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What is Polkadot? Guides for Dummies

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What is Polkadot?

[Polkadot](#) is a software designed to encourage global computer networks to run a blockchain on which users can start and run their own blockchain. In this way, Polkadot is one of some competitive blockchains aimed at developing an ecosystem of cryptocurrency. Other notable examples include Ethereum (ETH), universe (ATOM) and eosio (EOS). However, Polkadot, launched in 2020, is one of the latest, introducing many novel technical features to achieve its ambitious goals.

First, Polkadot is designed to run two types of blockchains. A primary network, called a relay chain, where transactions are permanent, and a user created network, called parachains. Parachains can be customized for any number of purposes and fed back to the main blockchain. Therefore, parachains transactions benefit from the same security of the main chain.

Through this design, Polkadot team believes that the security and accuracy of transactions can be maintained only by using the computing resources required to run the main chain. However, users can gain the additional benefit of being able to customize many quasi chains for many different purposes.

Polkadot team believes that this design will enable its users to conduct transactions more privately and effectively, create blockchains that do not disclose user data to public networks, or otherwise process more transactions.

To date, Polkadot has raised about \$200 million from investors by selling its dot cryptocurrency twice, making it one of the most funded blockchain projects in history.

Users seeking to keep in touch with the current development status of the project can follow the official Polkadot project roadmap for the latest details.



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How Does Polkadot Work?

Polkadot network allows the creation of three types of blockchains.

- Relay chain — the main Polkadot blockchain. This network is where the transaction is finally completed. In order to achieve higher speed, the relay chain separates the addition of new transactions from the behavior of verifying these transactions. According to tests in 2020, this model allows Polkadot to process more than 1000 transactions per second.
- Parachains - parachains is a customized blockchain that uses the computing resources of the relay chain to confirm whether the transaction is accurate.
- Bridges - bridges allow Polkadot networks to interact with other blockchains. Ongoing work is to establish bridges with blockchains such as EOS, cosmos, Ethereum and bitcoin, which will allow tokens to be exchanged without a central exchange.

Why is DOT valuable?

DOT cryptocurrency plays a key role in maintaining and operating the Polkadot network. By owning and betting on dot, users gain the ability to vote for network upgrade, and each vote is directly proportional to the number of dot cryptocurrencies they bet on. By 2020, betting dot on Kraken will earn 12% annual revenue.

Polkadot rewards the new dot based on the number of tokens bet by these users, and all four major consensus roles will be rewarded. However, it is worth noting that Polkadot's software rules initially allowed the creation of 10 million dots without a supply ceiling. Instead, the new dot token is expected to be permanently released at a predetermined inflation rate. Later, in 2020, a token holder vote changed the standard unit of dot tokens, transferred the basic unit of money, and revalued the supply to 1 billion dot.

Difference Between Polkadot and Ethereum

Given that they have a well-known founder, there is a lot of speculation about the difference between Polkadot and Ethereum. In fact, Polkadot and the upcoming major update of Ethereum, Ethereum 2.0, have many similarities in design and operation.

Both networks run a major blockchain, where the transaction is finally completed, and allow the creation of many small blockchains and the use of their resources. Both technologies also use nails instead of mining as a means of keeping the network synchronized. Research on how to make transactions between networks interoperable is ongoing. For example, parity has developed technologies designed for users who may want to deploy applications using Ethereum's code and community, but these applications will run on Polkadot. Finally, developers can use Polkadot's development framework to simulate the copy of Ethereum blockchain, which can be used for their own customized blockchain design.