

# Floating-Point Nakamoto Consensus

**Abstract** — Public blockchain networks have shown that Nakamoto Consensus is useful in the formation of long-term global agreement — and issues with short-term disagreement which can lead to re-organization (“or-org”) of the blockchain. A malicious miner with knowledge of a specific kind of denial-of-service (DoS) vulnerability can gain an unfair advantage in the current Bitcoin network, and undermine the security guarantees that we rely on. A block fitness test allows a blockchain to find a consensus more quickly and makes it more expensive to replace an already mined block vs. creation of a new block. A floating-point block fitness test strongly incentivises the correct network behavior, and prevents disagreement from forming.

## Introduction

The Bitcoin protocol was created to provide a decentralized consensus on a fully distributed p2p network. A problem arises when more than one proof-of-work is presented as the block in the blockchain because both proofs are seen as authoritative equals, then a disagreement is formed. A node will simply adopt the first solution seen, creating a kind of race condition of solution-block propagation. Byzantine faults can form when visibility in a distributed and untrusted network is inconsistent - which is called an “eclipsing” attack. When two segments of the network disagree it creates a moment of weakness in which less than 51% of the network’s computational resources are required to keep the network balanced against itself.

## Nakamoto Consensus

Nakamoto Consensus is the process of proving computational resources in order to determine eligibility to participate in the decision making process. If the outcome of an election were based on one node (or one-IP-address-one-vote), then representation could be subverted by anyone able to allocate many IPs. A Consensus is only formed when the prevailing decision has the greatest proof-of-work effort invested in it. In order for a Nakamoto Consensus to operate, the network must ensure that incentives are aligned such that the resources needed to subvert a proof-of-work based consensus outweigh the resources gained through its exploitation.

A minimal network peer-to-peer structure is required to support Nakamoto Consensus, and for our purposes this is entirely decentralized. Messages are broadcast on a best-effort basis, and nodes can leave and rejoin the network at will, accepting the longest proof-of-work chain as proof of what happened while they were gone. This design makes no guarantees that the peers connected do not misrepresent the network or so called “dishonest nodes.” Without a central authority or central view - all peers depend on the data provided by neighboring peers - therefore a dishonest node can continue until a peer is able to contact an honest node.

## Security

For the sake of threat modeling, let us assume a malicious miner could consume all available connection handlers in the network with non-voting nodes. For the sake of this threat model let's assume the attacker possesses knowledge of an unpatched DoS vulnerability ("0-day") which will strictly prevent honest nodes from communicating to new members of the network. Therefore in order for a node to prove that a dishonest node is lying - they would need to form a connection to a segment of the network that is entirely suppressed. This isn't unreasonable to assume, and a software error would affect all nodes that haven't been patched.

As an example, the C++ bitcoind has a finite number of worker threads and a finite number of connections that can be serviced by these workers. When a rude client occupies all connections - then a pidgin-hole principle comes into play. If a network's maximum capacity for connection handlers 'k', is all available worker threads for all nodes in the network, establishing 'k+1' connections by the pidgin-hole principle will prevent any new connections from being formed by honest nodes - thereby creating a perfect eclipse for any new miners joining the network would only be able to form connections with dishonest nodes.

Now let's assume a dishonest node is modified in two ways - it increases the maximum connection handles as high as it will go (tens of thousands instead of a dozen), and ignores any solution blocks found by honest nodes - thus forcing the dishonest side of the network to keep searching for for a competitive blocks to split the network in two. As a new solution block propagates through honest nodes - it must do so one hop at a time. With the honest network - is moribund and unable to form connections it ensures that any solution on this side of the network will be subjugated. A disagreement forms with a second solution block of the same height, at this point an attacker can expedite the transmission of one solution, while slowing another.

If ever a competing proof-of-work is broadcasted to the network, the adversary will use it's network influence to split knowledge of the proof-of-work as close to  $\frac{1}{2}$  as possible. If the network eclipse is perfect then an adversary can leverage an eigen-vector of computational effort to keep the disagreement in balance for as long as it is needed. No mechanism is stopping the attacker from adding additional computation resources or adjusting the eclipsing effect to make sure the system is in balance. As long as two sides of the network are perfectly in disagreement and generating new blocks - the attacker has intentionally created a hard-fork against the will of the network architects and operators. The disagreement needs to be kept open until the attacker's transactions have been validated on the honest chain - at which point the attacker will add more nodes to the dishonest chain to make sure it is the ultimate winner.

