**ASSIGNMENT FOR WEEK 2 DAY 2**

**WRITE A ONE-PAGE REPORT EIP-1559 BENEFITS AND DISADVANTAGES**

EIP-1559 is a proposal to change the way transaction fees are managed on the Ethereum blockchain. The proposal has both benefits and disadvantages that are worth considering.

**Benefits:**

**Predictable transaction fees:** EIP-1559's base fee is algorithmically adjusted based on network demand, which leads to predictable transaction fees. This allows users to know how much they need to pay to have their transaction included in the next block.

**Lower transaction fees:** The base fee is burned, which means miners can no longer set high fees during periods of high network congestion. This leads to lower transaction fees for users.

**Simplified fee structure:** The current auction system can be complex and confusing for users. EIP-1559 simplifies the fee structure by only requiring users to specify a tip if they want to incentivize miners.

**More efficient use of block space:** The base fee is adjusted dynamically, which leads to a more efficient use of block space and reduces the need for users to overpay for gas.

**Disadvantages:**

**Opposition from miners:** Some miners and mining pools have opposed EIP-1559 because it reduces their revenue from transaction fees. Before the proposal, miners were able to set high transaction fees during periods of high network congestion, which allowed them to earn more revenue.

**Uncertain impact on decentralization:** The proposal could have an impact on the decentralization of the network. If miners' revenue from transaction fees decreases significantly, it could lead to a concentration of mining power among larger mining pools.

**Increased complexity:** EIP-1559 introduces new features to the Ethereum network, which could increase the complexity of the protocol.

In conclusion, EIP-1559 has both benefits and disadvantages. While it introduces predictable transaction fees, lower fees, a simplified fee structure, and a more efficient use of block space, it also faces opposition from miners, could impact decentralization, and could increase the complexity of the protocol. It remains to be seen how the proposal will affect the Ethereum network in the long run.