

Question:

Considering the Ethereum ecosystem's up-shoot in activity lately, this dominance doesn't seem to be going anywhere soon. Yet this major demand has led to an acute spike in ETH gas prices, i.e. the fee paid for Ethereum transactions, a reality that's boxed out many people from partaking in the Ethereum network lately. Enter Binance Smart Chain (BSC). It's a modified Ethereum fork and is thus compatible with the Ethereum Virtual Machine (EVM). But the Binance chain is semi-autonomous with significant power resting on Binance **In 500 words or less, explain the short and long term implications of further adoption of the Binance Smart chain in place of Ethereum- and any possible improvements**

Solution:

The recent resurgence in Ethereum prices in the cryptocurrency ecosystem is majorly because of two things,

1. ETH is the closest and cheapest alternative to acquire as compared to the major player in the market, Bitcoin (BTC). People started buying more ETH to store value.
2. The ERC20 network also has cheaper gas fees for transactions compared to the BTC network. These gas fees are paid using ETH, this also led to an increase in demand for Ethereum.

However, when the Binance Smart Chain was created on the Binance Chain, it wasn't really meant to contest with or replace Ethereum. It was just designed by Binance to be an Ethereum compatible chain. Its main competitive advantages are:

1. It allows users to transfer the same asset on ERC20 network in shorter time on the BSC network, these tokens are called Pegged tokens. (Their values are tied to the original crypto on the ERC20 network, at 1:1).
2. The transaction fees for these transactions are extremely lower on the Binance Smart Chain.
3. The Binance Smart Chain is not as rigid as the ERC20 network, its flexibility allows developers to be able to create new tokens easily.

Some of the short-term implications are:

1. Many unnecessary tokens will be created which will in turn give room for many scams and rug pulls, because anyone can easily create a token on the Binance smart chain network (BEP20) because of its flexibility.
2. It can easily be used by Binance (the organization) to control the price of the BNB token. Over the last 4 weeks, we have witnessed a surge in the price of BNB (Soaring up- to 120% higher) because there was a very high increase in the demand for BNB. Binance listed a lot of coins at ridiculous lower prices compared to their presale rates, it came as a shocker and this only led to people's increased demand for BNB to be able to swap back the listed tokens on various DEX. It ultimately led to the soaring of BNB prices which even made Binance owners to also increase minimum withdrawal by 100% meaning people had to buy more.

The Long-term implication

On the long run, the Binance Smart Chain might also end up existing like the ERC20, becoming equally expensive like Ethereum at this rate. According to economic laws, 'An increase in demand for a commodity that is in limited supply will ultimately lead to increase in the price of the commodity.'

An improvement that might happen is to introduce a bit of structure and rigidity in token creation to reduce rug pulls and increase support for NFTs and DE-FI tokens or more tokens with good use-cases-.