



Why Ethereum Could Eventually Pass Bitcoin in Market Cap

Description

The **Ethereum** ([CRYPTO:ETH](#)) versus **Bitcoin** ([CRYPTO:BTC](#)) discussion is one that's been raging for some time. Indeed, Ethereum's impressive rise in recent years has challenged the incumbent platform in terms of growth trajectory of late.

Of course, Bitcoin was the first and has been the biggest [cryptocurrency](#) for a long time. In terms of market capitalization right now, there's a very wide gap between the value of Bitcoin and Ethereum. Currently, the former holds a [market cap](#) of \$1.02 trillion vs. a valuation of \$485 billion for the latter, at the time of writing.

That said, there are a number of experts who believe Ethereum has the potential to leapfrog its way to top spot. Let's dive into this thesis for those intrigued by Ethereum's potential.

Smart contracts make Ethereum a leader

For starters, Ethereum is a programmable blockchain, unlike Bitcoin. This means that the blockchain supports custom code, known as smart contracts, and can be enforced without regulatory oversight. Smart contracts are self-executing computer programs. By automating enforcement, the programs can help innovate and provide a range of applications in industries such as finance and real estate.

Now, it should be noted that a major Bitcoin update is in the works to add smart contract functionality. It's certainly possible that Bitcoin could gain ground in the decentralized finance (DeFi) space should adoption pick up. But for now, Ethereum is the leading cryptocurrency in this regard.

Indeed, DeFi is among the growth areas of crypto that's most enticing to many investors. The ability to borrow, lend, and earn yield on one's crypto holdings is certainly attractive. Additionally, the thought of decentralizing various institutional sectors we take for granted provides a strong long-term growth thesis.

Ethereum provides the building blocks for this disruption to take place. Accordingly, those bullish on Ethereum's long-term value relative to Bitcoin tend to point to smart contracts as a key driver of where

the future valuations of these cryptocurrencies will be over the long term.

Ethereum 2.0 in the pipeline

Many of the largest blockchains are undertaking updates. Keeping up with the times and ensuring a given network is secure and has as many features as possible is important. As mentioned, Bitcoin is undertaking a major update right now.

So too is Ethereum. The Ethereum blockchain is undertaking a major update to add a proof-of-stake validation process. Currently, Ethereum utilizes a proof-of-work validation mechanism, similar to Bitcoin. Moving to proof-of-stake will require less energy usage and make the network faster. Importantly, this will also lower transaction costs across the Ethereum network.

One of the biggest pain points for those using Ethereum, or an Ethereum-based application, are the gas fees. These can be more than \$100 per transaction, negating the real value of Ethereum as a means of exchange. This update should change the game and could propel Ether's value higher.

Bottom line

Both Bitcoin and Ethereum are inherently risky in that these tokens represent an emerging technology that's difficult to value. The crypto sector holds higher levels of volatility and remains unsuitable for most investors with a relatively low risk tolerance.

However, there's a reason why these two cryptocurrencies are the largest in the world. And there's certainly a reason why Ethereum bulls believe this crypto can overtake Bitcoin.

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