

# DIGITAL ASSETS RESEARCH **REPORT**

| Charlie Erith



# Is Ethereum Money?

*The debate will go some way to determining whether this rally continues*

In this note we will examine why ETH has underperformed BTC, what has changed and what the path forward might look like. We ask what constitutes “money” and consider whether ETH has the characteristics to compete with BTC as a widely used and accepted form of global money, and therefore whether it can continue to outperform the broader sector. Our conclusion is that it can.

The resurgence of Ethereum and its native coin, ETH, will have taken a lot of industry participants by surprise. The second largest cryptocurrency by market cap had been a dog of a performer since November 2021 until early May this year.

We reintroduced ETH to our portfolios in early July, which has been a timely call, from a trading perspective at least. Since then we have taken a view that the rally would drive the price towards the downtrend line **relative to BTC** (below). It bounced down from there with almost perfect precision.



So where next?

It's worth pointing out that unless it crosses above the downtrend line, we are still in a bear market for ETH relative to BTC. This would simply go down as a countertrend rally, albeit a strong one.

With ETH now at 0.041 and the downtrend at around 0.042, it's time to make up our minds.

So what are the important considerations as we try and peer around the corner? What turns a powerful countertrend rally into sustained outperformance?

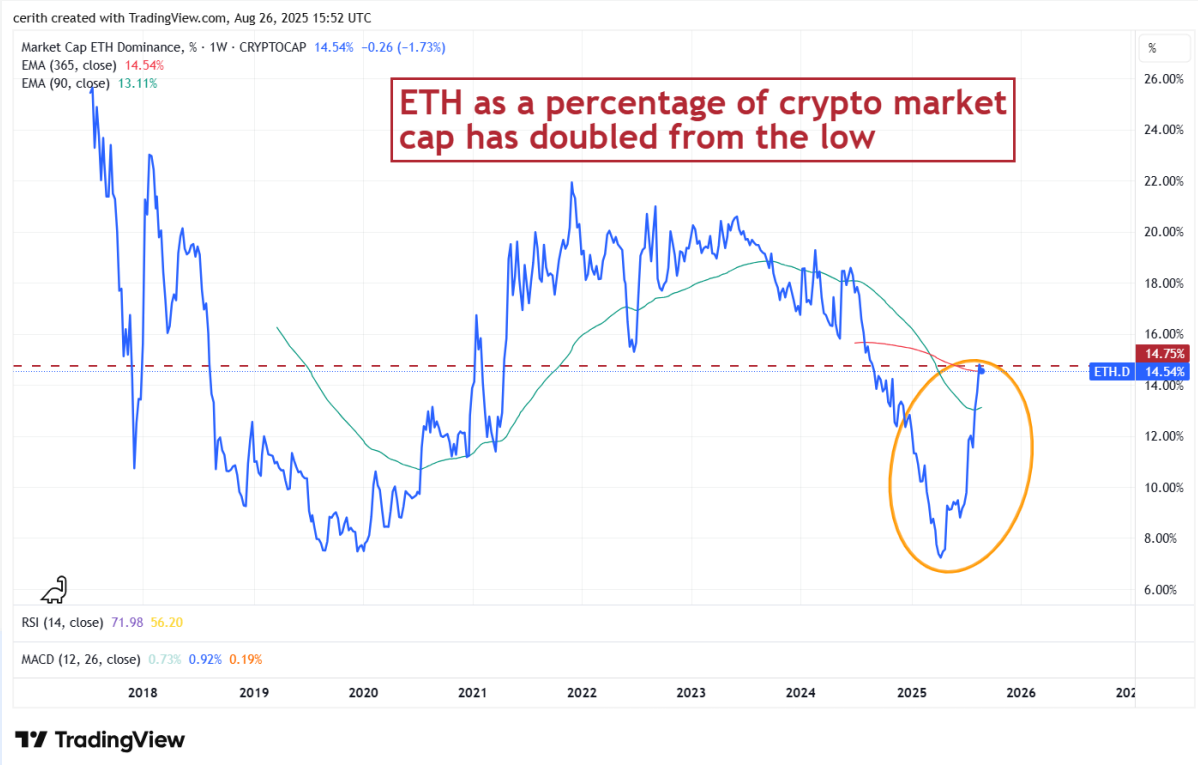
**Disclaimer:** The contents of this document should not be interpreted as financial advice. Crypto is a new and volatile asset class, and your investments may end up worthless. Please consult a financial advisor before investing.

## The Ethereum Turnaround

The first thing to note is that this move is very much about ETH. While there have been one or two pleasing moves across the rest of the crypto space, they are relatively narrow in number. The rest of crypto is pretty moribund, as shown below.

