Bitcoin Basis 11 – How does bitcoin mining work?

Bitcoin mining is part of "proof of work", it forms the consensus mechanism, a way of managing the blockchain status.

Miners verify the order, enforceability and electronic signatures of transactions. When these comply, it will be included in an approved list.

These grouped transactions form a block. On average, a new block is generated every 10 minutes. These blocks are placed chronologically in a consecutive, numbered sequence in the public ledger. Hence the name blockchain: a chain of such blocks.

Miners are the first to try to find a generated number ("nonce") that meets specific criteria. When a miner finds this by repeatedly trying different values, he places this block on the blockchain, where it is verified at lightning speed.

The winning miner receives the transaction fees included in that block, plus newly issued bitcoins, which make up the block reward. As time goes by, transactions are thus further anchored in the blockchain.

The block reward that the miner receives is newly generated bitcoins that enter circulation.

Mining Bitcoin is therefore a balance between getting rewards and securing the network from attacks. Mining requires money and energy, which is converted into real value and stability.

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