

Why Proof of Stake is Here to Stay

by instacash, 17. Feb '14

Since Bitcoin was released in early 2009 it has set the standard in the cryptocurrency field. Until today its Proof of Work mining system is the most popular and frequently used model of assigning value of digital currencies. With Bitcoin's staggering rise in popularity over the last five years its network has grown to such massive size that it has become impossible for the average user to mine and large-scale, energy-intensive mining operations have taken over. Its energy demand and resulting real-world environmental costs lead to the critical question of whether this extremely energy-hungry system is sustainable.

Development of cryptocurrencies, however, is thriving and issues are being recognized. Next generation cryptocurrency models have been proposed and are under constant development. An outstandingly promising protocol is called Proof of Stake, which is an alternative to the Proof of Work system designed to solve the energy issue and enable increased network security at the same time. In late 2013 a pioneer of the PoS system called NXT has been released to the world, being at the forefront of next generation cryptocurrency development. NXT is the first decentralized digital currency that is hundred percent powered by Proof of Stake, entirely coded from scratch and not derived from Bitcoin. In a nutshell, NXT PoS makes traditional mining obsolete as it does not depend on energy intensive work of miners. Contrary to mining, NXT reward is forged — determined by the ownership of a certain amount of currency in a given account and equal in ratio to all users. It features state-of-the-art Curve25519 high-speed elliptic-curve cryptography and is secured by an innovative system called Transparent Forging which makes it leading in energy efficiency. The forging process takes little processing power, eliminates the risk of the possible 51% network attack that Bitcoin's system is facing and is easy to sustain as it can potentially even be performed on mobile phones.

In the globalized, energy-hungry world of today, Proof of Work is not a smart and sustainable choice. Energy is precious and must not be wasted on digital currencies. NXT solves the issue. Being only several months old, the NXT network currently has a market capitalization of about \$60m+ USD and a large user base working and cooperating on improving its system on a daily basis.