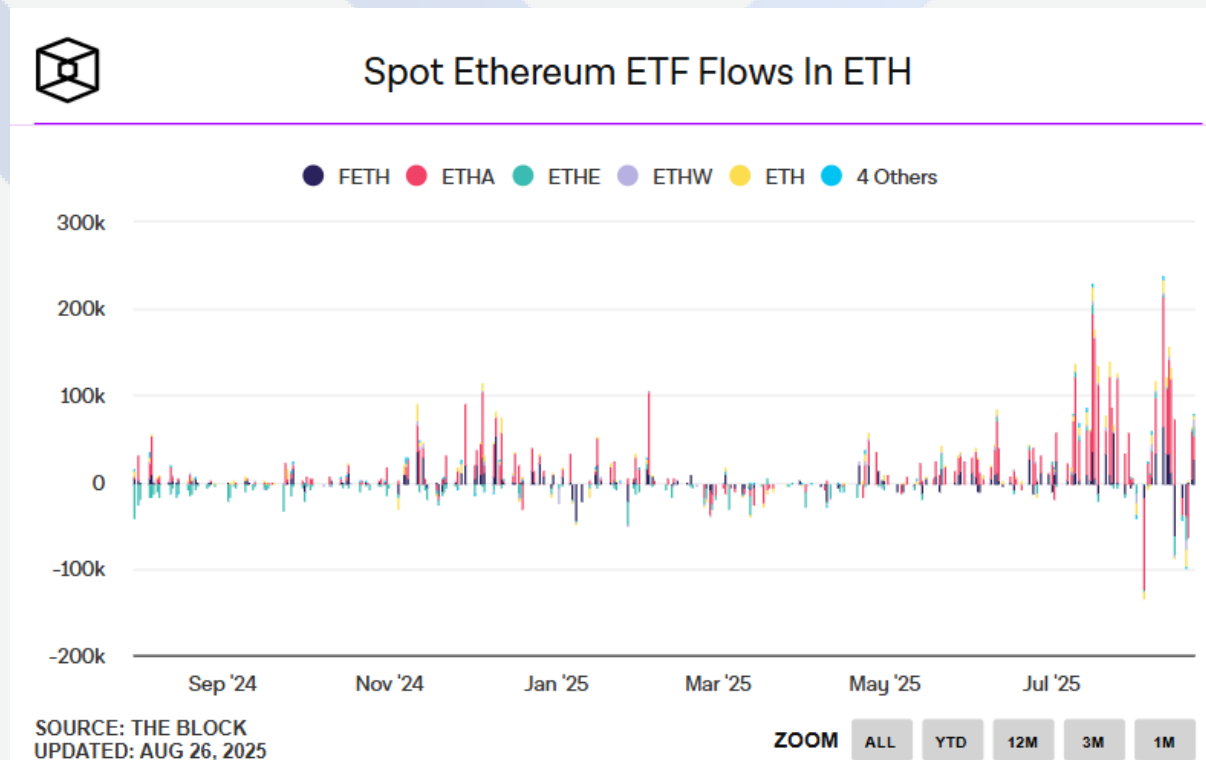


This suggests that the market is telling us something about ETH in particular. Its market share of the space has nearly doubled in short order.



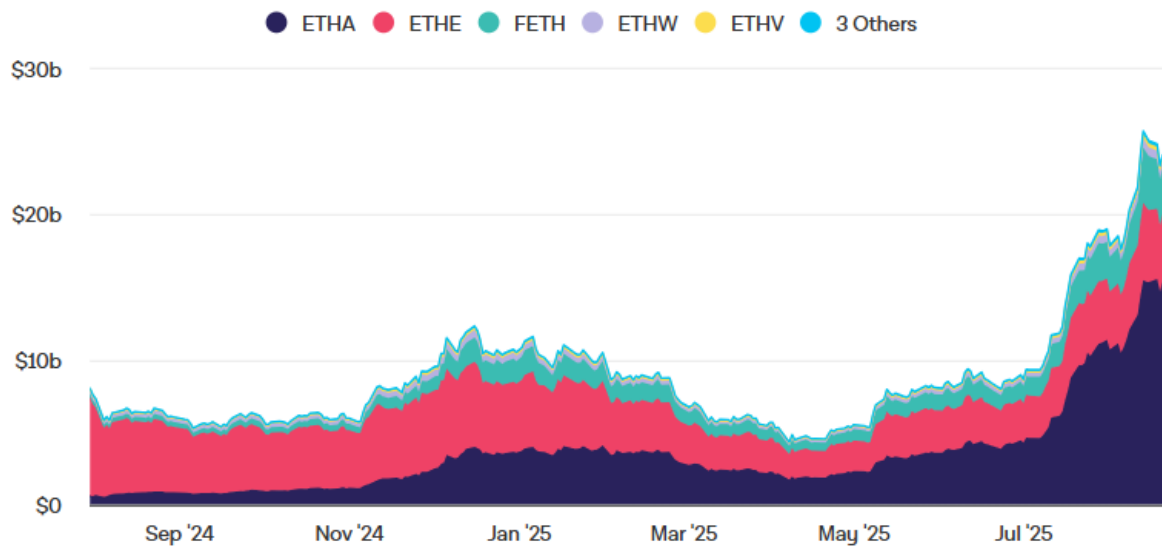
It could be that we are simply in the throes of a major hype moment. Wall Street has been trying to find ways to extract fees from crypto, and has been busy luring hapless investors into “holding companies”, where they are enticed to buy shares at a premium to the value of the underlying asset.

This new-found enthusiasm has – perhaps – catalysed the momentum crew, best illustrated by the massive recent increase in inflows into spot ETH Exchange Traded Funds (ETFs).






