



Where Is Ethereum Headed as We Approach the Merge?

Description

Ethereum ([CRYPTO:ETH](#)) is the second-largest [cryptocurrency](#) in terms of market capitalization and one of the largest by daily transactions. Most non-fungible token (NFTs) use Ethereum as their transaction platform. However, perhaps the key news item that Ethereum enthusiasts are talking about more than anything these days is the network's upcoming merge.

This merge, which will combine Ethereum's blockchain and the proof-of-stake Beacon Chain together, is a big one. Accordingly, with recent commentary from Ethereum developers signaling this merge could take place on Sept. 19, there's a lot of enthusiasm around this move today.

Let's dive into where Ethereum could be headed as the merge approaches.

To proof of stake from proof of work

The merge will change the underlying way in which this network secures itself — to proof of stake (PoS) from proof of work (PoW). This is vital, considering the energy-intensive nature of PoW validation. Besides being better for the environment, this shift is expected to also improve efficiency in the Ethereum ecosystem. Indeed, for the token with the largest ecosystem in the market, that's a great thing.

Essentially, using the PoS consensus mechanism, validator nodes will be taking over the miners' role — processing transactions and generating new blocks on the network in exchange for a proportionate cut of transaction fees. The PoS consensus mechanism utilizes substantially less power, making this network around 99% more energy efficient.

Two schools of thought on Ethereum

Many crypto enthusiasts are debating whether the merge will be beneficial or detrimental for Ethereum. Looking at the bigger picture, it seems more likely to me that the bullish argument will win out. After all, the crypto space is all about innovation. This merge should keep Ethereum competitive in the future.

Other competing blockchains using PoS validation models are chipping away at Ethereum's market share lead. Accordingly, this move is a necessary one for those thinking truly long term about Ethereum's role in the crypto world.

However, there are some challenges PoS could provide. Some worry about the security of the network, which is arguably better in a PoW model. Others suggest that Ethereum's dominance, powered by miners, could be in question following this move should bugs take the network down for a period of time.

Bottom line

Ethereum's recent price action suggests investors are more bullish than bearish on this merge. I'm of the view that this makes sense, considering that the potential benefits likely outweigh the costs.

Now, this highly anticipated merge has been delayed before. Accordingly, it's unclear how much credence should be given to the Sept. 19 date. That said, in the weeks to come, this token is positioning itself as a big mover as we head into what could be the biggest update in this sector in some time.

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