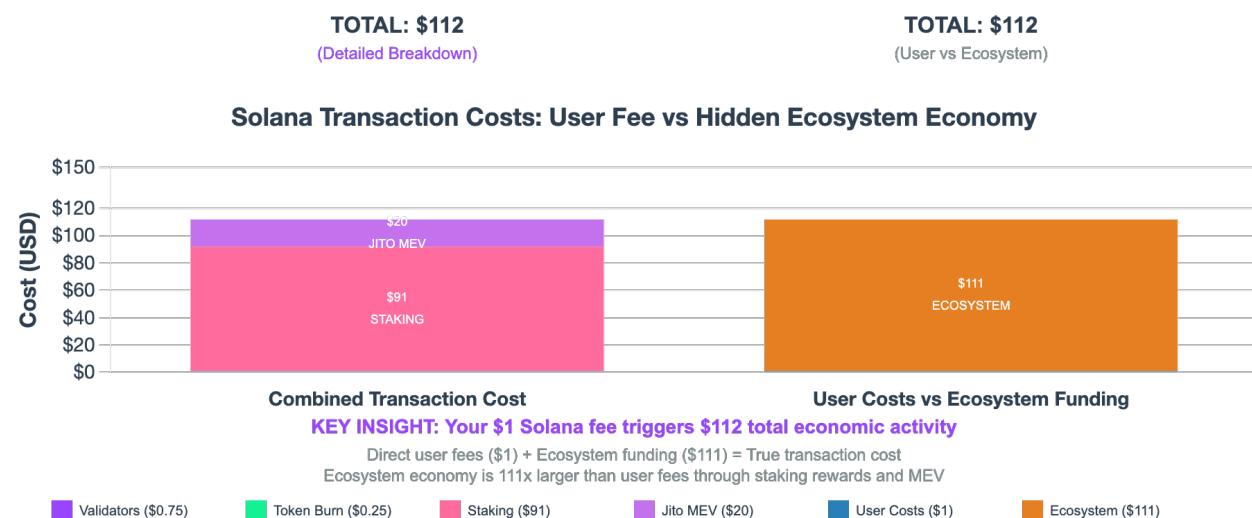
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Solana - Validator-MEV Distribution

Solana's monetary flow demonstrates a structural reliance on inflationary rewards and programmed token unlocks, with validators earning approximately \$4.5–5.0B annually from new token issuance versus only \$55 million in user fees. The network's 4.3% annual inflation rate steadily dilutes non-staking holders while financing validator rewards, MEV infrastructure, and network security. This mechanism transfers value from passive SOL holders to validators and stakers through inflationary issuance. Transaction fees represent roughly 1% of total ecosystem funding when issuance and unlock flows are considered, confirming that Solana operates under a dual-subsidy model, combining inflation financing and unlock-driven liquidity, distinct from both fee-based and purely issuance-funded systems²⁴.

Solana payment flow²⁵



When a user pays \$1 in Solana fees:

Direct Fee Recipients

- **Validators:** \$0.50-1.00 (50% of base fees, 100% of priority fees post-SIMD-0096ⁱ)
- **Token Burn:** \$0.00-0.50 (50% of base fees only)

Token Holder Impact

- **Daily SOL Issuance:** 51,000 SOL (\$10.2M)
- **Inflation Rate:** 4.26% annually diluting non-stakers

²⁴ Mastrangelo, R. (2025). Solana Money Flow [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/02_solana/02_solana_money_flow.md

²⁵ \$6.1B (average token issuance + MEV)/\$55M (yearly income)

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Ecosystem Funding Recipients

- **Solana Foundation:** \$50-100M annually for ecosystem development
- **Validators:** \$4.5-5B annually in staking rewards (8% yield on 297M SOL staked)
- **RPC Providers:** \$20-50M annually (estimated - Solana Labs, Helius, Triton)
- **Jito MEV:** \$800M-1.2B annually in MEV tips and infrastructure

Developer and VC Flows

- **Hackathon Programs:** \$5-10M annually
- **Ecosystem Grants:** \$50-100M annually
- **VC Investments:** \$400-500M annually in Solana ecosystem projects

Token Unlock Schedule

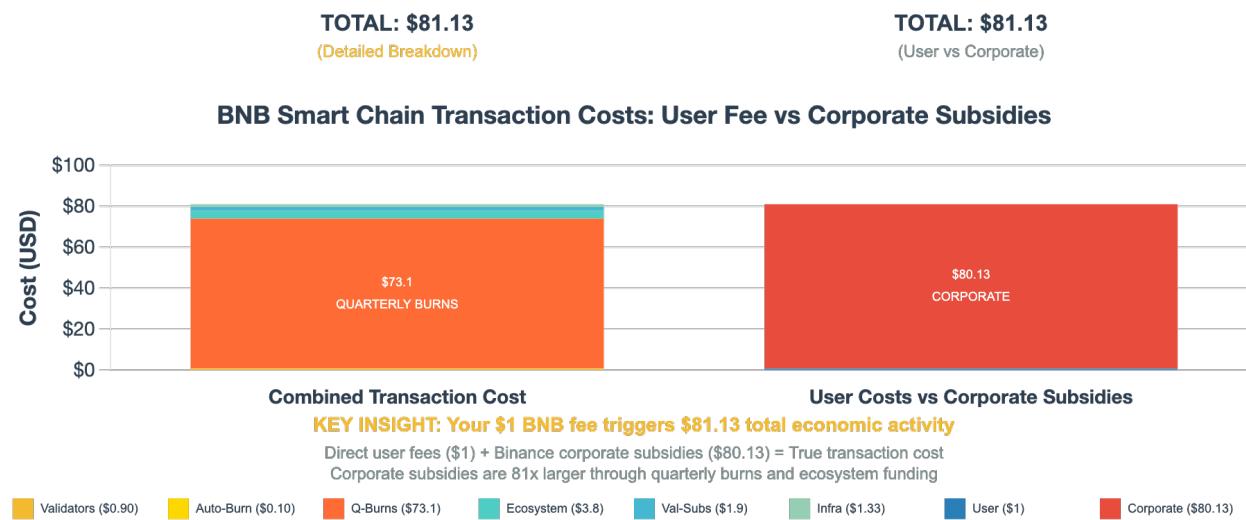
- **Annual Token Unlocks:** Finished

Total Ecosystem Funding: \$5-6B annually beyond \$55M user fees (staking rewards \$4.5-5B, Jito MEV \$800M-1.2B, token unlocks \$8-12B, Solana Foundation \$50-150M, RPC providers \$20-50M, ecosystem grants \$50-100M, VC investments \$400-500M, hackathons \$5-10M)

BNB Chain - Corporate-Backed Model

BNB Chain operates a corporate-subsidized economic model in which 90% of user fees accrue to validators and 10% are burned, generating approximately \$53 million in annual on-chain fee revenue. The network's financial stability, however, relies primarily on Binance's corporate subsidies, totaling an estimated \$4.0–4.3B annually, comprising \$3.884B in documented quarterly token burns and \$150–400 million in ecosystem development and infrastructure support. This corporate backing is roughly 80× larger than direct user fee income, positioning BNB Chain as a hybrid corporate-decentralized system that trades a degree of decentralization for financial durability and growth funding under its Proof-of-Staked-Authority (PoSA) consensus with 45 validators. As long as Binance's centralized exchange operations remain profitable, regular token buybacks and burns are expected to continue, driving ongoing supply contraction and maintaining market confidence in BNB's value framework²⁶.

BNB payment flow²⁷



When a user pays \$1 in BNB fees:

Direct Fee Recipients

- **Validators:** \$0.90 (45 validators share 90% of fees via PoSA consensus)
- **Auto-Burn:** \$0.10 (immediate token burn via BEP-95 mechanism)

²⁶ Mastrangelo, R. (2025). *BNB Chain Money Flow* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_I2s_and_I1s_refed/03_bnb_chain/03_bnb_chain_money_flow.md

²⁷ \$4.3B (corp. subsidies)/\$53M(chain fees revenues)

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The 90/10 split through BEP-95 provides validators with steady revenue while creating moderate deflationary pressure through automatic burning of user fees.

Binance Corporate Funding

- **Quarterly Burns:** \$971M per quarter from Binance profits (Q3 2024: 1.6M BNB burned)
- **Ecosystem Development:** \$100-300M annually from Binance for grants, partnerships, and infrastructure
- **Validator Subsidies:** Binance operates multiple validator nodes providing additional network security and infrastructure support

Infrastructure Recipients

- **BSC Validators:** \$50-150M annually in rewards from fees, staking, corpo. backing.
- **Cross-Chain Bridges:** \$20-50M annually in fees from BSC-Ethereum, BSC-Polygon, and multi-chain bridge operations
- **DeFi Protocols:** Significant subsidies for TVL incentives, liquidity mining programs.

Corporate Subsidy: \$4.0-4.3B annually to generate approximately \$53M in fees.

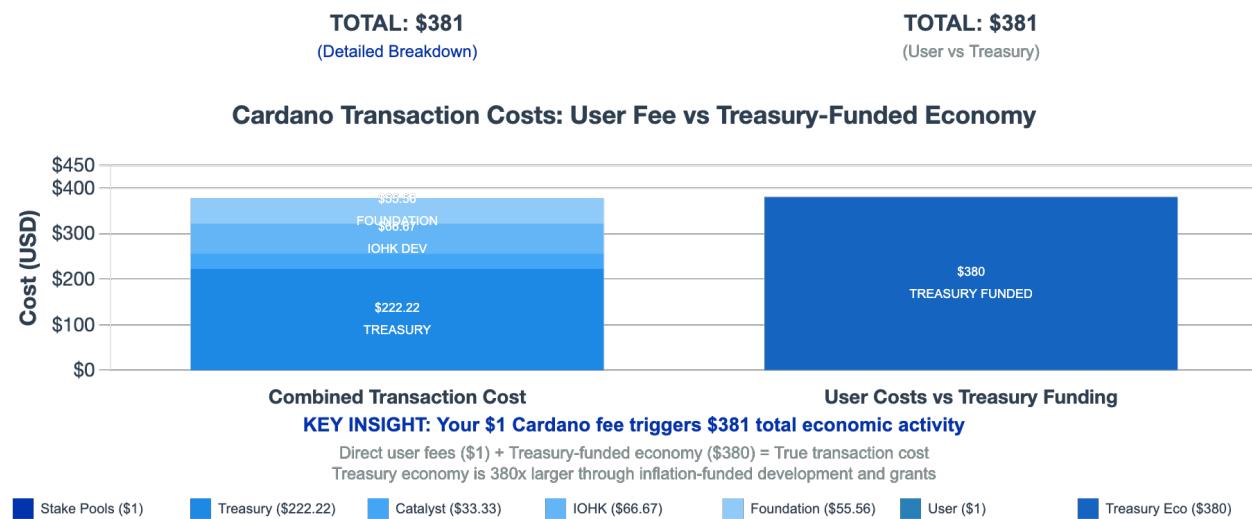
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Cardano - Treasury-Funded Development

When users spend \$1 on Cardano, fees flow entirely to stake pool operators (100%) through the eUTXO-based fee model, a UTXO with smart contracts. The chain itself doesn't generate revenues as per Defillama, but we approx. inferred \$3.6M revenues based on Cardano chain explorer, which anyway doesn't really make a difference. Cardano operates a treasury-funded development model where ecosystem funding comes from inflation, creating \$1-2B annually in ecosystem resources²⁸.