## Spot Ethereum ETF AUM (Daily)




SOURCE: [TRACKINSIGHT](#)  
 UPDATED: AUG 26, 2025

ZOOM ALL YTD 12M 3M 1M

Furthermore, we can't seem to get this guy off the screens...




AI Mode All Images Videos **News** Shopping Maps More


 CoinDesk

[Tom Lee's BitMine Immersion Aims to Raise as Much as \\$20B for More ETH Buys](#)

The ether treasury company is aggressively accumulating tokens and has depleted its previous \$4.5 billion stock sale offering.

1 day ago





 Crypto Briefing

[Tom Lee's Ethereum treasury BitMine tops 1 million ETH worth nearly \\$5 billion](#)

BitMine Immersion Technologies holds over 1 million ETH, making it the largest ETH treasury in the world. BitMine rapidly grew its ETH...

2 days ago





 Decrypt

[Tom Lee's Ethereum Treasury BitMine Ups ETH Raise by \\$20 Billion](#)

Bitmine Immersion is now aiming to raise up to \$24.5 billion from its common stock sales to buy more ETH.

1 day ago





 ca.finance.yahoo.com

[Tom Lee's BitMine Immersion Aims to Raise as Much as \\$20B for More ETH Buys](#)

BitMine Immersion Technology (BMNR), the bitcoin miner that pivoted to an ether (ETH) treasury strategy under Fundstrat's Thomas Lee's...

1 day ago





 TipRanks

[Tom Lee's \\$20B Ethereum Gambit Sends BitMine Stock \(BMNR\) into Overdrive](#)

BitMine Immersion Technology (BMNR) shares surged in pre-market trading after the crypto treasury firm announced plans to raise as much as \$20 billion to...

1 day ago





 Alinvest

[Tom Lee's BMNR Call Option Valuation Could Yield Billions](#)

Tom Lee, chairman of BitMine, could become a billionaire through a single trade. He holds a 10-year, 5% BMNR call option valued between...

20 hours ago





 DL News

[How the crypto treasury craze is creating 'true scarcity,' says BitMine chairman Tom Lee](#)

Tom Lee recently turned a little-known Bitcoin miner into the largest public holder of Ethereum. The Wall Street strategist told DL News the...

2 weeks ago





 CryptoPotato

[Tom Lee's Bitmine Becomes First Ethereum Treasury to Accumulate 1,000,000 ETH](#)

The Ethereum strategic treasury race is heating up, and one company has already taken the lead, reaching an accumulation milestone.

1 day ago





 Cointelegraph

[Ethereum hits new multiyear high as Tom Lee's BitMine plans \\$20B ETH raise](#)

Key points: Ether gains nearly 6% on the day as BitMine ups its ETH accumulation plans to nearly \$25 billion. Chairman Tom Lee gets Michael...

1 day ago




 Yahoo Finance


[Tom Lee's Ethereum Treasury BitMine Ups ETH Raise by \\$20 Billion](#)

Bitmine Immersion is now aiming to raise up to \$24.5 billion from its common stock sales to buy more ETH.

1 day ago



Some results may have been removed under data protection law in Europe. [Learn more](#)



Unsurprisingly, we see some large holders trimming out profit as the price flirts with the all-time high. These have included the Ethereum Foundation<sup>1</sup>. This isn't concerning as it's a small part of their holdings, it's a recurring pattern of behaviour and doubtless the proceeds are needed for operational purposes.

Nonetheless, they are making an obvious observation about the price: it's better to sell now than it has been for some time.

From a technical perspective the ETH price has already started to resolve a highly "overbought" situation. Note how the RSI has retreated back to a mid-range, while the price has remained elevated. This is redolent of a high level consolidation, and should be viewed bullishly. A sustained move above US\$4,900 would take us into new all-time-high territory, so is symbolically important.

In the lower "MACD" chart, the price has diverged a long way from the 90- and 365-day moving averages (which, unlike BTC, have not yet made an all-time high). We are operating at levels not seen since the 2024 spike, but again what is encouraging is that the level is holding.



The last thing to think about is ETH's market capitalisation, which now stands at US\$512 billion. This compares to bitcoin at US\$2.2 trillion.

As we'll discuss in a moment, the main idea driving Ethereum is its role as the fulcrum of decentralised finance ("DeFi"). As the world leans towards the tokenisation of other assets (equities, bonds, property etc) to enable faster settlement (smart contracts) and fractional ownership, so, it is argued, Ethereum will prosper and thrive.

