

Proof of Work vs Proof of Stake

The probability of successfully mining a block depends on how much “work” a miner does. The “work” is computing power applied to solving an equation.

Proof of Work

Proof of Stake

The probability of successfully mining a block is determined by the wealth someone has “staked” in the blockchain. More coins = a higher probability of mining the next block.

A block reward is given to the first miner who provides the solution to each equation.

Proof of work

Proof of stake

There is no block reward, so whoever has the highest “stake” receives the block’s transaction fee.

Miners compete to be first to find the solution. The PoW method attracts a strong community, but tends to become centralized as independent miners can’t compete with the computing power of large conglomerates.

Proof of work

Proof of stake

PoS can be much more cost effective since transaction fees don’t include block rewards, but requires miners (stakeholders) to work harder to create a strong community around the tokens.