Cardano payment flow²⁹



Direct Fee Recipients

- Stake Pool Operators:** \$1.00 (100% of fees via Ouroboros consensus)

Treasury Distribution

- Cardano Treasury:** 1.5B+ ADA (\$500M) from inflation, not fees
- Block Rewards:** 340 ADA per block to pools
- Project Catalyst:** \$50-100M annually in community grants

Ecosystem Recipients

- IOHK/Input Output:** \$100-200M annually for core development
- Cardano Foundation:** \$50-100M annually for adoption and partnerships
- Emurgo:** Commercial arm funding for enterprise solutions

²⁸ Mastrangelo, R. (2025). *Cardano Money Flow* [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/16_cardano/16_cardano_money_flow.md

²⁹ \$1.375B (average ecosystem spending)/\$3.6M (revenues from users)

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Treasury-Based Funding: \$1-\$2B annually from token inflation to generate \$3.6M in revenues (Treasury distribution: \$500M + Ecosystem development: \$100-300M + Research funding: \$100-200M, Others undisclosed)

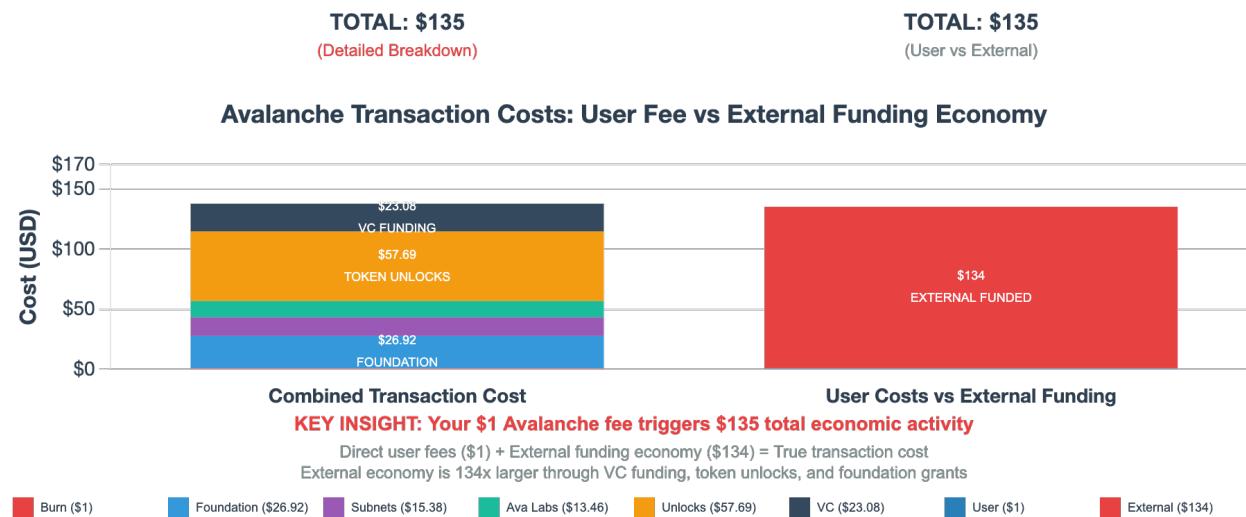
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Avalanche - Deflationary with High External Funding

When users spend \$1 on Avalanche, 100% of transaction fees are burned. Avalanche generates \$26M in fees annually. Validators earn zero from fees, instead receiving rewards from newly minted AVAX through inflation. Avalanche operates on \$3-4B annually in external funding from the Avalanche Foundation, subnet incentives, VC investments, and programmatic token unlocks (\$1-2B annually through 2030), creating a deflationary network sustained by external capital rather than fee redistribution³⁰.

Avalanche payment flow³¹



When a user pays \$1 in Avalanche fees:

Direct Fee Recipients

- **Token Burn:** \$1.00 (100% of fees burned via deflationary mechanism)
- **Validators:** \$0.00 from fees (rewards from inflation only)

Validator Funding

- **AVAX Staking Rewards:** Up to 7.65% APY from token inflation
- **Daily Validator Payments:** \$280,000 from new token issuance
- **No Fee Revenue:** All transaction fees permanently burned

³⁰ Mastrangelo, R. (2025). Avalanche Money Flow [Technical report], Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/08_avalanche/08_avalanche_money_flow.md

³¹ \$3.375B (external funding)/\$26M(fees)

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Foundation and VC Funding

- **Avalanche Foundation:** \$200-500M for ecosystem development
- **Subnet Incentives:** \$100-300M for custom blockchain development
- **Ava Labs:** \$350M+ raised for core development

Token Unlock Schedule

- **Annual Token Unlocks:** \$1-2B annually in programmatic releases

External Funding: \$3-4B annually beyond user fees to generate \$26M in fees. (Foundation ecosystem: \$200-500M + Subnet incentives: \$100-300M + Ava Labs development: \$350M + Token unlocks: \$1-2B + Additional VC investments: \$350-850M)

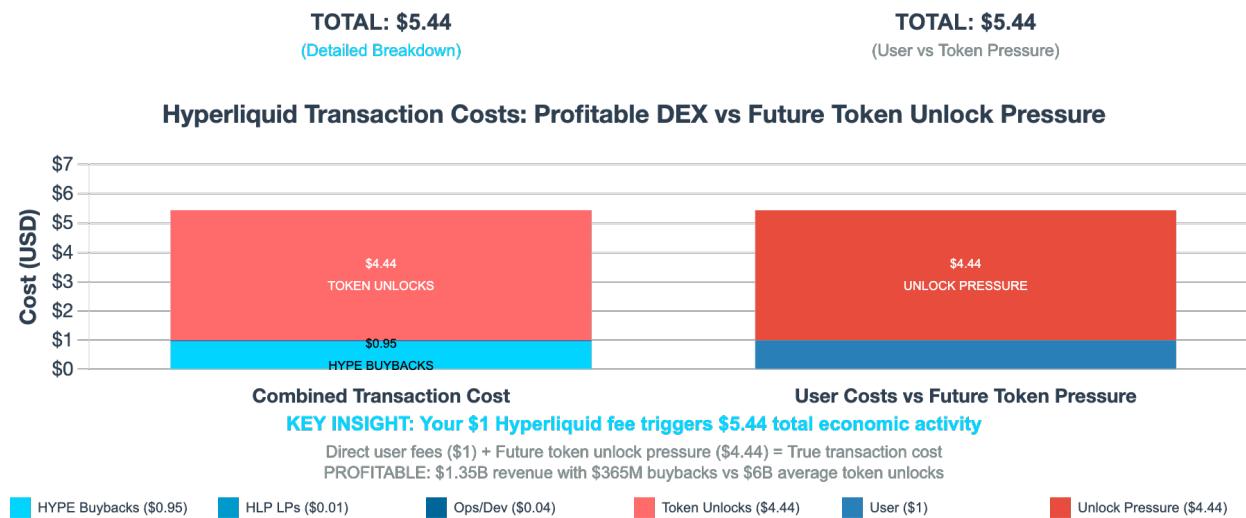
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Hyperliquid - Purpose-Built DEX L1

Hyperliquid currently ranks as the highest revenue-generating blockchain ecosystem, with annualized revenues estimated at \$0.9–1.4B, surpassing all other Layer-1 and Layer-2 networks. Approximately 93–97% of trading-fee revenues are directed toward daily HYPE token buybacks (~\$1 million per day), establishing a self-reinforcing, non-inflationary model that operates without venture-capital financing or token emissions. Averaging \$8–15B in daily trading volume and capturing roughly 70% of the decentralized perpetuals market, Hyperliquid demonstrates genuine operational profitability rather than dependence on external subsidies. In this analysis, token unlocks have been integrated into valuation multiples to maintain conservative comparability; even under adjusted assumptions, Hyperliquid's fundamental efficiency and cash-flow strength remain superior to peer networks. Importantly, the Hyperliquid chain and trading protocol function as a unified architecture, eliminating the typical separation between base-layer infrastructure and application logic, a structure that enhances capital efficiency and aligns network incentives end-to-end³².

Hyperliquid payment flow³³



When a user pays \$1 in Hyperliquid trading fees:

Direct Fee Recipients

- HYPE Buybacks (Assistance Fund):** \$0.93-0.97 (93-97% for token buybacks)
- HLP Liquidity Providers:** \$0.01 (1% of trading revenue)
- Operations/Development:** \$0.02-0.06 (remaining for protocol operations)

³² Mastrangelo, R. (2025). 07_hyperliquid_money_flow.md [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/07_hyperliquid/07_hyperliquid_money_flow.md

³³ \$6B (average unlock)/ \$1.35B (revenue)

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Trading Economics

- **Daily Trading Volume:** \$11-15B (futures and spot combined)
- **Daily Revenue:** \$3.7M (top revenue blockchain)
- **Annual Revenue:** \$1.35B (at current run rate)
- **Daily Buybacks:** \$1M worth of HYPE tokens
- **Fee Structure:** 0.0225% average trading fee

Token Unlock Schedule

- **Core Contributors Unlock:** 236.94M HYPE (\$12.09B at current price) vesting through 2028
- **Genesis Distribution:** 310M HYPE (\$15.81B) - largely unlocked
- **Major Cliff:** Late 2025/early 2026 when core contributor vesting begins
- **Total Supply Unlocked by 2028:** 547.05M HYPE (54.71% of total supply)
- **Monthly Selling Pressure Post-Unlock:** \$300-500M potential from gradual vesting
- **Buyback Capacity:** Current \$30M monthly buybacks can only absorb 10% of potential selling
- **No VC/Exchange Allocations:** Pure community and team distribution

Protocol Profitability: Profitable at \$0.9-1.35B annual revenue with \$1M daily buybacks, unlike subsidy-dependent chains

L1 Networks: Patterns and Limitations

Analysis of Layer-1 network architectures reveals structural mismatches between operational costs and user-driven fee generation across the ecosystem. Each network employs a distinct economic model but remains heavily reliant on subsidy mechanisms. Bitcoin issues approximately \$18.2B annually to miners while collecting only \$115 million in transaction fees ($\approx 158\times$ multiple). Ethereum, despite EIP-1559 burn mechanics, exhibits 0.8% net annual inflation post-Dencun. Solana requires \$14–19B in annual subsidies against \$55 million in fees ($\approx 254\text{--}345\times$). BNB Chain depends on \$3.9B in corporate token burns relative to \$53 million in fees ($\approx 73\times$). Cardano's treasury allocates \$1–2B annually while producing only \$3.6 million in fee revenue ($\approx 277\text{--}555\times$), and Avalanche relies on \$3–4B in external funding for \$26 million in fees ($\approx 115\text{--}154\times$).