<sup>1</sup> [https://www.theblock.co/post/366689/ethereum-foundation-offloads-13-million-worth-eth?utm\\_campaign=website&utm\\_medium=referral&utm\\_source=newsletter](https://www.theblock.co/post/366689/ethereum-foundation-offloads-13-million-worth-eth?utm_campaign=website&utm_medium=referral&utm_source=newsletter)

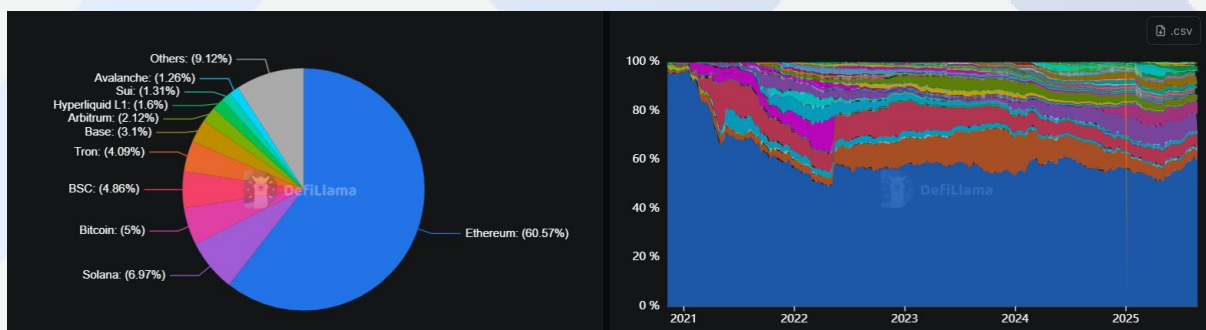
In that context, is US\$500 billion a big or a small number? How can we think about its ultimate destination and scale?

## Ethereum Narratives

There are two dominant, and plausible, narratives for ETH.

1. As the bedrock of decentralised finance
2. As global money

Impressively, through 4 years of elevated competition from Layer 1 blockchains like Binance, Solana, Near and Avalanche (there are many others), Ethereum has retained a 60% share of Total Value Locked in the Decentralised Finance (DeFi) ecosystem. Ethereum is represented by the blue space in both charts below, the right hand one dating back to 2021 – recently the eco-system has been winning back market share.



Source: Defillama <https://defillama.com/chains>

This is despite its relative slowness and the high cost of transactions on the Ethereum blockchain itself. The bulk of activity is done on blockchains which sit on top of Ethereum (like Base and Arbitrum) and which tap into Ethereum's security mechanism. They are much cheaper to transact on.

Blockchain	Average Transaction Fee (USD)
Hedera	<\$0.000
Algorand	<\$0.000
Sui	\$0.002
Aptos	\$0.002
Solana	\$0.003
BNB Chain	\$0.030
Avalanche	\$0.039
Cardano	\$0.046
Litecoin	\$0.060
Ethereum	\$1.510

**Source: Wiston Capital** - These values represent recent averages based on available data and may fluctuate with network conditions and token prices. Ethereum's fee is for a typical transaction; complex operations may cost more. Algorand and Hedera use fixed minimum fees, which remain low even during congestion.

Layer 1 Chain	Theoretical TPS	Real-World/Average TPS
Aptos	160,000	49
Sui	120,000	854
Solana	65,000	1,504
Hedera	10,000	6
Algorand	9,384	10
Avalanche	4,500	89
BNB Chain	2,222	378
Cardano	250	0.17
Ethereum	119	23
Litecoin	56	5

**Source: Wiston Capital** - These values represent the most recent available data as of August 2025 and can fluctuate based on network participation and staking dynamics. For Proof-of-Work chains like Litecoin, the number of full nodes is used as an indicator of decentralisation, rather than validators.

This tells us something supremely important. Speed and transaction costs are not the defining factor for a public blockchain's success.

So, what is?

Well, the only thing left is decentralisation.

## The Importance of Decentralisation

Vitalik Buterin, the most prominent architect of Ethereum, has always emphasised the goal of “credible neutrality”<sup>2</sup>. Throughout Ethereum's journey he has repeatedly been on the lookout for centralising forces (eg staking pools) and sought ways to mitigate them (eg the “Scourge”<sup>3</sup>).

Blockchain	Number of Validators/Nodes	Notes
Ethereum	1,085,421	<a href="#">Active validators in the Proof-of-Stake network.</a>
Algorand	3,512	<a href="#">Participation nodes (validators in Pure Proof-of-Stake).</a>
Cardano	2,756	<a href="#">Active stake pools, which function as validators.</a>
Avalanche	1,028	<a href="#">Active validators.</a>
Solana	988	<a href="#">Active validators (consensus nodes).</a>
Litecoin	917	<a href="#">Reachable full nodes (Proof-of-Work chain, as a proxy for decentralisation).</a>
Aptos	149	<a href="#">Active validators.</a>
Sui	118	<a href="#">Active validators.</a>
BNB Chain	45	<a href="#">Active validators.</a>
Hedera	34	<a href="#">Consensus nodes (permissioned network).</a>

**Source: Wiston Capital** - These values represent the most recent available data as of August 2025 and can fluctuate based on network participation and staking dynamics. For Proof-of-Work chains like Litecoin, the number of full nodes is used as an indicator of decentralisation, rather than validators.

<sup>2</sup> <https://balajis.com/p/credible-neutrality>

<sup>3</sup> <https://ethroadmap.com/scourge.html>

This demonstrates great foresight. Similar to Bitcoin, and taking “security” as a given, decentralisation has been the real source of value for cryptocurrencies. Investors and builders value these eco-systems because they can not be tampered with by a single, central body, like a company or a government. It is the hardest thing to create and maintain.

