



Landmark Event: Will the “Merge” End Bitcoin’s (CRYPTO:BTC) Dominance?

Description

The hyped transition of the **Ethereum** ([CRYPTO:ETH](#)) blockchain to the proof-of-stake (PoS) network on September 15, 2022, was successful. Many investors in the crypto space have high hopes that the landmark event will create new trends and drive the [digital asset market](#).

Bitcoin ([CRYPTO:BTC](#)), the first mover in the cryptocurrency market and the most valuable, could become the second lead to Ethereum. Carol Alexander, professor of Finance at the University of Sussex Business School, said, “The Merge is the most important event in blockchain history.”

Ms. Alexander opines that the so-called Merge marks the beginning of the end of Bitcoin’s dominance over crypto assets. She added, “Ethereum is achieving something that Bitcoin never could because Bitcoin is a purely [speculative asset](#), and its mining network would never agree to drop that source of income.”

The greatest advantage

The Ethereum ecosystem has a new look after moving away from the energy-intensive mining process known as proof-of-work (PoW). Alex de Vries, an economist at Digiconomist, estimated that carbon emissions linked to Ethereum to reduce by more than 99%.

According to de Vries, 0.2% of the world’s electricity consumption will disappear overnight because of the more energy-efficient PoS mechanism. The Merge, or Ethereum 2.0, can process more transactions per second, use less energy, and become more secure. Moreover, Ethereum could be the most widely adopted chain, as it prepares to move to sharding, the final phase of Ethereum 2.0.

Sharding aims to improve efficiency by dividing the network into a subset of nodes. Ethereum will no longer execute all transactions on a singular blockchain but instead spread transactions and computations across several subsets or partitions in the network.

Environmental impact

The issue against Bitcoin is the environmental impact of the PoW mechanism. Because it requires a lot of computing power, the most valuable digital asset is the largest polluter in the crypto space. Before the Merge, Ethereum accounted for 20-39% of total global crypto-asset electricity usage. As of August 2022, Bitcoin accounted for 60-77% comparable to some countries' energy consumption.

Some crypto analysts say it's highly unlikely that Bitcoin will switch to PoS. Introducing a new mechanism is disadvantageous to miners. Apart from adapting to a new way of securing the network, miners would earn fewer Bitcoin. PoS could likewise disrupt the Bitcoin network. Still, many Bitcoin owners and miners believe that PoW is more secure than staking.

Market selloff

Vitalik Buterin, Ethereum's inventor, tweeted after the event, "Everyone who helped make the Merge happen should feel very proud today." While Ethereum's trading volume was brisk, market observers said the official transition to PoS was a negative event, as the crypto sank 10% to US\$1,471.69.

As of this writing, Ethereum's price is US\$1,432.85 for a year-to-date loss of 61.1%. Bitcoin fell below US\$20,000 on Merge Day and remains in the red year to date (-57.1%). Jarvis Labs, a co-founder of Ben Lilly, advises ETH investors not to get caught up in the days to come.

Macroeconomic tensions will continue to weigh on risky assets like cryptocurrencies. Also, with the top two cryptos having different mechanisms, each one must prove it could provide real value to digital assets.

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