Hyperliquid stands as the primary exception, generating \$900 million–1.35B in annualized trading-fee revenue and exhibiting sustainable, fee-based profitability. However, it faces a \$12B team unlock in 2026, representing 9–22 \times current buyback capacity, which could materially affect its equilibrium. Broader analysis of networks such as Tron, Polygon, and emerging Layer-1s remains limited by inconsistent on-chain disclosures, underscoring the need for dedicated indexing infrastructure to accurately trace value flows.

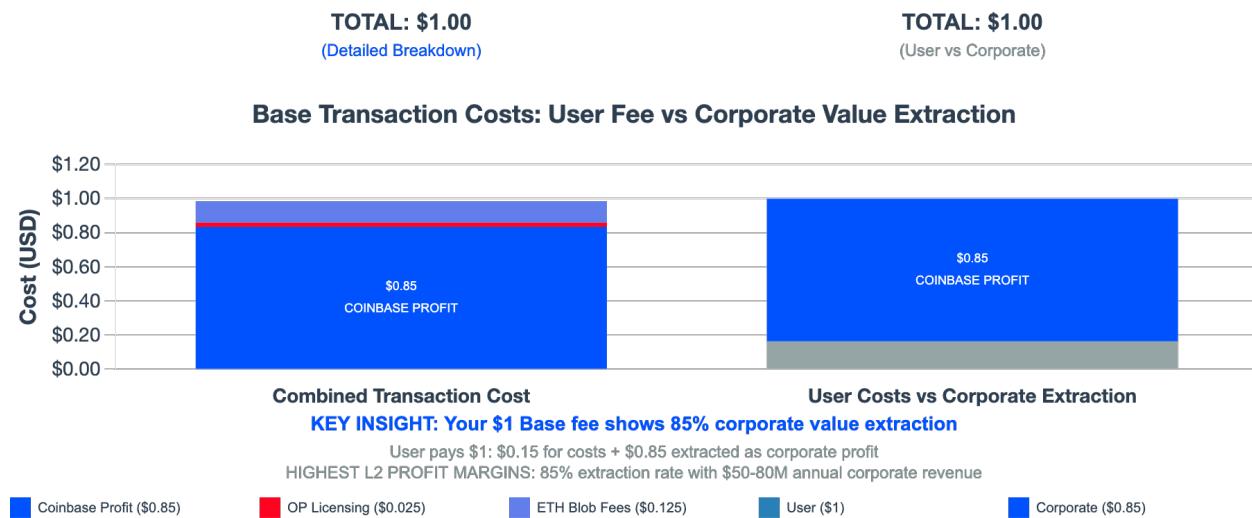
Overall, the data indicate that user-generated fees account for less than 1% of total annual economic activity across major Layer-1 networks, with Hyperliquid as the sole exception. This finding suggests that current network valuations are sustained primarily by token issuance, corporate subsidies, and redistribution mechanisms, rather than durable, fee-based revenue generation.

Layer 2 Networks: Fee Distribution (to table of contents)

Base (Coinbase) - Corporate Revenue Model

Base represents the most efficient corporate value-extraction model among Ethereum Layer-2 networks, capturing an estimated 65–80% of user fees, equivalent to \$50–80 million in annual net profit to Coinbase's treasury after accounting for OP Stack licensing. Despite paying approximately 15% of revenue (~\$12 million in 2025) to Optimism for infrastructure rights, Base maintains profit margins above 75%, the highest among major L2s. Unlike community-governed counterparts that reinvest surpluses into ecosystem development, Base functions primarily as a revenue engine, leveraging Coinbase's 100 million-plus user base, fiat integration, and regulatory positioning. This model illustrates how corporate-controlled sequencers can achieve maximal profit capture efficiency while contributing relatively little to shared public-goods infrastructure compared to the value extracted³⁴.

Base payment flow³⁵



When a user pays \$1 in Base fees:

Direct Fee Recipients

- **Coinbase:** \$0.65-0.80
- **Optimism Collective:** \$0.15 (15% revenue sharing for OP Stack licensing)
- **Ethereum L1:** \$0.05-0.20 (blob fees for data availability)

³⁴ Mastrangelo, R. (2025). 05_base_money_flow.md [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/05_base/05_base_money_flow.md

³⁵ \$80M revenues / costs are born by Coinbase itself, not the L2

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Corporate Value Capture

- **Annual Revenue:** \$50-80M+ run rate
 - **OP Stack Licensing:** \$12M projected in 2025 to Optimism Collective
 - **Net Corporate Revenue:** \$50-70M after Optimism payments
 - **Profit Margin:** 65-80% after OP Stack fees (still industry-leading)
 - **Infrastructure Investment:** \$10-20M annually in development (Base app.)
 - **Settlement Costs:** \$2-8M annually to Ethereum L1
-

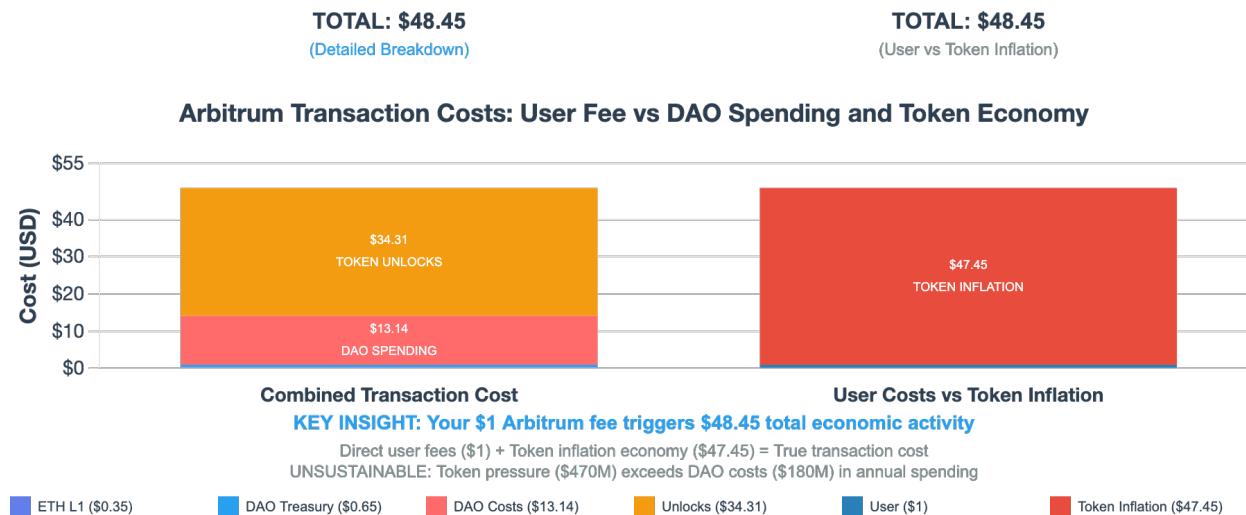
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Arbitrum - DAO Treasury Model

Arbitrum operates as a DAO-governed Layer-2 network in which transaction fees are divided between Ethereum Layer-1 data availability costs (30–35%) and the Arbitrum DAO treasury surplus (65–70%). In 2024, Arbitrum generated \$42M revenues, but in 2025 it dropped to an \$13–15 million in annualized sequencer revenue, the DAO currently spends over \$180 million per year, including the distribution of 13.8 million ARB tokens monthly from the treasury for ecosystem grants, incentives, and operations. In parallel, \$470 million in annual token unlocks to early investors and team allocations adds further inflationary pressure yearly until 2027. This creates a spending-to-revenue ratio exceeding 47:1, underscoring that Arbitrum remains structurally dependent on treasury reserves and token subsidies rather than sustainable on-chain fee capture³⁶.

Arbitrum payment flow³⁷



When a user pays \$1 in Arbitrum fees:

Direct Recipients

- **Ethereum L1:** \$0.35 (data availability and calldata costs)
- **Arbitrum DAO:** \$0.65 (treasury surplus after L1 reimbursement)

DAO Treasury Economics

- **Annual Revenue:** \$13.7M (761 ETH in February 2025, declining trend)
- **Monthly DAO Spending:** 13.8M ARB tokens (\$6.1M at \$0.44) = \$72M annually
- **Additional Costs:** Offchain Labs operations, infrastructure...=\$110M annually

³⁶ Mastrangelo, R. (2025). 06_arbitrum_money_flow.md [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/06_arbitrum/06_arbitrum_money_flow.md

³⁷ \$650M (DAO Spending)/\$13.7M (total revenue from sequencer)

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- **Total Annual Costs:** \$180M

Token Unlock Pressure

- **Monthly Unlocks:** 44M ARB tokens to investors/team (\$19.4M monthly)
- **Annual Selling Pressure:** \$233M from monthly unlocks
- **Cliff Unlock:** March 2024 released 2B ARB tokens to early stakeholders
- **Vesting Schedule:** Monthly unlocks continue through March 2027

Value Distribution

- **To Ethereum Validators:** 35% of fees (\$4.8M annually)
- **To DAO Programs:** 65% of fees (\$8.9M annually)
- **External Subsidies Required:** \$166M annually to cover spending gap
- **Early Investor Extraction:** \$233M annually in token unlocks

DAO Model: Unsustainable 46:1 spending-to-revenue ratio

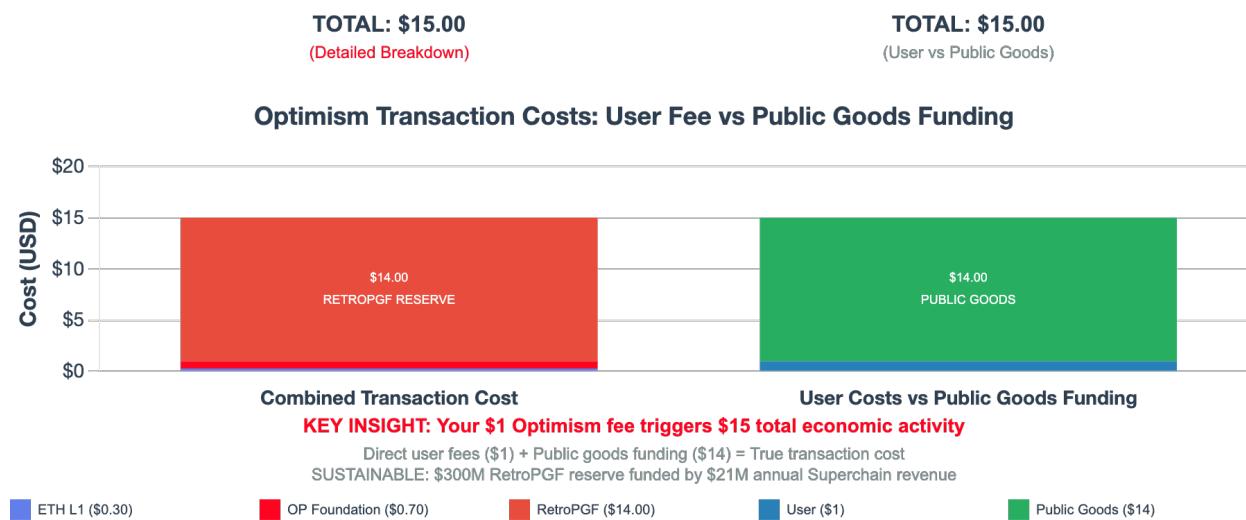
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Optimism - Public Goods Funding (Superchain Model)