It also elevates the use-case. For most centralised blockchains, we can really only consider the value of their native tokens in terms of the activity generated on them. What is the TVL, what fee revenue is being generated, how many projects are being built on them and so on. It’s like analysing a company. The associated tokens – assuming they are “utility” tokens – can then be thought of as the admission fee, like using a stamp to send a letter.

For Ethereum, however, this verifiable decentralisation raises a much bigger question.

Can it be money?

## Can ETH be money?

Let's consider what we mean by money. Many commentators have many ideas about this, but we present the following. Money is:

1. A means of exchange that is
  - a. Widely accepted
  - b. Scarce
  - c. Secure
  - d. Portable
  - e. Divisible
  - f. Legitimised (by a government, or by convention)
  - g. Backed by something (which is perhaps a composite of all the above)
2. Assuming the above criteria are met, we can confer on it:
  - a. Store of value
  - b. Unit of account

The emergence of bitcoin has been catalysed by a growing body of opinion that fiat currencies are not up to purpose or are actively failing in one or more of these categories. The emergence of a global internet also brings an inflection point in terms of "what is possible".

To go through the above points:

- a) A handful of fiat currencies are widely accepted, but most are not, at a global level.
- b) They are somewhat scarce, but the privilege of issuing money has increasingly been abused, resulting in widespread currency debasement.
- c) Fiat currencies are secure, in as much as the system creating them is secure. Their abuse for political ends – manifesting in ballooning debt – is weakening that security. Is your bank account secure? That's a separate matter.
- d) They are not easily portable, in the sense that you either have to carry around suitcases of cash, or transact via an intermediary (normally a bank) which has the ability to veto a transaction.
- e) In a digital age (think micropayments) fiat currencies are insufficiently divisible. There are a hundred cents to a dollar, but a hundred million sats to a bitcoin.
- f) Fiat currencies, being legal tender in their local jurisdiction, are clearly legitimate.
- g) Fiat is backed by the promise of the State. Inherently that implies that the stronger the State (rule of law, military power, financial might, general constitutional buy-in and societal cohesion), the more robust the currency. We might argue that in many historically strong jurisdictions – particularly in the West – these pillars of a strong state are in decline.

Many words have been written about bitcoin, and with a US\$2.2 trillion market cap it is clearly the forerunner in the movement to augment the global financial system with a more robust form of money. This is despite it not being widely accepted.

But can ETH play a similar role? Can it sit alongside BTC as the future of global internet money? Indeed, is there room for two?

The legitimisation of crypto as a result of the GENIUS Act<sup>4</sup>, the CLARITY Act<sup>5</sup> and more recently Paul Atkins' "Project Crypto"<sup>6</sup> have paved the way for money to enter the decentralised finance system and supercharge innovation and activity. And despite a 3-year competitive and regulatory onslaught, Ethereum remains, by some distance, the dominant Layer-1, as shown earlier.

## Network Effects<sup>7</sup>

To all intents and purposes, Ethereum is emerging as a quasi-monopolistic ecosystem for Decentralised Finance.

This is analogous to a sovereign body owning the freehold to all the land in a country. To pay their rent, tenants are obliged to transact in that sovereign's currency. It becomes the final settlement layer – or the reserve asset - of that country. That's a powerful proposition.

Let's see how Ethereum fares on our earlier test.

- a. It is not widely accepted in the "real" world, but used constantly in the digital world. As finance goes digital, it is likely to be used more widely, as a consequence of "Network Effects".
- b. Although hypothetically the number of coins is infinite, supply of new coins is linked to usage. As it stands Ethereum since The Merge has been sounder money than bitcoin (see dial below). Supply of ETH has grown at a mere 0.13% per year since The Merge.
- c. As far as security is concerned, the network hasn't experienced any downtime or outages since The Merge.
- d. Like bitcoin, it is highly portable, instantly transacted *and settled*.
- e. It is highly divisible. There are 1,000,000,000 gwei to every ETH.
- f. Its legitimacy has just been transformed by regulation. It was an outlaw, now it is accepted. Furthermore, because the Ethereum network was created to support financial activity (via "smart contracts"), it is conceptually more appealing to a traditional investor. Bitcoin, on the other hand, is generally characterised as "digital gold" – a new form of money which has anti-system overtones of rebelliousness.
- g. Is ETH backed by anything? Well yes, activity on the largest financial ecosystem in the decentralised universe, which relies on its security and integrity.

---

<sup>4</sup> The GENIUS Act is a U.S. federal law that establishes a comprehensive regulatory framework for payment stablecoins, requiring issuers to have 100% liquid asset reserves and prioritizing consumer protection.

<sup>5</sup> The CLARITY Act is a U.S. federal bill that provides a new regulatory framework for digital assets by creating a clear distinction between "digital commodities" and securities, assigning regulatory authority to the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC), respectively.