This attack is convenient from the adversary's perspective, Bitcoin being a broadcast network advertises the IP addresses of all active nodes - and Shodan and the internet scanning project can find all passive nodes responding on TCP 8333. This should illuminate all honest nodes on

the network, even honest nodes that are trying to obscure themselves. This means that an attacker doesn't need to know exactly which node is used by a targeted exchange to determine blockchain ground truth - the attacker has subdued all nodes so nodes run by the targeted exchange must be within this set.

There is a game of cat and mouse here. In order to gain a visual advantage in the network, an exchange may run multiple nodes in order to determine network health and whether or not a re-org could occur. An attacker can safely assume that all nodes bound to 8333 are now a set of honest nodes - and that a target exchange has a view of the network that cannot change - as none of these honest nodes can form new connections.

During a split in the blockchain, each side of the network will honor a separate merkel-tree formation and therefore a separate ledger of transactions. An adversary will then broadcast currency deposits to public exchanges, but only on the weaker side, leaving the stronger side with no transaction from the adversary. Any exchange that confirms one of these deposits is relying upon nodes that have been entirely eclipsed so that they cannot see the competing chain - at this point anyone looking to confirm a transaction is vulnerable to a double spend. With this ephemeral-currency deposited, the attacker can wire out the account balance on a different blockchain - such as Tether. When the weaker chain collapses, the transaction that the exchange acted upon is no longer codified in blockchain's global ledger, and was replaced with a version of the that did not contain these deposits.

Nakamoto Consensus holds no guarantees that this process is deterministic. In the short term, we can observe that the Nakamoto Consensus is empirically non-deterministic which is evident by re-organizations (re-org) as a method of resolving disagreements within the network. During a reorganization a blockchain network is at its weakest point, and a 51% attack to take the network becomes unnecessary. An adversary who can eclipse honest hosts on the network can use this as a means of fault injection to disrupt the normal flow of messages on the network which creates disagreement between miners.

DeFi (Decentralized Finance) and smart contract obligations depend on network stability and determinism. Failure to pay contracts, such as what happened on black thursday resulted in secured loans accidentally falling into redemption. The transactions used by a smart contract are intended to be completed quickly and the outcome is irreversible. However, if the blockchain network has split then a contract may fire and have it's side-effects execute only to have the transaction on the ledger to be replaced. Another example is that a hard-fork might cause the payer of a smart contract to default - as the transaction that they broadcasted ended up being on the weaker chain that lost. Some smart contracts, such as collateral backed loans have a redemption clause which would force the borrower on the loan to lose their deposit entirely.

With two sides of the network balanced against each other - an attacker has split the blockchain and this hard-fork can last for as long as the attacker is able to exert the computational power to

ensure that proof-of-work blocks are regularly found on both sides of the network. The amount of resources needed to balance the network against itself is far less than a 51% attack - thereby undermining the security guarantees needed for a decentralized untrusted payment network to function. An adversary with a sufficiently large network of dishonest bots could use this to take a tally of which miners are participating in which side of the network split. This will create an attacker-controlled hard fork of the network with two mutually exclusive merkle trees. Whereby the duration of this split is arbitrary, and the decision in which chain to collapse is up to the individual with the most IP address, not the most computation.

In Satoshi Nakamoto's original paper it was stated that the electorate should be represented by computational effort in the form of a proof-of-work, and only these nodes can participate in the consensus process. However, the electorate can be misled by non-voting nodes which can reshape the network to benefit an individual adversary.

### Chain Fitness

Any solution to byzantine fault injection or the formation of disagreement must be fully decentralized. A blockchain is allowed to split because there is ambiguity in the Nakamoto proof-of-work, which creates the environment for a race condition to form. To resolve this, Floating-Point Nakamoto Consensus makes it exponentially more expensive to replace the current winning block. This added cost comes from a method of disagreement resolution where not every solution block is the same value - thereby forcing an adversary to keep searching for an ever increasingly fit block as time goes on. By setting up a kind of relay-race of block value - where the winning team's strength is carried forward - we can prevent splits in the blockchain from ever going past a single block - even despite malicious non-miners and eclipsing. This design is intended to cement the lead of the winner and to greatly incentivize the network to adopt the dominant chain no matter how many valid solutions are advertised, or what order they arrive.