Optimism operates as a Public Benefit Corporation–governed Layer-2 ecosystem, directing sequencer revenues from the expanding OP Stack “Superchain” toward Retroactive Public Goods Funding (RPGF) rather than private shareholder profit. With more than \$20 million in cumulative network revenue and ≈859 million OP tokens (≈\$600 million USD) earmarked for public goods and ecosystem incentives, Optimism represents one of the most transparent and minimally extractive economic models in the L2 sector. The Superchain, which powers multiple L2 networks (Base, Unichain, Mode, Zora, Soneum, Worldchain, Lisk, Celo) accounts for a large amount of aggregate Layer-2 transaction volume (2025 YTD), creating a self-reinforcing economic loop in which network growth directly funds open-source infrastructure and collective ecosystem development, demonstrating a scalable, mission-aligned approach to blockchain governance³⁸.

Optimism payment flow³⁹



When a user pays \$1 in OP Mainnet fees:

Direct Recipients

- **Ethereum L1:** \$0.30 (data availability and blob fees)
- **Optimism Foundation:** \$0.70 (RetroPGF and public goods funding)

Superchain Public Goods Economics

- **Total Superchain Revenue:** \$30M+ (7100+ ETH from 41 chains)

³⁸ Mastrangelo, R. (2025). 14_optimism_money_flow.md [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/14_optimism/14_optimism_money_flow.md

³⁹ \$300M (DAO Spending)/\$21M (total revenue from OP sequencer)

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- **OP Mainnet Revenue:** \$11M annually (100% to public goods)
- **Superchain Contribution:** Approx. \$2-3M annually (15% of superchains revenue⁴⁰)
- **RetroPGF Reserve:** 859M OP tokens (\$618M at \$0.72) for ecosystem funding

Superchain Revenue Sources

- **Base:** 80%+ of total Superchain revenue (around \$12M projected in 2025)
- **OP Mainnet:** \$10-11M annually (100% contribution rate)
- **Unichain:** New contributor (launched Oct 2024)
- **Worldchain:** \$115K revenue contribution (lifetime)
- **Other 35 Chains:** Combined network effects and revenue sharing

RetroPGF Distribution Scale

- **2024 Funding:** 20M OP tokens across 400+ builders
- **Available Funding:** \$20M+ annual revenue
- **Network Effects:** Each new Superchain chain increases funding pool
- **2025 Evolution:** Measurement-driven continuous funding model

Value Distribution

- **To Ethereum Validators:** 30% of OP Mainnet fees (\$3.3M annually)
- **To Public Goods:** 70% of OP Mainnet + 100% Superchain revenue (\$36.7M annually)
- **To Ecosystem Development:** \$40M+ total annual funding capacity
- **Corporate Extraction:** 0% (Public Benefit Corporation model)

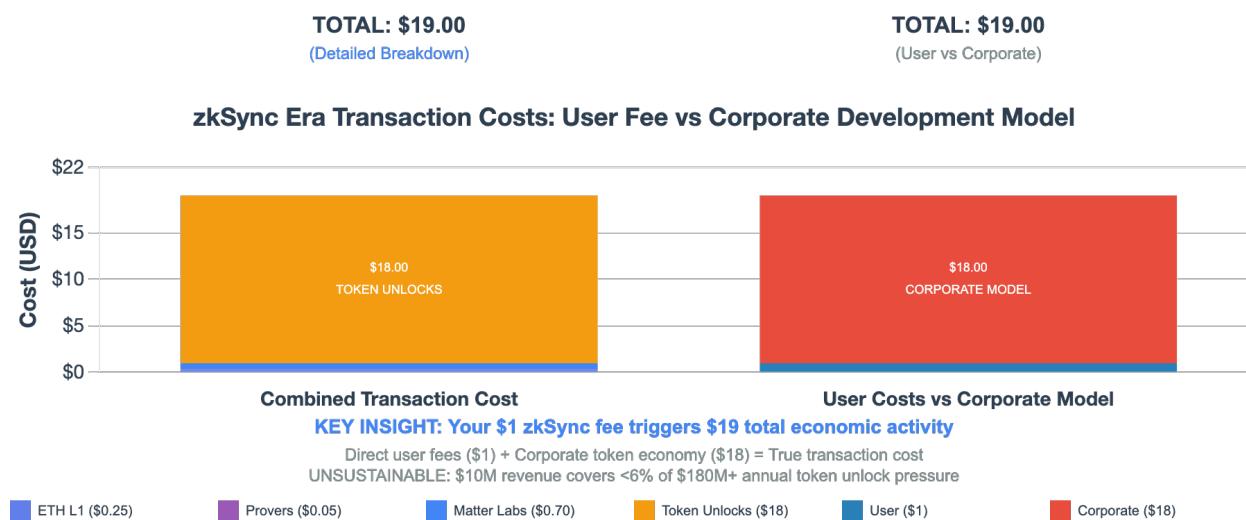
Superchain Model: Network effects create sustainable \$40M+ annual public goods funding

⁴⁰ <https://www.superchain.eco/chains>

zkSync Era - Development Company Model

zkSync Era operates as a Matter Labs-controlled ZK rollup, where sequencer revenues are retained at the corporate level to fund continued network development. Despite its technical sophistication, the network currently generates only \$8–12 million in annualized revenue and maintains approximately \$90–100 million in total value locked (TVL), positioning it among the smaller major Layer-2 ecosystems by economic scale. The 21B ZK token supply allocates 33.3 percent to insiders (17.2 percent to investors and 16.1 percent to Matter Labs and team members), representing roughly \$420 million in value distributed to early stakeholders at current market prices. While zkSync remains an important driver of zero-knowledge rollup innovation, its fee generation and user-side economic throughput remain limited relative to its token valuation and corporate ownership concentration⁴¹.

zkSync payment flow⁴²



When a user pays \$1 in zkSync fees:

Direct Recipients

- **Matter Labs:** \$0.65-0.75 (centralized sequencer profit)
- **Ethereum L1:** \$0.20-0.30 (proof verification and data costs)
- **Prover Network:** \$0.05 (centralized proving, transitioning to decentralized)

⁴¹ Mastrangelo, R. (2025). 15_zkSync_era_fee_distribution_comprehensive_with_references.md [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/chains_l2s_and_l1s_refed/21_zkSync/21_zkSync_money_flow.md

⁴² \$180M (Annual Selling Pressure from Token Unlocks)/\$10M (average revenue from ZK sequencer)

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Corporate Economics

- **Annual Revenue:** \$8-12M estimated (based on activity)
- **L1 + Proving Costs:** \$4-6M annually
- **Net Revenue:** \$4-6M to Matter Labs operations
- **Profit Margin:** 40-50% after infrastructure costs

ZK Token Distribution

- **Total Supply:** 21B ZK tokens
- **Insider Allocation:** 33.3% (17.2% investors, 16.1% team)
- **Airdrop:** 3.675B tokens (17.5%) to 695,232 wallets
- **Token Unlocks:** \$180M annual selling pressure starting June 2025

Value Extraction

- **To Matter Labs:** 65-75% of fees (\$5-9M annually)
- **To Ethereum:** 20-30% for ZK proof verification
- **To Community:** 17.5% token airdrop completed
- **Sustainability Risk:** Revenue covers <10% of unlock pressure

Development Model: Corporate control with unsustainable token economics

L2 Networks: Patterns and Limitations

The Layer 2 ecosystem reveals stark patterns in value extraction and sustainability across different operating models. Despite promises of scaling Ethereum affordably, L2s have evolved into sophisticated extraction mechanisms with wildly divergent economic models.

Revenue Generation Hierarchy

1. **Base:** approx. \$80M annually
2. **Optimism Superchain:** \$21M annually (including \$11M fees)
3. **Arbitrum:** \$13.7M annually
4. **zkSync Era:** \$8-12M annually - minimal adoption despite ZK innovation

The L2 Sustainability Crisis

Most L2s operate on fundamentally unsustainable economics where:

- **Fee revenue:** \$8-13M annually across major L2s (base excluded)
- **Ecosystem costs:** Extreme cost compared to revenues, mostly driven by token unlocks and inflation
- **Token unlocks:** \$400M annually across major L2s
- **Net extraction:** \$500M+ annually from token holders

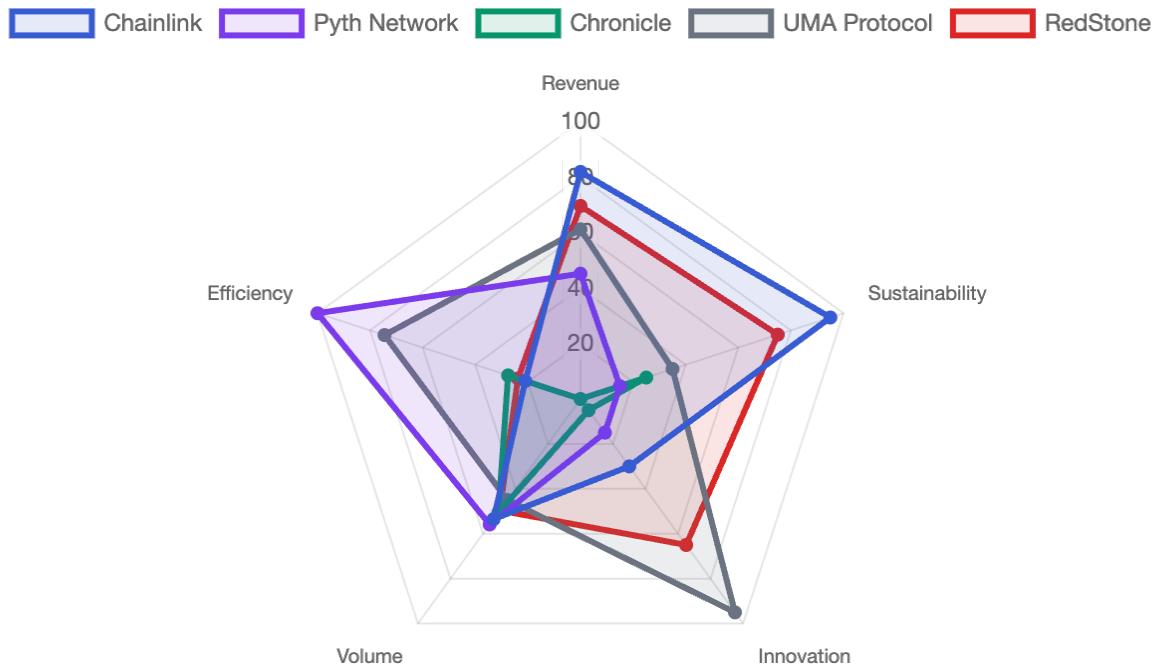
Only Base and Optimism have currently achieved potentially long sustainable models. The majority rely on token inflation, VC subsidies, or treasury depletion to maintain operations and ecosystem, revealing that scaling solutions often become wealth transfer mechanisms from future token holders to current operators and early investors.