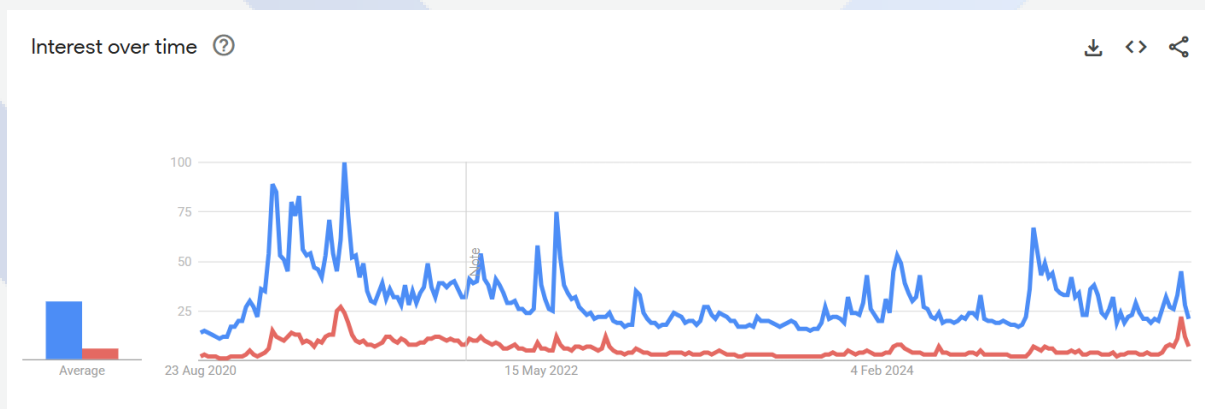
<sup>6</sup> "Project Crypto" is a recent initiative by the U.S. Securities and Exchange Commission (SEC) to modernize outdated securities laws and create a clear regulatory framework to foster innovation and position the U.S. as a global leader in the digital asset space.

<sup>7</sup> Network Effects occur when a product or service becomes more valuable to its users as more people use it. This creates a positive feedback loop where growth attracts more users, which in turn further increases the value and appeal of the product.



Source: [Ultrasound Money](#)

To date, only bitcoin's claim to be a global reserve asset in the digital age has been widely heard in the mainstream. It is by some distance the most well-known cryptocurrency, reflected not just in its market capitalisation (US\$2.2 trillion, vs ETH US\$555 billion), but by historical searches on Google Trends, below.



Source: [Google Trends](#), 27/8/25, search by "bitcoin" (blue) and "ethereum" (red), worldwide

Yet, as we see above, Ethereum is well placed, if not better placed, to make that claim over the long term.

So what has held it back so far?

## The Crypto Narrative Battle

It has been interesting to watch the differing marketing pitches of the two largest blockchains.

Bitcoin has been happy to run with the "digital gold" narrative. In an era of deteriorating government balance sheets it offers itself up as a financial lifeboat.

Through the efforts of people like Michael Saylor, who runs a listed company called Strategy (MSTR), it has done an incredible job in penetrating an institutional mindset. Saylor turned his company into a Bitcoin holding company in 2020, and has since issued a variety of instruments (shares, preferred shares, convertible bonds) to aggressively accumulate bitcoin. Strategy now owns over [3% of all the BTC](#) that will ever be created (21 million) and has a market capitalisation of US\$97 billion.

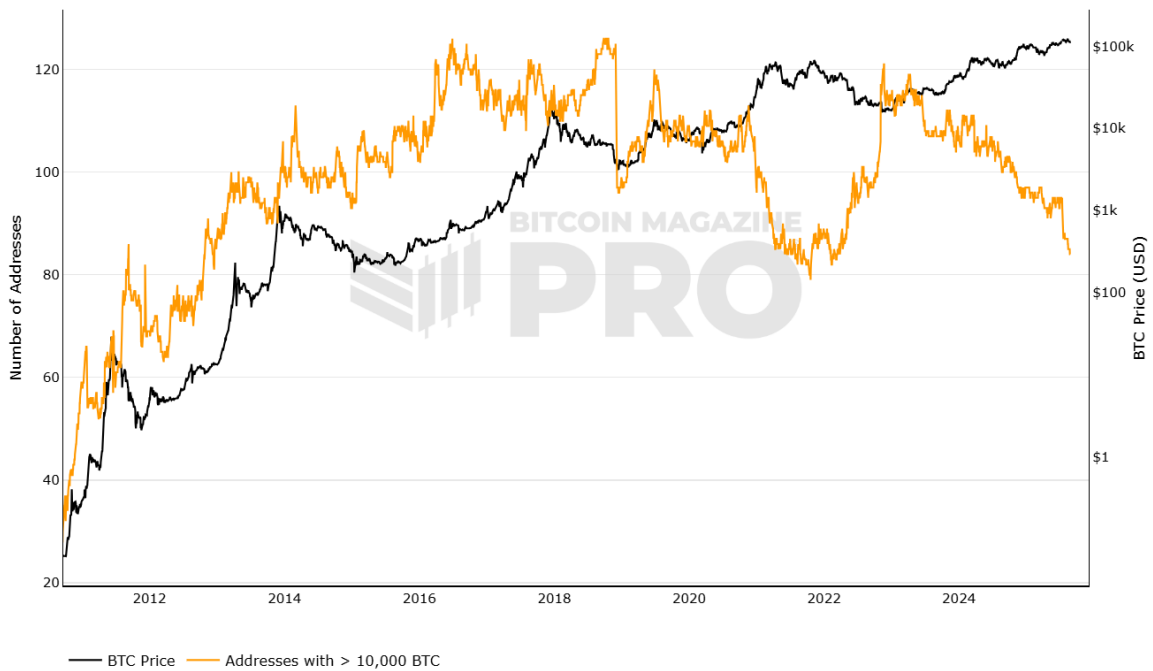
The ability to do this has been created by the fact that institutions couldn't buy BTC in spot form for regulatory or reputational reasons. They have therefore been enticed to support the Strategy construct and buy BTC at a premium to its underlying value – a classic “regulatory arbitrage”. The success of Saylor has subsequently spawned an epidemic of imitations, but like arbitrages of any sort, they will not last for ever.