The first step in this new algorithm is that a node in the network should continue to conduct traditional Nakamoto Consensus, but if at any point there are two solution blocks advertised for the same height - then the more-fit block is chosen as the winner which is then propagated to neighbors. If at any point two solutions for the same height are detected - then a re-org is inevitable and it is in the best interest of all miners to adopt the most-fit block, failing to do so risks wasting resources on a mining of a block that would be discarded.

Any changes to the tip of the block must be avoided as much as possible - a thrashing of two or more competitive solution blocks of the same height should be made ever increasingly more expensive. If this condition ever happens - it means that eventually some node will have to replace their tip - and it is better to have it done as quickly as possible so that consensus is maintained.

In order to have a purely decentralized solution, this kind of agreement must be empirically derived from the existing proof-of-work so that it is identically verifiable by all nodes on the network. Additionally, this fitness evaluation needs to ensure that no two competing solutions can be numerically equivalent.

Assume that the non-zero space of new solution blocks is gaussian random, therefore on average a new solution would split the keyspace of remaining solutions in half. For example a solution could only be replaced by solutions that have 19 zeros and also have a floating point greater than 2. Finding a solution of 19.1 would be thrown out, and a solution of 19.4 would further narrow the keyspace for solution blocks that could dethrone the current tip. Given that the work needed to form a new block remains relatively constant at 19 blocks for the period - it is cheaper to produce a N+1 block that has any floating point value but prefixed by 19 zeros. Without this feature, it means that a malicious miner can spend the same amount of resources to replace the current tip - than make a new tip - which is an incentive that causes a rift in the consensus.

Let us assume two competing solution blocks of the same height and difficulty of 19.

Let  $i = 19.i \dots 19.k$

In order to find some value  $n$  which is such that  $i > n$  must exist such that:  $i > n \Rightarrow k$ .

Each successive  $n+1$  solution variant of the same block height must therefore on average consume half of this finite keyspace. Resulting in a the  $n+1$  value not only needed to overcome the 19 zero prefix, but also a  $i^2$  larger non-zero component. It is possible for an adversary to waste their time making a 19 where  $n+1$  was not greater. With inductive reasoning, a describing keyspace in turn increases the amount of work needed to find a solution that also meets this new criteria.

Let us suppose that two or more valid solutions will be proposed for the same block. To weigh the value of a given solution, let's consider a solution for block 639254, in which the following hash was proposed:

00000000000000000000000008e33faa94d30cc73aa4fd819e58ce55970e7db82e10f8

There are 19 zeros, and the remaining hash in base 16 starts with 9e3 and ends with f8. This can value can be represented in floating point as:

19.847052573336114130069196154809453027792121882588614904

To simplify further let's give this block a single whole number to represent one complete solution, and use a rounded floating-point value to represent some fraction of additional work exerted by the miner.

1.847

Now let us suppose that a few minutes later another solution is advertised to the network shown in base16 below:

```
00000000000000000000000028285ed9bd2c774136af8e8b90ca1bbb0caa36544fbc2
```

The solution above also has 19 prefixed zeros, and is being broadcast for the same blockheight value of 639254 - and a fitness score of 1.282. With Nakamoto Consensus both of these solutions would be equivalent and a given node would adopt the one that it received first. In Floating-Post Nakamoto Consensus, we compare the fitness scores and keep the highest. In this case no matter what happens - some nodes will have to change their tip and a fitness test makes sure this happens immediately.

With both solutions circulating in the network - any node who has received both proof of works should know 1.847 is the current highest value, and shouldn't need to validate any lower-valued solution. In fact this fitness value has a high degree of confidence that it won't be unseated by a larger value - being able to produce a proof-of-work with 19 0's and a decimal above 1.847 is non-trivial. As time passes any nodes that received a proof-of-work with a value 1.204 - their view of the network should erode as these nodes adopt the 1.847 version of the blockchain.

All nodes are incentivized to support the solution with the highest fitness value - irregardless of which order these proof-of-work were validated. Miners are incentivized to support the dominant chain which helps preserve the global consensus.

