

Problem 1:

Two suggested protocols to increase transaction rate to 70/second are:

1. Increase size of block from 1MB to 10MB.
2. Decrease the block interval time to 1 min.

Issues with increasing block size: This would require a lot more storage, and would make the full nodes more expensive to operate. And eventually fully operating nodes will decrease, and the system will become more centralized. There might be more double spending attacks due to slower propagation speeds. Achieving consensus would be difficult since validating a block would require lot more efforts.

Issues with decreasing block interval time: Propagation of the block in the network, takes some time. If we reduce the block interval time, block might not be propagated fully in the network till that time. We might not be able to achieve consensus in due time. Block propagation and latency would also lead to more orphan nodes, since they might be delayed in propagating. It would also have an environmental effect, since power would be used more since block rate is high.

Problem 2:

See folder named q2

Problem 3:

In bitcoin blockchain we can have double spending attacks. Let's see how:

Suppose Alice bought cocaine from Bob by paying him in bitcoin. Seeing this transaction in the most recent block Bob might think that transaction is successful, and would give away cocaine to Alice. Now if the next random node this is selected in the next round happens to be controlled by Alice. So she might ignore the block including her cocaine transaction, and could build on the second most recent block, not including the cocaine transaction. So next time any miner would see 2 branches of equal length, being honest it would be equally probable to build new block on either of them. Since There is no way to distinguish that one of the block tries to double spend, there are approximately 50% chances that double spend would occur.

Note: Ideas of this answer are picked from section 2.3, bitcoin book

Problem 4:

(a)

Since the miner is ahead of public blockchain by two secret blocks, all the mining efforts of the rest of the network will be wasted. Other miners would mine on top of what they think is the longest chain, so after the selfish miner announces, that branch would instantly become the new longest chain. Eventually the rest of block (found by other miners), would become orphan. So in nutshell, gain in selfish mining is that effective share of mining rewards would increase.

Note: Ideas of this answer are taken from section 5.5, bitcoin book.

(b)

Problem 5:**Problem 6:**

Assuming that other miners have detected misbehaving miner's block, the next randomly selected node can "boycott", by not building on top of the misbehaving miner's block. Since there is no real identity in bitcoin blockchain, we cannot really identify the misbehaving node, based on this public key/wallet address. Since detecting misbehaving node is hard, the misbehaving node can simply change his public key, and can again misbehave. He wouldn't be affected much in this case, so "boycott" might not prevent him from misbehaving.