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The Ethereum investment case: growth, tokenomics und future outlook

Ethereum, often referred to as the "world computer," has evolved into a central pillar of the cryptocurrency ecosystem since its inception in 2015. The network revolutionized the blockchain landscape by being the first smart contract platform, enabling decentralized applications. The value of Ether, Ethereum's currency, derives from its pivotal role in the blockchain ecosystem.

Since its founding in 2015, Ethereum has experienced impressive growth. The market capitalization has multiplied with the price of Ether, Ethereum's native token, reaching new heights. This growth reflects the increasing interest and confidence in the platform.

Companies from various industries, spanning from finance to gaming, are incorporating Ethereum into their business models, further enhancing the adoption rate. Measurable growth in the Ethereum ecosystem is evidenced by rising network activities, an increase in smart contracts and wallets, as well as ongoing developmental contributions.

To address capacity constraints and enhance network scalability for a broader user base, layer 2 blockchains have been introduced. These solutions process transactions outside the Ethereum blockchain, thereby increasing network efficiency and reducing fees. Ethereum layer 2 solutions now represent an integral component of the ecosystem.

Tokenomics of Ethereum

With the EIP-1559 update, Ethereum underwent a significant change in its tokenomics, the economics behind digital tokens. Previously, new Ether was constantly generated through mining. However, the update introduced the possibility of a deflationary nature. Out of the now average of \$5 million daily paid in Ether for network transactions, a portion is "burned," thereby reducing the overall Ether supply over the long term.

With the successful implementation of the Proof-of-Stake system last year, the dynamics and economic model of Ethereum have undergone fundamental transformation. Investors can now "stake" their Ether tokens to secure the network and, in return, receive rewards, providing a potential source of passive income. Furthermore, the inflation of the native token, Ether, has been further reduced.



Figure 1: Ether inflation and deflation since the transition to Proof of Stake (Merge) / Source: Ultrasound.Money

Future outlook

Ethereum's role in the cryptocurrency world is further strengthened by emerging sectors such as decentralized finance (DeFi) and non-fungible tokens (NFTs). Ethereum hosts more than 13,000 decentralized applications (dApps) and finds utility across diverse industries. Numerous major corporations are developing solutions on Ethereum, including the video game giant Ubisoft, the Dutch bank ING, Nike, Barclays, FedEx, Microsoft, Intel, Amazon, and American Express.

In addition, the related Layer-2 blockchains host a multitude of applications and significantly contribute



to the growth of the Ethereum base chain. All in all, the network possesses the necessary conditions to continue its path of exponential growth.



Figure 2: Daily transactions on the Ethereum base chain /
Source: The Block

Conclusion

Over time, Ethereum has evolved from an innovative concept into a dominant force in the crypto space. Impressive growth, tailored tokenomics, and the successful implementation of the Proof-of-Stake consensus algorithm position it as an appealing investment opportunity. The attractiveness of the Ether token is further enhanced by the potential for deflation amid intensive network usage and the avenue of passive income through staking.

These intrinsic features position Ether as a direct investment in the foundation of Web 3.0 growth. Even the traditional financial world has recognized Ether as an investment asset. The U.S. Securities and Exchange Commission (SEC) has noted a significant increase in applications for Ether ETFs. In the past weeks alone, a total of 12 applications from various institutional asset managers have been submitted to the SEC, with initial approval anticipated as early as October.