Yet, in creating holding (or “Treasury”) companies, Saylor and his ilk leave a sour taste in the mouth. What started off with the Cypherpunks as a disruptive idea to form an independent, private, uncensored monetary system, is increasingly being devoured by the wolves of Wall Street. Strategy has become a tale of old-fashioned corporate greed, not a project of enlightenment to bank the world's unbanked and protect personal financial freedom.

Indeed, bitcoin's framing as digital gold radically de-emphasises its role as a monetary network. This is a mistake, in my view. Bitcoin needs to function as a monetary system and generate fees in order to prevail otherwise the incentive system will fail. Encouragingly, there is a lot of work going on behind the scenes to make this happen, and we have a lot of time, but it's still in its infancy and we should not be complacent.

It is not a coincidence, therefore, that a lot of the selling we see in this market is coming from long term bitcoin holders. These are the bitcoin holders who have nurtured bitcoin through its high risk, formative stages, emboldened by the prospect, one imagines, of a better global financial order. Perhaps they are now less sure of that outcome, as they watch Blackrock, Saylor and others gobble it up with apparently little concern about the evolution of the technology or care of the philosophy that spawned it. To illustrate the point the chart below shows that the number of addresses with more than 10,000 BTC has been in consistent decline since the start of this bull run in late 2022.

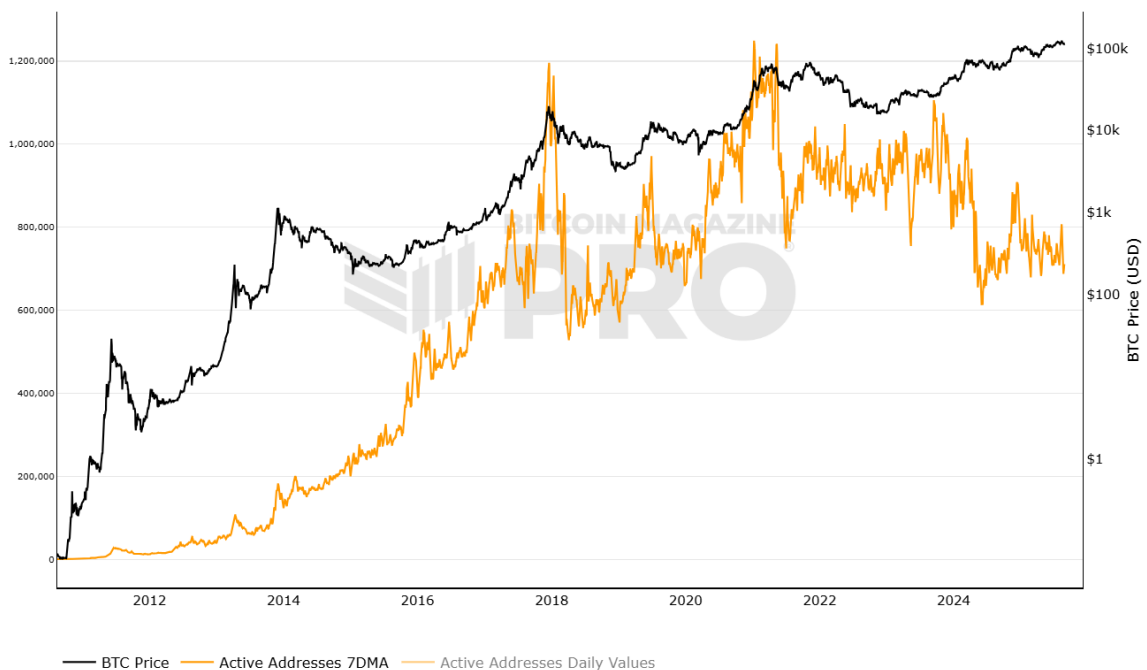
## Bitcoin: Addresses with Balance > 10,000 BTC



© 2025 Bitcoin Magazine Pro.

Note as well how active addresses have been in decline for some time. This is consistent with the way investors have been persuaded to hoard the asset rather than find ways of owning and using it (spending or generating yield, for example).

## Bitcoin: Bitcoin Active Addresses



© 2025 Bitcoin Magazine Pro.

Ethereum has come from the opposite direction. Vitalik Buterin is a very different character to Saylor. Bookish and slightly awkward, with an alluring twinkle, you get minimal sales bluster from Buterin. His speeches and essays are deeply thoughtful, and stick to the underlying philosophies of decentralisation and the development of a shared, private, functional, improving network. He doesn't get sucked into discussions about the price of ETH, and doesn't appear as a talking head on CNBC or Bloomberg. He does talk at conferences and in long form interviews, which give him the scope to clearly articulate his thoughts and map the way ahead<sup>8</sup>.