Infrastructure Layer: The Hidden Recipients (to table of contents)

Oracle Providers - The DeFi Infrastructure Tax

The oracle infrastructure market represents a \$178M-365M annual economy securing \$189B+ in “Total Value Secured” (TVS) across 800+ protocols yet reveals a fundamental paradox where technical innovation drives costs toward zero while demand for reliable data infrastructure grows fast. We analyzed five major providers, Chainlink, Pyth, Chronicle Protocol, UMA Protocol, and Redstone Oracles, which demonstrates five distinct business model experiments ranging from revenue maximization to public-good strategies. The sector faces a critical inflection point where AI automation and competitive pressure threaten to commoditize traditional oracle services into utility-like infrastructure with minimal margins, while only specialized, premium, or monopolistic providers may achieve sustainable monetization. This natural experiment in blockchain infrastructure economics will likely determine the viability of other infrastructure-as-a-service models in the digital asset ecosystem, with the outcome dependent on whether providers can escape the commoditization trap through differentiation, integration, and premium service positioning⁴³.

Multi-Dimensional Comparison



⁴³ Mastrangelo, R. (2025). *oracle_payment_flow_comprehensive_analysis.md* [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/oracles_refed/oracle_payment_flow_comprehensive_analysis.md

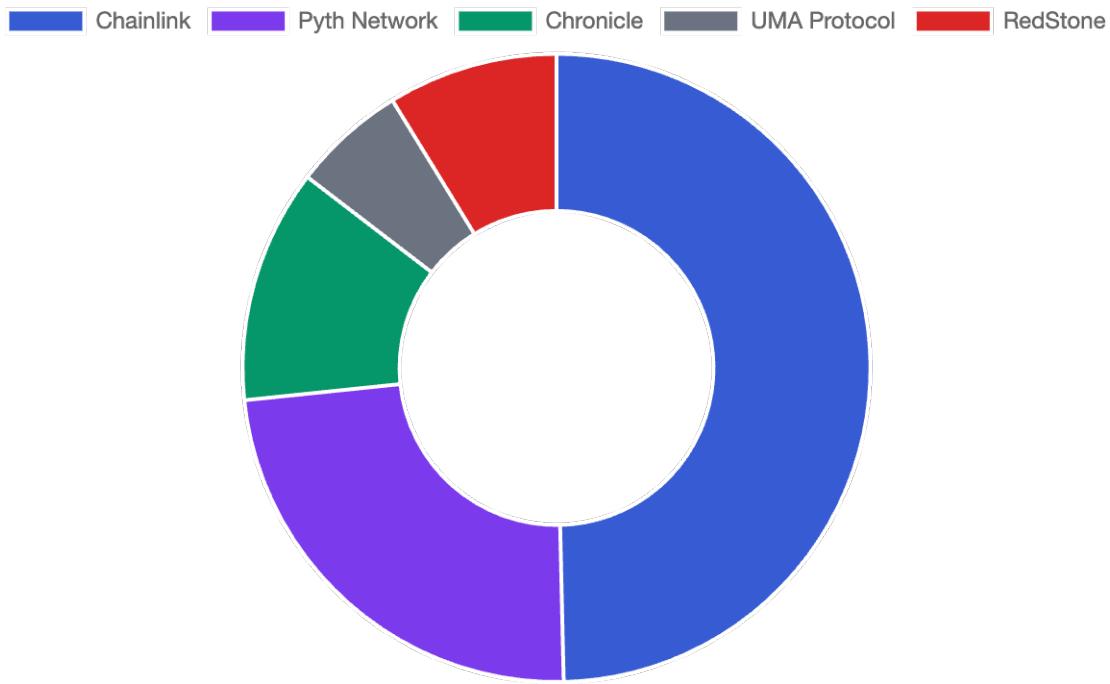
1. **Chainlink:** Market Dominant, Revenue Opaque
 - **452+ protocols** secured across ecosystems (68% DeFi market share)
 - **Weekly costs:** \$4.89M in LINK rewards + \$1.92M gas fees
 - **Revenue model:** Protocol fees + SVR/MEV recovery + enterprise partnerships
 - **Government contracts:** \$5-20M annually (BEA, Commerce Dept partnership)
 - **Aave SVR integration:** 35% revenue share, \$460K MEV recaptured (2025)
 - **Estimated total revenue:** \$103-200M annually from multiple streams
2. **Pyth Network:** High Volume, Minimal Revenue
 - **Q1 2025 Reality:** \$32.8K revenue on \$149.1B transaction volume (376.6% YoY growth)
 - **100+ blockchains** integrated with millisecond-level updates
 - **Fee model:** 1 lamport per update (essentially free adoption strategy)
 - **Government contracts:** \$1-10M annually (US Commerce Dept GDP data partnership)
 - **Revenue challenge:** Massive volume growth doesn't translate to revenue scaling
 - **Market position:** 32.5% oracle volume share, leading by transaction volume
3. **Chronicle Protocol:** Cost Efficiency Over Revenue
 - **\$12.6B Total Value Secured** (16.5% market share, Sky Protocol 57.4%)
 - **No direct revenue model** - exclusively grant-funded since 2017
 - **Budget:** 3.7M DAI + 2.2K MKR annual allocation from MakerDAO
 - **65.7% cheaper** than Chainlink (67,700 vs 184,800 gas per update)
 - **Recent funding:** \$12M seed round led by Strobe Ventures (March 2025)
 - **Sustainability risk:** Grant dependency raises long-term viability questions
4. **UMA Protocol:** AI-Powered Race to Zero
 - **\$0.005 per oracle request** (LLM-powered dispute resolution, 99%+ cost reduction)
 - **\$1B+ monthly volume** through Optimistic Oracle (primarily Polymarket)
 - **98% undisputed rate** (optimistic "innocent until disputed" model)
 - **AI automation:** 240 proposals/day, 99.3% accuracy in specialized markets
 - **Revenue challenge:** Ultra-efficiency reduces monetization opportunities
 - **Estimated revenue:** \$400K-\$2.2M annually (volume-dependent dispute fees)
5. **RedStone Oracles:** Fastest Growing Oracle, Focus on Institutional revenues with Credora Acquisition
 - **\$10B+ TVL** across 110+ chains

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- **170+ clients** including Compound, Morpho, Venus, Pendle, VanEck, Blackrock, Securitize – Full DeFi exposure
- **Credora acquisition** (Sept 2024): First oracle combining price feeds + risk ratings – Difficult to assess new fee stream
- **RWA leadership:** Official oracle for BlackRock BUIDL, Apollo ACRED, VanEck VBILL, low revenues
- **\$15M Series A** led by Arrington Capital, co-led by Alphemy Capital (July 2024)
- **Premium positioning:** “S&P for DeFi” - rated strategies grow 25% faster
- **Revenue estimation and projection:** 2025, \$8-10M, by 2026 \$16-20M partially off chain and through institutional oracle services

Market Share Distribution



The Oracle Extraction Paradox

- **Critical Infrastructure:** DeFi requires oracles for \$189B+ TVL (increasing fast)
- **Minimal Direct Revenue:** Most generate <\$1M annually
- **Hidden Costs:** Protocols pay through token allocations and grants
- **Sustainability Crisis:** Most oracles operate at losses, subsidized by tokens

The oracle market extracts \$178M-365M annually from DeFi protocols that generate \$5-11B in yearly revenue, representing a 1-3% infrastructure tax on the entire DeFi ecosystem. This “oracle tax” is not paid directly by users during transactions or transfers but rather absorbed

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by protocols as an operational cost for accessing reliable price feeds and data verification services.

Key distinction: When users swap tokens on Uniswap or borrow on Aave, they pay protocol fees, swap fees, interest rates, but never see oracle costs, these are backend expenses paid by the protocols themselves to function safely. This makes oracles a B2B infrastructure layer extracting value from protocol revenues rather than a user-facing service but ultimately impact the end users.

The extraction breakdown:

- **DeFi protocols:** \$5-10.5B annual revenue
- **Oracle providers:** \$178M-365M extracted
- **Cost burden:** 100% on protocols, 0% direct user fees
- **Payment flow:** Protocol treasuries → Oracle providers (not Users → Oracles)

