

Bitcoin Basis 14 - Proof of Stake

Proof-of-stake is often referred to in the same breath as bitcoin. Systems such as Ethereum or Cardano are examples of this.

Proof of stake rewards larger owners and replaces mining with validators.

Validators are devices that help form the network and approve blocks.

The proof of stake consensus mechanism will have already decided which validator will provide a new block before it is placed on their blockchain.

It therefore takes ownership and stake as the basis for allocating blocks and controlling transactions. No proof of work is done like with bitcoin.

Proof of stake has many variants. Such as proportional subsidy distribution, delegation of votes or random lottery-like redistribution of proceeds.

It requires less computing power than proof of work, but because of that it lacks the fair, secure and resistant decentralized distribution. Self-regulation and a completely reliable ledger are also missing here. In other words, it is more passive.

Proof of stake might be useful as an internal business system. For example, for monitoring international freight transport.

However, it is not suitable as an alternative monetary unit because there is no real recorded scarcity, and the rules are often arbitrarily changed. Such a network is often not decentralized enough to run securely and independently of the interested creators or biggest owners.

In bitcoin, miners compete to secure the network. At proof of stake, thousands of projects compete for your momentary attention and money.

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