## Similar Goals, Different Journeys

One might argue that both Bitcoin and Ethereum are trying to head to the same place - a global, decentralised financial ecosystem – but are approaching it from opposite directions.

Bitcoin declared as money first, and is now trying to catch up with its own layered architecture to build payment rails and decentralised apps. Ethereum, by contrast, has built the decentralised finance architecture first, by virtue of which it can start to be thought of as global money.

The question to be asked is: “Which of these roads is harder?” It might transpire that Ethereum has done the hard bit first.

---

<sup>8</sup> To get a sense of Vitalik Buterin and the way he thinks, visit his website <https://vitalik.eth.limo/>. The scope of thinking is astonishing considering he is still only 31 (he wrote the Ethereum white paper aged 19!). This Bankless interview is also good (but long) <https://www.youtube.com/watch?v=rNSnYljoqOM>

## The Ethereum Road Map

In our view it is always best to walk towards the correct decision than run towards the wrong one. In this respect we are aligned with the Ethereum journey. No-one will claim that its pace of development has been rapid, but few will argue that the direction has been wrong. The ability to resist short-term gain for long-term strength is a feature shared with the bitcoin community, although perhaps it has done the hard work first.

Again, this is helped by the vision of Buterin. He laid out six stages of development back in late 2023. These are:

1. The Merge. Ethereum's consensus mechanism moved from Proof of Work<sup>9</sup> to Proof of Stake on September 15<sup>th</sup> 2022<sup>10</sup>. This removed the need for high levels of energy consumption. The difficulty was likened to changing an aircraft's engine in mid-flight. As we approach its 3<sup>rd</sup> anniversary, fears of disaster can be put aside.
2. The Surge. A period of scaling up the levels of throughput. The Pectra upgrade was part of this and completed in May 2025.<sup>11</sup>
3. The Scourge. As mentioned earlier this is to fix issues which threatened to compromise the levels of network decentralisation.
4. The Verge. To improve block efficiency (thereby hugely reducing the cost of running a node, which helps keep the network decentralised).
5. The Purge. To improve network efficiency – again reducing costs.
6. The Splurge. Where everything else that needs fixing gets fixed.<sup>12</sup>

This displays a clearly defined roadmap for an ever strengthening and yet credibly neutral financial eco-system. It is hard to believe that any other chain will come close to this now that Ethereum has both established and now consolidated its lead.

---

<sup>9</sup> **Proof of Work (PoW)** involves miners solving complex mathematical puzzles to validate blockchain transactions, requiring significant energy. **Proof of Stake (PoS)** selects validators based on the amount of cryptocurrency they have staked, offering energy efficiency.

<sup>10</sup> \*The move to Proof of Stake was highly controversial. Purists argued that Ethereum's decentralisation - it's credible neutrality - would be compromised. So far it seems like that is not the case, and work continues to improve its decentralisation. Bear in mind that decentralisation is not binary, it is a spectrum. Bitcoin is not without flaws in this respect, notably the concentration of mining pools and the manufacturing of mining equipment. In addition, PoS means that Ethereum's future is not contingent on its price going up, whereas Bitcoin's is.

<sup>11</sup> Justin Drake is the senior researcher at the Ethereum Foundation, having been there pretty much from the start. His bullishness is demonstrated in this article. <https://www.theblock.co/post/365116/efs-justin-drake-shares-10-year-lean-ethereum-vision-10k-tps-100-uptime-evm-2-0-and-more>

<sup>12</sup> To study this roadmap in detail follow this link: <https://ethroadmap.com/>

## Conclusion

Ethereum's massive underperformance against bitcoin since 2021 has been a function of a number of major factors:

1. The emergence of competition, such as Solana, Near and Avalanche.
2. Bitcoin's success in presenting itself as the digital equivalent of gold, thereby garnering the first wave of institutional investment.
3. Legislation that was actively hostile to decentralised finance
4. A fundamental change in the consensus mechanism - from Proof of Work to Proof of Stake - and the uncertainty accompanying that.

All of these factors are behind us. As we look forward, Ethereum presents itself as by far the most dominant Proof of Stake blockchain ecosystem for Decentralised Finance.

A good test of an investment is to question one's level of conviction that the thing one is investing in will be around in 20 years' time. It's a test that bitcoin easily passes, but until relatively recently one was entitled to be unsure about Ethereum. That doubt no longer exists.

As a consequence ETH has earned the right to be considered as a rival to bitcoin as we move into a new era of digital money. It is scarce, it is safe, it is decentralised and it is actively and widely used as the currency of the most dominant DeFi platform. It has all the facets required to one day become a leading global form of money.

Yet its market cap is only a quarter of bitcoin's. For the reasons outlined in this note it would be reasonable to expect that gap to close. In our view, the chances of ETH's continued outperformance versus BTC are high.

**Charlie Erith**

**28<sup>th</sup> August 2025**

## About Wiston Capital

Wiston Capital is a crypto hedge fund manager.

To find out more, check out our website here: <https://wistoncapital.com/>

Or get in touch at [info@wistoncapital.com](mailto:info@wistoncapital.com) or call us on +44 7920 847974