



Will Terra Outpace Ethereum in 2022 and Beyond?

Description

With over 17,000 cryptocurrencies in circulation, it's quite difficult to identify long-term winners that have the potential to grow investor wealth at an exponential rate. Unlike equities, it's hard to fundamentally value cryptocurrencies. But you can try to analyze real-world utilities of the underlying blockchain networks, which should drive demand for the digital tokens higher.

Here, I'll compare two [cryptocurrency](#) giants in **Ethereum** ([CRYPTO:ETH](#)) and **Terra** ([CRYPTO:LUNA](#)) to deduce which is a better investment at current prices.

The bull case for Ethereum

Ethereum is the second-largest cryptocurrency in the world and is valued at a market cap of US\$303.7 billion. Launched in 2015, the ETH token has gained 3,46,000% in fewer than seven years. So, a \$100 investment in ETH back in August 2015 would be worth close to \$350,000 today.

The [Ethereum blockchain](#) was among the first to support the execution of smart contracts. Its first-mover advantage has allowed Ethereum to onboard over 2,000 projects on its rapidly expanding network. A majority of these projects are in the decentralized finance space that aims to replace legacy banking products and services.

Ethereum validates transactions on a mechanism called proof-of-work, or PoW. Developers solve complex transactions that let them mine the next "block" of the blockchain. The PoW mechanism, while extremely secure, is costly and slow. Ethereum's gas fees are much higher compared to **Solana's** while its transaction speed is considerably lower.

Ethereum is all set to transition towards a proof-of-stake (PoS) network, where you stake digital tokens, which will let you validate the next block of transactions. The shift towards PoS should resolve cost and scalability issues tied to the Ethereum network, allowing it to expand its ecosystem at a solid pace going forward.

Around 40 of the top cryptocurrencies by market cap are built on the Ethereum network due to the

advantages and utilities mentioned above. Ethereum is also the largest host for NFT (non-fungible token) marketplaces, which could enable the network to gain traction in the metaverse segment as well. If an NFT is based on the Ethereum blockchain, you will have to execute the transaction using the ETH token. As the market for NFT is estimated to grow considerably, investors can expect Ethereum prices to move higher over time.

The bull case for Terra

Terra was one of the top-performing cryptocurrencies in the last two weeks. While Ethereum has fallen by 33% in 2022, the LUNA token [has slumped](#) by less than 12.5% year to date. Terra is now the seventh-largest cryptocurrency in the world, valued at a market cap of \$29.45 billion.

A blockchain protocol that uses a range of stablecoins to reduce volatility, Terra aims to power the global payments systems. Since the start of 2021, the LUNA token has surged by 12,200%, despite the ongoing pullback, which has dragged prices lower by 20% from all-time highs.

Terra's white paper explains it looks to integrate the stability and widespread adoption of fiat currencies with the decentralized properties of **Bitcoin**, allowing you to benefit from fast and affordable settlements.

Due to Terra's smaller size compared to Ethereum, LUNA might gain significant pace in the upcoming years. However, we have seen Ethereum offers noteworthy advantages to developers and should be part of most cryptocurrency portfolios.

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