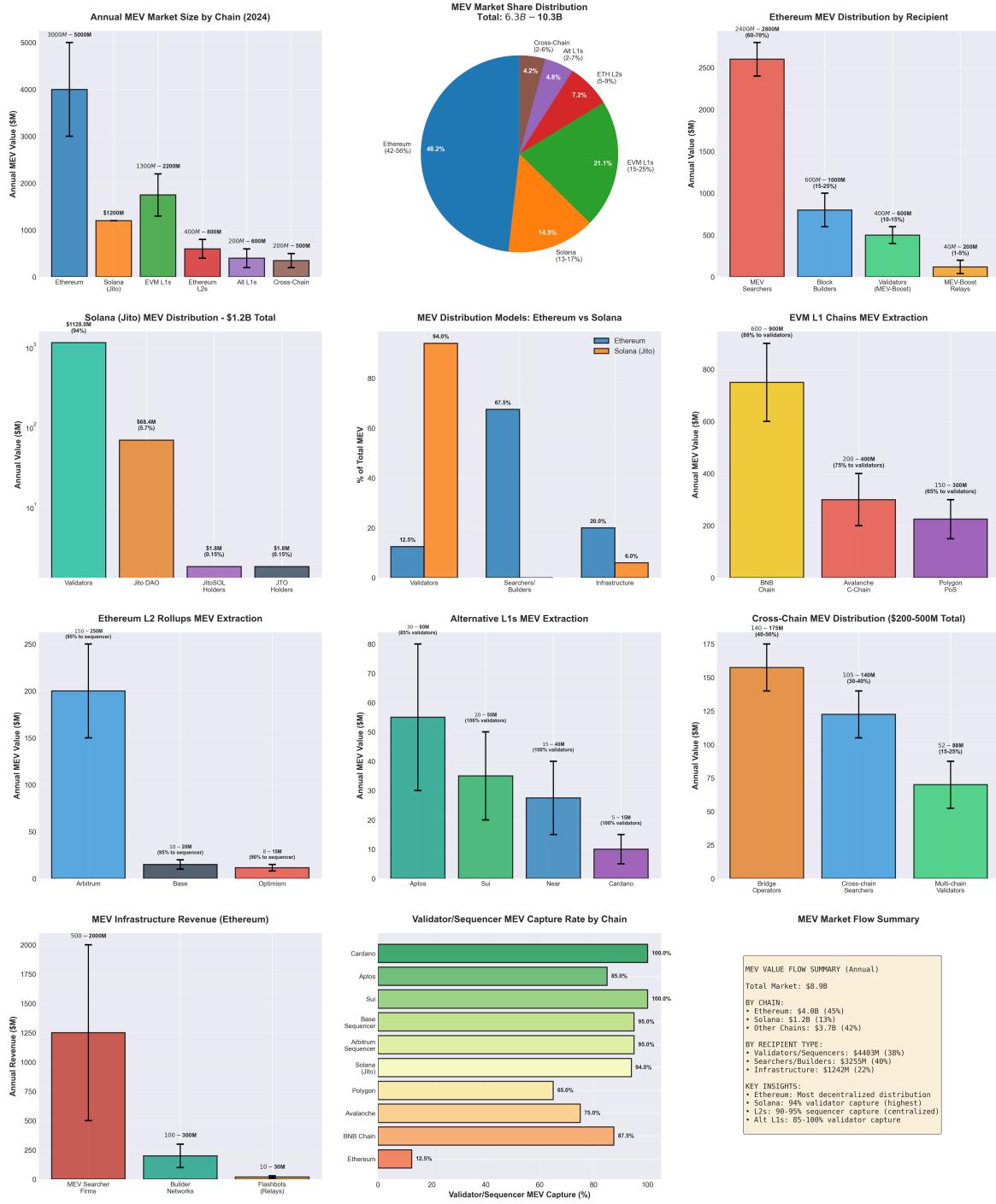
This represents a significant but largely invisible tax on DeFi innovation, where protocols must allocate 1-3% of their revenue to data infrastructure before considering other costs like development, security audits, or profit distribution, explaining why many DeFi protocols struggle with profitability despite Bs in volume.

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MEV (Maximum Extractable Value) Recipients

Annual MEV Value: \$3-7B across all chains⁴⁴



⁴⁴ Mastrangelo, R. (2025). *mev_comprehensive_analysis_summary.md* [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/mev_refed/mev_comprehensive_analysis_summary.md

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MEV Recipients

1. Ethereum MEV:

- **Validators:** 10-15% of MEV via MEV-Boost (\$400M annually)
- **MEV Searchers:** 60-70% of extracted value (\$2.1B-4.9B annually)
- **Block Builders:** 15-25% of MEV value (\$600M-1.75B annually)
- **MEV-Boost Relays:** 1-5% infrastructure fees (\$50M-350M annually)

Key Characteristics: Mature MEV infrastructure with MEV-Boost adoption at 95% of validators. Ethereum represents \$3-5B annually in MEV extraction, with searchers capturing the majority through sophisticated arbitrage, sandwich attacks, and liquidation strategies. The ecosystem has evolved complex infrastructure with builders aggregating bundles and relays facilitating validator-builder coordination.

2. Solana MEV (Jito):

- **Validators:** 94% of MEV tips directly (\$1.128B in 2024)
- **Jito Infrastructure:** 6% of tips to stakeholders
 - Jito DAO: 5.7% (\$68.4M in 2024)
 - JitoSOL holders: 0.15% (\$1.8M in 2024)
 - JTO holders: 0.15% (\$1.8M in 2024)
- **Searchers:** Competitive tip payments for inclusion (20-40% net profit margins)

Key Characteristics: Fundamentally different model where validators receive the vast majority of MEV value directly. Jito dominates with 93% validator adoption, processing \$1.2B in annual tips. Lower searcher profit margins due to higher validator capture, with peak daily tips reaching \$14.7M. More validator-centric distribution compared to Ethereum's infrastructure-heavy model.

3. Other Chains MEV:

Estimated Combined Annual MEV: \$2-4B across 20+ major networks

- **EVM L1 Chains (\$1.3-2.2B annually):**
 - BNB Smart Chain: \$600M-900M (85-90% to validators due to centralization)
 - Avalanche C-Chain: \$200M-400M (70-80% to validators)
 - Polygon PoS: \$150M-300M (60-70% to validators)
- **Ethereum L2 Rollups (\$400M-800M annually):**
 - Arbitrum: \$150M-250M (95% to Offchain Labs sequencer)
 - Base: \$10M-20M (95% to Coinbase sequencer)
 - Optimism: \$8M-15M (90% to OP sequencer)

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- **Alternative L1s (\$200M-600M annually):**
 - Sui: \$20M-50M (100% to validators, limited by object model)
 - Aptos: \$30M-80M (85% to validators, Move language protections)
 - Near Protocol: \$15M-40M (100% to validators, sharding effects)
 - Cardano: \$5M-15M (100% to SPOs, UTXO limitations)
- **Cross-Chain MEV (\$200M-500M annually):**
 - Bridge operators: 40-50% of cross-chain MEV
 - Cross-chain searchers: 30-40%
 - Multi-chain validators: 15-25%

Key Characteristics: Highly fragmented ecosystem with varying MEV distribution models. EVM-compatible chains often favor validators due to centralization or faster block times. L2 rollups concentrate MEV extraction at sequencer level, creating corporate revenue streams. Alternative L1s show lower MEV intensity due to architectural protections and lower DeFi activity. Cross-chain MEV represents fastest-growing segment with bridge operators capturing significant value.

MEV Infrastructure Revenue

- **Flashbots:** \$10-30M annually in relay fees
 - **Builder Networks:** \$100-300M annually in builder profits
 - **MEV Searcher Firms:** \$500M-2B annually in arbitrage profits
-

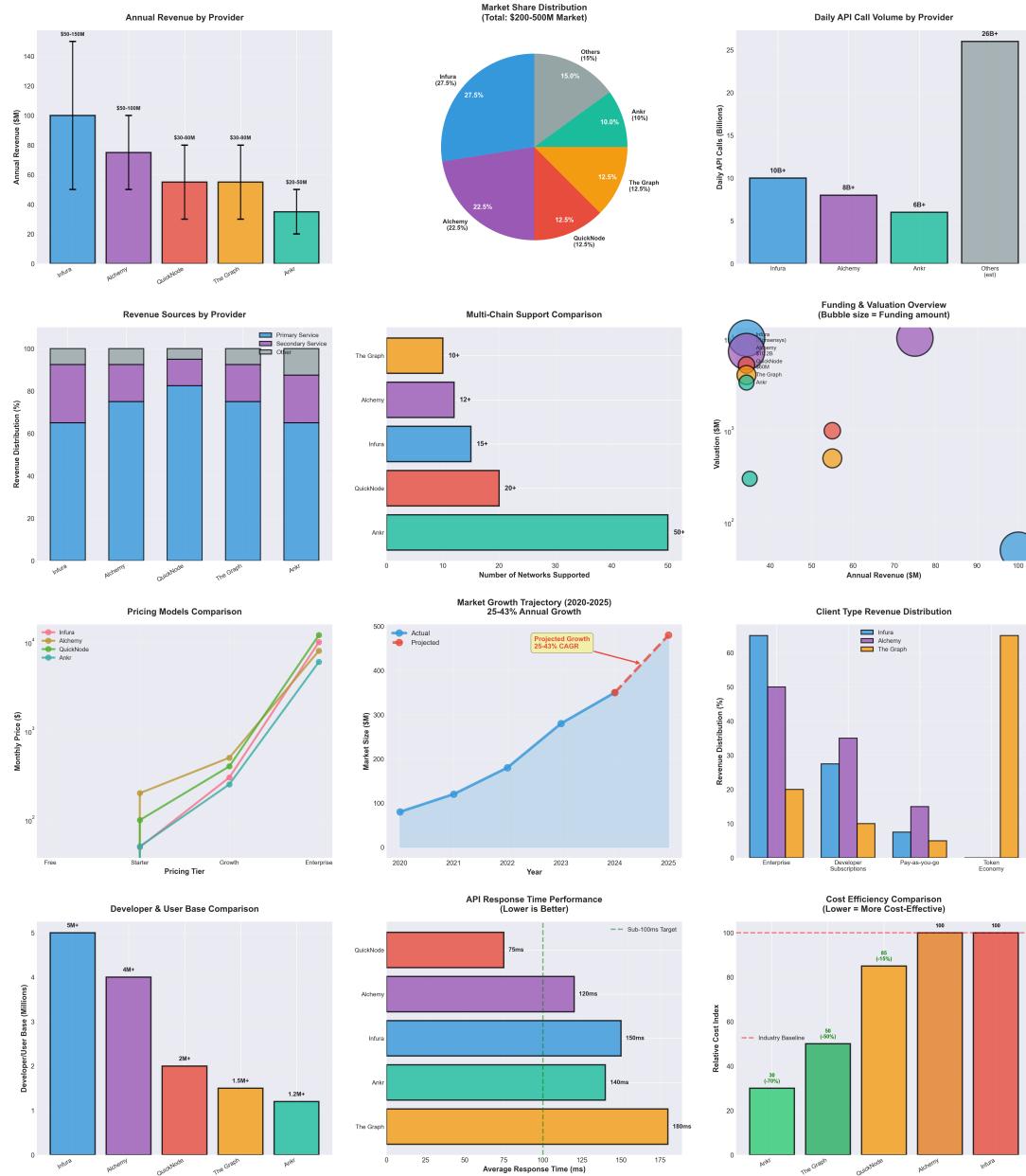
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RPC and Infrastructure Providers

The blockchain RPC and infrastructure services market generates **\$200-500M annually⁴⁵**.