Now let us assume a heavily-fragmented network where some nodes have gotten one or both of the solutions. In the case of nodes that received the proof-of-work solution with a fitness of 1.847, they will be happily mining on this version of the blockchain. The nodes that have gotten both 1.847 and .240 will still be mining for the 1.847 dominant version, ensuring a dominant chain. However, we must assume some parts of the network never got the message about 1.847 proof of work, and instead continued to mine using a value of 1.240 as the previous block. Now, let's say this group of isolated miners manages to present a new conflicting proof-of-work solution for 639255:

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00000000000000000000000058d8eb076584bb5853c80111bc06b5ada35463091a6
```

The above base16 block has a fitness score of 1.532 The fitness value for the previous block 639254 is added together:

$$1.240 + 1.532 = 2.772$$

In this specific case, no other solution has been broadcast for block height 639255 - putting the weaker branch in the lead. If the weaker branch is sufficiently lucky, and finds a solution before the dominant branch then this solution will have a higher overall fitness score, and this solution will propagate as it has the higher value. This is also important for transactions on the network as they benefit from using the most recently formed block - which will have the highest local

fitness score at the time of its discovery. At this junction, the weaker branch has an opportunity to prevail enterally thus ending the split.

To explore a worst case scenario. Let us assume that both the weaker group and the dominant group have produced competing proof of works for blocks 639254 and 639255. Let's assume that the dominant group that went with the 1.847 fitness score - also produces a solution with a similar fitness value and advertises the following solution to the network:

00000000000000000000455207e375bf1dac0d483a7442239f1ef2c70d050c113  
19.414973649464574877549198290879237036867705594421756179  
 $1.847 + 1.415 = 3.262$

A total of 3.262 is still dominant over the lesser 2.772 - in order to overcome this - the 2nd winning block needs to make up for all of the losses in the previous block. In this scenario, in order for the weaker chain to supplant the dominant chain it must overcome a -0.49 point deficit. In traditional Nakamoto Consensus the nodes would see both forks as essentially authoritative equals which creates a divide in mining capacity while two groups of miners search for the next block. In Floating-Point Nakamoto Consensus any nodes receiving both forks, would prefer to mine on the chain with an overall fitness score of +3.262 - making it even harder for the weaker chain to find miners to compete in any future disagreement. Which is intended to erode support for the weaker chain. This kind of comparison requires an empirical method for determining fitness by miners following the same same system of rules will insure a self-fulfilled outcome. After all nodes adopt the dominant chain normal Nakamoto Consensus can resume without having to take into consideration block fitness. Byzantine faults can be resolved more quickly if the network has a mechanism to resolve ambiguity and de-incentivise dissent.

For a given block - each additional solution reduces the keyspace that another solution can fill. If we assume a gaussian random distribution of fitness blocks - then on average  $\frac{1}{2}$  of new solutions will be discarded as they are smaller than the incumbent solution. If this new solution is more fit and dethrones the current solution - then the likelihood of this more fit solution being derhoned is smaller by a factor of  $\log_2 n$ .

## Soft Fork

Blockchain networks that would like to improve the consensus generation method by adding a fitness test should be able to do so using a “Soft Fork” otherwise known as a compatible software update. By contrast a “Hard-Fork” is a separate incompatible network that does not form the same consensus. This patch can be implemented as a soft-fork because both patched, and non-patched nodes can co-exist and non-patched nodes will benefit from a kind of herd immunity in overall network stability. This is because once a small number of nodes start following the same rules then they will become the deciding factor in which chain is chosen. Clients that are using only traditional Nakamoto Consensus will still agree with new clients over the total chain length.

## Conclusion

Floating-Point Nakamoto consensus allows the network to form a consensus more quickly by avoiding ambiguity allowing for determinism to take hold. Attacks against our cryptocurrency networks must be avoided and adapting, patching and protecting the network is a constant effort. An organized attack against a cryptocurrency network will undermine the guarantees that blockchain developers are depending on.

Any blockchain using Nakamoto Consensus can be modified to use a fitness constraint such as the one used by a Floating-Point Nakamoto Consensus. An example implementation has been written and submitted as a PR to the bitcoin core which is free to be adapted by other networks.

A complete implementation of Floating-Point Nakamoto consensus is in the following pull request:

<https://github.com/bitcoin/bitcoin/pull/19665/files>

Paper:

<https://github.com/in-st/Floating-Point-Nakamoto-Consensus>

<https://in.st.capital>