RPC & Infrastructure Providers - Comprehensive Market Analysis



⁴⁵ Mastrangelo, R. (2025). *rpc_infrastructure_revenue_analysis.md* [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/rpc_and_infrastructure_providers_refed/rpc_infrastructure_revenue_analysis.md

Major Provider Revenue Analysis

1. Infura (Consensys): \$50-150M annually

- **Market Position:** Established leader, Consensys subsidiary
- **Revenue Sources:** 60-70% enterprise clients, 25-30% developer subscriptions
- **Key Metrics:** 10+ B daily API calls, 15 networks supported
- **Major Clients:** Uniswap, Compound, MetaMask integration

2. Alchemy: \$50-100M annually

- **Market Position:** Developer-focused platform, \$10.2B valuation
- **Revenue Sources:** 70-80% platform API, 15-20% Alchemy Pay
- **Key Metrics:** 8+ B daily requests, 4M+ developers
- **Funding:** \$295M raised (February 2022)

3. QuickNode: \$30-80M annually

- **Market Position:** Performance-optimized infrastructure
- **Revenue Sources:** 80-85% node infrastructure, 10-15% add-ons
- **Key Metrics:** Sub-100ms response times, 20+ networks
- **Funding:** \$60M Series A (January 2022)

4. Ankr: \$20-50M annually

- **Market Position:** Decentralized infrastructure provider
- **Revenue Sources:** 60-70% RPC services, 20-25% staking
- **Key Metrics:** 6+ B daily requests, 50+ networks
- **Advantage:** 50-70% lower costs than centralized providers

5. The Graph: \$30-80M annually

- **Market Position:** Decentralized indexing protocol
- **Revenue Sources:** 70-80% query fees, 15-20% indexing rewards
- **Key Metrics:** 20+ B monthly queries, 4,000+ subgraphs
- **Network:** GRT token-based economy with indexers/curators

Market Dynamics

1. Revenue Distribution

- **Total Market:** \$200-500M annually
- **Growth Rate:** 25-43% annually (2024)
- **API Volume:** 50+ B daily requests across providers

2. Competitive Landscape

1. **Infura:** 25-30% market share
2. **Alchemy:** 20-25% market share
3. **QuickNode:** 10-15% market share
4. **Ankr:** 8-12% market share
5. **The Graph:** 10-15% market share

3. Business Models

- **Freemium:** Free tiers with 100K-300M monthly requests
 - **Usage-Based:** \$0.0001-0.01 per API call
 - **Enterprise:** \$10K-1M+ annual contracts
 - **Protocol Tokens:** Decentralized fee distribution (The Graph)
-

Ecosystem Funding: Foundations

Foundations Spending Analysis

Blockchain foundations represent a **\$1-2 B annual economy** dedicated to ecosystem development, research funding, and infrastructure support across major networks. Unlike direct user fees or token mechanisms, foundation spending operates as a parallel funding system that redistributes wealth from token appreciation, treasury reserves, and strategic partnerships to developers, researchers, and ecosystem participants. This analysis examines seven major foundations, Ethereum, Solana, Avalanche, Cardano, and 3 others, revealing how their treasuries have become one of the primary mechanisms for sustainable blockchain ecosystem development beyond market speculation⁴⁶.

Total Annual Foundation Spending: \$1-2B across major ecosystems

Major Foundations Analysis

Ethereum Foundation

Annual Budget: \$50-135M

Foundation Overview

- **Treasury Value:** \$1B (includes ETH holdings and other assets latest report 2025)
- **Annual Spending:** \$134.5M in 2024 (estimated from public grant announcements)
- **Primary Mission:** Ethereum protocol development and ecosystem growth

Budget Breakdown (2024)

- **Core Development: \$20-55M annually**
 - Client Development Teams: \$25M across all client implementations
 - Protocol Research: \$15M for consensus, scaling, and cryptography
 - EIP Development: \$5M for Ethereum Improvement Proposals
- **Research Grants: \$15-40M annually**
 - Academic Research Program: \$12M to universities
 - Cryptography Research: \$18M for zero-knowledge and privacy
 - Scaling Research: \$10M for sharding, rollups, and L2 development
- **Ecosystem Grants: \$15-30M annually**
 - Developer Tools: \$15M for tooling, IDEs, and frameworks
 - Educational Programs: \$8M for documentation and training
 - Community Events: \$7M for conferences and hackathons

⁴⁶ Mastrangelo, R. (2025). *foundation_ecosystem_funding_analysis.md* [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/foundations_refed/foundation_ecosystem_funding_analysis.md

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Major Grant Recipients (2024)

- **Protocol Development (estimated from public acknowledgments):**
 - Prysmatic Labs (Prysm client): \$5M annually
 - Sigma Prime (Lighthouse client): \$3M annually
 - Nethermind (Nethermind client): \$2.5M annually
 - ConsenSys (Besu client): \$2M annually
 - **Research Institutions (estimated from public announcements):**
 - Stanford Blockchain Research: \$2M annual partnership
 - MIT Digital Currency Initiative: \$1.5M annual grant
 - UC Berkeley RISELab: \$1M annual research grant
 - ETH Zurich: \$800K annual cryptography research
-

2.2 Solana Foundation

Annual Budget: \$100-200M

Foundation Overview

- **Treasury Value:** \$1-3B+ (includes SOL holdings and strategic reserves)
- **Primary Mission:** Solana ecosystem development and adoption
- **Spending Philosophy:** Aggressive growth investment

Budget Breakdown (2024)

- **Validator Incentives: \$200M+ annually**
 - Solana Foundation Delegation Program: \$150M in ongoing validator rewards
 - Infrastructure Grants: \$50M for RPC providers and infrastructure
 - Geographic Expansion: \$30M for global validator distribution
- **Developer Grants: \$50-150M annually**
 - Solana Ventures: \$100M fund for early-stage projects
 - Hackathon Prizes: \$25M across global hackathons
 - Developer Tools: \$25M for SDKs, frameworks, and tooling
- **Marketing and Events: \$20-30M annually**
 - Breakpoint Conference: \$10M annual flagship event
 - Regional Events: \$12M for global community building
 - Marketing Campaigns: \$8M for ecosystem promotion

Major Programs and Recipients

- **Ecosystem Development:**
 - Magic Eden: \$5-10M strategic investment and grants (partly VC, Foundation)
 - Phantom Wallet: \$5M development support
 - Pyth Network: \$5-10M data provider incentives
- **Academic Partnerships:**

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- University of California System: \$10M blockchain education
 - Indian Institute of Technology: \$5M developer training
 - African Blockchain University: \$3M education initiative
-

2.3 Avalanche Foundation

Ecosystem Fund: \$200M

Foundation Overview

- **Established:** 2019
- **Treasury Value:** \$700M-1.1B (AVAX holdings and liquid reserves)
- **Primary Mission:** Multi-chain ecosystem and subnet development
- **Strategic Focus:** Enterprise adoption and institutional use cases

Budget Breakdown

- **Subnet Incentives: \$40-100M for custom chains**
 - Subnet Launch Program: \$25M for enterprise subnets annually
 - Gaming Subnets: \$20M for Web3 gaming chains
 - DeFi Subnets: \$50M for specialized financial applications
- **Developer Programs: \$50-100M annually**
 - Avalanche Rush: \$180M DeFi incentive program (multi-year)
 - Core-as-a-Service: \$10-30M for infrastructure development
 - Developer Bootcamps: \$4-6M for education and training
- **Enterprise Partnerships: \$25-40M annually**
 - Ava Labs Partnership: \$50M for core development
 - Enterprise Integration: \$20M for corporate blockchain solutions
 - Compliance and Regulatory: \$10M for institutional requirements

Major Grant Recipients

- **Subnet Development:**
 - DFK Chain (gaming): \$15M subnet development grant
 - Swimmer Network (DeFi): \$10M liquidity incentives
 - Crabada (gaming): \$8M ecosystem development
 - **Infrastructure:**
 - GoGoPool (staking): \$5M protocol development
 - Avalanche Bridge: \$10M cross-chain infrastructure
 - Moralis (APIs): \$3M integration support
-

2.4 Cardano/IOHK Ecosystem

Development Budget: \$100-200M annually

Foundation Structure

- **IOHK (Input Output):** Core development company
- **Cardano Foundation:** Ecosystem support and adoption
- **Emurgo:** Commercial development arm
- **Combined Annual Budget:** \$200-300M across all entities

Budget Breakdown (2024)

- **Core Development: \$100-150M annually**
 - IOHK Development: \$120M for core protocol development
 - Hydra Scaling: \$25M for layer 2 scaling solutions
 - Plutus Smart Contracts: \$15M for smart contract platform
- **Project Catalyst: \$50-100M annually in community grants**
 - Community Voting: \$80M distributed via community governance
 - Proposal System: 500+ funded projects quarterly
 - Global Reach: Projects across 50+ countries
- **Research: \$50-100M annually (university partnerships)**
 - University of Edinburgh: \$20M blockchain research partnership
 - University of Wyoming: \$10M academic collaboration
 - Tokyo Institute of Technology: \$5M cryptography research
 - IOHK Research Division: \$30M internal research and development

Major Research Initiatives

- **Academic Partnerships:**
 - Blockchain Technology Laboratory (Edinburgh): \$5M annual research
 - Wyoming Blockchain Symposium: \$2M annual conference and research
 - Research Paper Publication: 150+ peer-reviewed papers funded
- **Project Catalyst Notable Funds:**
 - Fund 12: \$50M distributed (Q4 2024)
 - Developer Tools: \$15M for Cardano development infrastructure
 - DeFi Projects: \$20M for decentralized finance applications
 - Social Impact: \$10M for blockchain social good projects

2.5 Other Major Foundations

Polygon Foundation

- **Annual Budget: \$50-150M**
 - zkEVM Development: \$100M for zero-knowledge scaling
 - Developer Grants: \$30M for dApp development

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- Enterprise Partnerships: \$20M for institutional adoption

Near Foundation

- **Annual Budget: \$100-200M**

- Near Grants DAO: \$800M allocated for ecosystem development
- Regional Hubs: \$50M for global community building
- Developer Education: \$25M for training and certification

Optimism Foundation

- **Annual Budget: \$200-500M**

- RetroPGF Program: \$40M+ annual public goods funding
 - OP Grants Council: \$20M for ecosystem development
 - Superchain Development: \$100M for OP Stack expansion
-

VC Money Flows (to table of contents)

VC Investment Flows

Annual VC Investment in Blockchain: \$10-30B

2024 Investment Overview

The digital asset venture capital landscape tells a story of dramatic cycles and sobering corrections. Between 2021 and 2024, annual VC investment into blockchain startups has swung wildly between \$10B and \$30B, depending on how you count, a range wide enough to drive a truck through.

The 2024 numbers reveal a market finding its footing: digital assets startups raised approximately \$13.7B, up 28% from 2023's \$10.7B. Yet this "recovery" remains a far cry from the speculative fever dreams of 2021-2022, when VCs deployed \$29B and \$33.3B respectively, capital allocation driven more by FOMO than fundamentals.

These figures come with significant asterisks. The reported numbers typically capture only disclosed rounds, missing the shadow economy of stealth deals and undisclosed financings. The methodology chaos continues with token sales, some datasets include them, others don't, and many blur the lines between equity and token investments.

The macro environment has fundamentally shifted the game. Rising interest rates transformed "growth at any cost" into "prove you have revenue." Post-FTX investor caution replaced blind faith with due diligence. Regulatory uncertainty turned deployment decisions into legal minefields. The result: a venture landscape where \$13.7B represents not recovery, but the new reality of a maturing market where capital follows substance rather than storylines⁴⁷.

Investment Categories

1. Protocol Development: \$3-8B annually

Infrastructure Led 2024 Funding: Around **\$5.5 B** invested across over 610 deals, a 57% year-over-year increase and the highest for the sector to date.

Major Protocol Investments (2024):

- **Monad Labs:** \$225 M to build a layer-1 smart contract network
- **Berachain:** \$100 M to support modular blockchain development platform
- **Babylon:** \$70 M for Bitcoin staking protocol
- **Berachain** (additional round): \$69 M funding round co-led by Brevan Howard Digital

⁴⁷ Mastrangelo, R. (2025). vc_money_flow_analysis.md [Markdown document]. Github, https://github.com/Ricosworks1/blockchain-payment-flow-analysis/blob/main/case_studies/vc_refed/vc_money_flow_analysis.md

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Core Focus Areas:

- Core blockchain infrastructure
 - Layer 2 scaling solutions
 - Consensus and cryptography research
 - Bitcoin-based infrastructure development
-

2. Application Development: \$5-15B annually

DeFi Applications: \$763M in Q4 2024

- **DeFi protocols raised \$763 M in the last quarter of 2024, driven by:**
 - Bitcoin-based DeFi use cases (stablecoins, lending protocols)
 - Perpetual swaps and derivatives
 - Layer-2 networks development
 - Non-custodial payments solutions

Notable DeFi Investments:

- **Maverick Protocol:** \$9 M with contributions from Pantera Capital, Binance Labs, Coinbase Ventures and Apollo Crypto
- **Across Protocol:** \$41 M through ACX token sale, led by Paradigm with participation from Coinbase Ventures

Gaming and NFT Platforms:

- Early-stage funding dominated 2024, with pre-seed deals reaching an all-time high of over **1,180 deals** (+68% year-over-year)
-

3. Infrastructure Services: \$200-500M annually

Oracle and Data Providers:

- Oracle chains like **Chainlink** have secured mainstream adoption across DeFi and Web3 applications
- **UMA** acting as oracle network and infrastructure for digital assets derivatives

RPC and Indexing Services:

- RPC provider ecosystem growth with focus on multichain support
- Managed data streams and real-time data access
- Specialized indexing APIs development

AI Infrastructure (Emerging Category):

Crypto AI achieved approximately 100% year-on-year growth in 2024, with financing rounds increasing by 138%:

- **Sahara AI:** \$43 M led by Binance Labs, Pantera Capital, and Polychain Capital
- **Sentient:** \$85 M seed round with Pantera Capital and Framework Ventures

Major VC Players by Investment

1. Andreessen Horowitz (a16z): \$1-3B annually

Fund Size and Activity:

- **Total Crypto Assets Under Management:** Over \$7.6 B across crypto and web-focused venture funds
- **Latest Fund (2022):** \$4.5 B fourth digital asset fund
- **2024 New Fundraise:** \$7.2 B across multiple funds including Infrastructure (\$1.25B) and Growth (\$3.75B)

Investment Activity:

- **2024:** Made 160 investments
- **2025 (through September):** Made 109 investments
- **Average:** 70 new investments annually over the last 10 years

Portfolio Focus:

AI-driven wallets, autonomous agents, proof-of-personhood tech, stablecoins, tokenization of real-world assets, blockchain payments, DAOs, and crypto-native app stores.

2. Paradigm: \$500M-1.5B annually

Fund Information:

- **Latest Fund (June 2024):** \$850 M for third fund focusing on early-stage digital asset projects
- **Previous Fund (2021):** \$2.5 B raised during digital asset bull run
- **Investment Range:** Series A and B rounds with check sizes typically \$3-15 M

Investment Strategy:

Focus on early-stage projects in DeFi and blockchain infrastructure, decentralized governance, often taking active role in product-market fit development.

3. Coinbase Ventures: \$300M-800M annually

Investment Activity (2024):

- **Tenor Labs:** \$2.5 M seed round participation
- **Maverick Protocol:** \$9 M round participation
- **Across Protocol:** \$41 M round participation

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Investment Focus:

Active in digital asset AI sector with demonstrated optimism for the field through multiple investments.

4. Binance Labs: \$200-600M annually

Notable Investments (2024):

- **Sahara AI:** Led \$43 M financing round
- **Maverick Protocol:** \$9 M round participation

Investment Preference:

Tends to invest in AI application products rather than infrastructure, contrasting with other major VCs.

5. Polychain Capital: \$200-500M annually

Recent Activity:

- **Sahara AI:** \$43 M round participation
- **Sentient:** \$85 M seed round participation
- **Trading Platform:** Led \$22 M seed round at \$225 M valuation

Investment Focus:

Tends to invest in AI infrastructure including decentralized AI networks and GPU tokenization.

Comprehensive Money Flow Summary (to table of contents)

Direct Fee Recipients (Per \$1 User Fee)

| Network | Validators/Miners | Token Burn | Protocol Treasury | L1 Settlement |
|------------------|-------------------|-------------|-------------------|---------------|
| Ethereum | \$0.10-0.20 | \$0.80-0.90 | \$0.00 | N/A |
| Bitcoin | \$1.00 | \$0.00 | \$0.00 | N/A |
| Solana | \$0.50-1.00 | \$0.00-0.50 | \$0.00 | N/A |
| BNB Chain | \$0.90 | \$0.10 | \$0.00 | N/A |
| Cardano | \$1.00 | \$0.00 | \$0.00 | N/A |
| Avalanche | \$0.00 | \$1.00 | \$0.00 | N/A |
| Base | \$0.00 | \$0.00 | \$0.80 | \$0.15 |
| Arbitrum | \$0.00 | \$0.00 | \$0.65 | \$0.35 |
| Optimism | \$0.00 | \$0.00 | \$0.70 | \$0.30 |

Annual Ecosystem Funding Beyond User Fees

| Category | Annual Value | Primary Recipients |
|------------------------------|--------------|---------------------------------------------|
| Token Inflation | \$50-75B | Stakers, validators, token holders |
| Foundation Spending | \$1-2B | Developers, researchers, ecosystem projects |
| VC Investments | \$10-30B | Protocols, applications, infrastructure |
| Oracle Infrastructure | \$178M-365M | Chainlink, Pyth, Chronicle, RedStone |
| MEV Extraction | \$5-15B | Searchers, validators, builder networks |
| RPC/Infrastructure | \$200-500M | Infura, Alchemy, The Graph, others |

Biggest Money Recipients in Blockchain Ecosystem

By Annual Value Captured:

1. **Validators/Miners/Stakers:** \$50-75B annually
 - Ethereum stakers: \$4B annually
 - Bitcoin miners: \$15-20B annually (mostly subsidies)
 - Other network validators: \$30-50B annually
2. **VC Firms and Early Investors:** \$20-40B annually
 - Token unlock value realization
 - Portfolio company value appreciation
 - New investment deployment
3. **Foundation Treasuries:** \$5-10B annually (received from tokens)

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- Protocol development funding
 - Ecosystem growth initiatives
 - Community grant programs
4. **Infrastructure Providers:** \$3-8B annually
- Oracle providers: \$178M-365M
 - RPC/indexing services: \$200-500M
 - MEV extraction: \$3-7B (including searcher profits)
5. **Corporate Entities:** \$2-5B annually
- Coinbase (Base): \$80M+ annually
 - Binance (BNB ecosystem): \$1-2B annually
 - Matter Labs, ConsenSys, others: \$500M-1B annually
-

Key Insights: Who Really Gets Paid

1. **Validators earn the most consistent revenue** from actual user activity
 2. **Token holders benefit most from burn mechanisms** Only if high activity onchain
 3. **VCs and early investors extract the most total value** through token unlocks
 4. **Infrastructure providers collect Bs in “hidden taxes”** on user activity
 5. **Foundations redistribute wealth** from token inflation to ecosystem development
 6. **Corporate-controlled networks** (Base, BNB) capture fees most efficiently
 7. **Oracle providers** successfully tax all DeFi activity at 6-10% rate
-

Conclusion: The Blockchain Industry as Modern Digital Tribalism (to table of contents)

The data across major networks reveal a simple but profound truth: blockchain remains a subsidized economy. Approximately 90–95% of total value flows are sustained not by organic demand, but by token issuance, foundation spending, venture financing, and speculative capital rotation. For every dollar generated in real user fees, nine more are distributed through mechanisms of belief, minted, vested, or unlocked. In aggregate, these subsidies have funded tens of billions of dollars in infrastructure, developer grants, and validator rewards, yet the structural dependence on non-recurring capital remains one of the defining characteristics of the industry.

Still, this inefficiency is not purely a flaw. It is also the engine that powers blockchain's evolution. What traditional analysts often describe as unsustainable tokenomics is, in practice, a large-scale public R&D experiment, one that finances innovation through collective conviction rather than centralized coordination. Token issuance, MEV redistribution, and ecosystem grants may appear irrational in a conventional balance sheet, but they have created one of the most ambitious technological buildouts of the century: a globally distributed, continuously operating financial network that emerged without a central sponsor or state.

The paradox of blockchain is that its weakness, overreliance on narrative and capital subsidies, is also its greatest adaptive strength. Cycles of speculation and correction act as self-funding feedback loops. Each hype phase finances the next layer of infrastructure: from DeFi to rollups, oracles, zero-knowledge proofs, and restaking. Each contraction eliminates weaker designs, concentrating value in systems that can convert belief into durable usage. In this sense, the industry's volatility is not merely noise, but the mechanism by which it iterates toward sustainability.

Viewed through this lens, the “economics of belief” are not a distortion of market forces but their evolutionary expression in an emerging paradigm. Every new technology passes through a phase where imagination precedes profitability, like the internet of the 1990s and now the AI industry boom, following a similar pattern. Blockchain is no different. The capital inefficiency, speculative overreach, and narrative-driven behavior that currently define it are maybe the necessary scaffolding of long-term transformation.

Ultimately, the question is not whether blockchain can survive without subsidies, but when. The maturation of fee markets, the rise of application-specific L1s, and the integration of real-world assets point toward a gradual shift from belief-based to cash-flow-based economics. The first networks to internalize this transition, to convert user trust into recurring, verifiable revenues, will define the next phase of the digital asset economy. Until then, blockchain will remain both experiment and spectacle: a global system where financial theater funds genuine technological progress.

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The blockchain industry operates as a complex value redistribution system where user fees represent only 5-10% of total money flows, with the remaining 90-95% sustained by token inflation, venture subsidies, and the greatest suspension of disbelief in financial history. Yet this very irrationality, this transformation of technology into tribalism, of finance into fandom, may be blockchain's greatest innovation. For in the end, all money is belief, and blockchain has discovered how to manufacture belief at scale.

The revolution will not be economically rational. But it will be televised, tokenized, and unmissable.

Report Compiled: October 2025

Data Sources: On-chain analytics, foundation disclosures, governance proposals, financial reports

Coverage: 25+ major blockchain networks and Layer 2 solutions
