Access Control and Privacy Policies (8)

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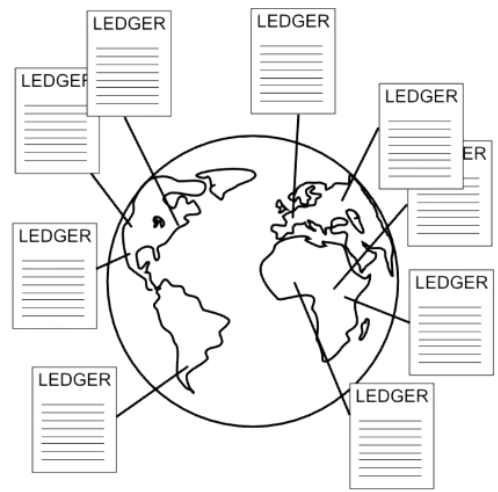
Slides: KEATS (also homework is there)

Bitcoins

?

Bitcoins from 10,000m

- a crypto "currency" by Satoshi Nakamoto (likely a pen name)
- a digital resource designed to be scarce (max 21 Mio bitcoins—deflationary currency)
- mined by solving special puzzles involving hashes
- transaction history (ledger/blockchain) is P2P distributed (12 GB)
- two "mining pools" produce currently more than 50% of bitcoins
- can be stolen and also lost
- anoynmous?



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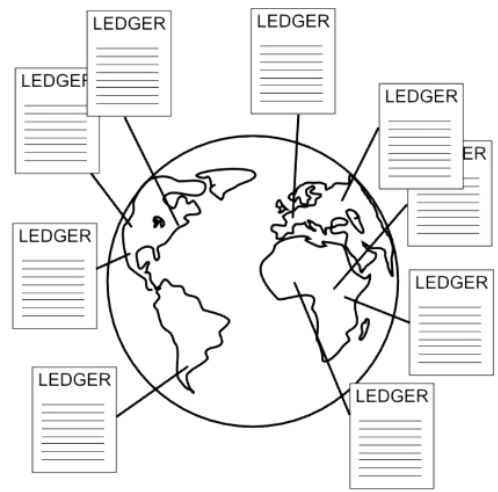
- a ponzi scheme



Bitcoins

- you create a public-private key pair
- you have a wallet which can be
  - electronic (on you computer, passwords)
  - cloud-based (passwords)
  - paper-based
- Mt. Gox: hacked $\Rightarrow$ insolvent
- no form of dispute resolution

Underlying Ideas

Establishing trust in a completely untrusted environment

- public-private key encryption
- digital signatures
- cryptographic hashing (SHA-256)

If Alice sends you: $msg, \{msg\}_{K^{priv}_{Alice}}$ ...

Lets Start with Infocoins

$$\{\text{I, Alice, am giving Bob one infocoin.}\}_{K^{priv}_{Alice}}$$

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- forgery possible only after Alice created the string
- Q: What is money? — A: Well string above (or later messages like that)

Double Spend

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- but then we need a trusted source of serial numbers (e.g. bank)

No Banks Please

With banks we could implement:

- Bob asks the bank whether the infocoin with that serial number belongs to Alice and
- Alice hasn't already spent this infocoin.
- If yes, then Bob tells the bank he accept the infocoin
- the bank updates the records to show that the infocoin with that serial number is now in Bob's possession and no longer belongs to Alice

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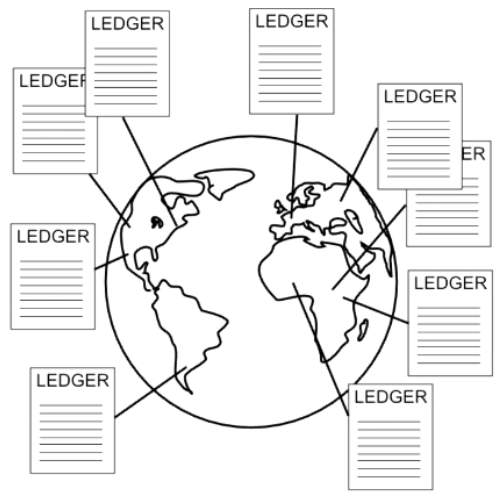
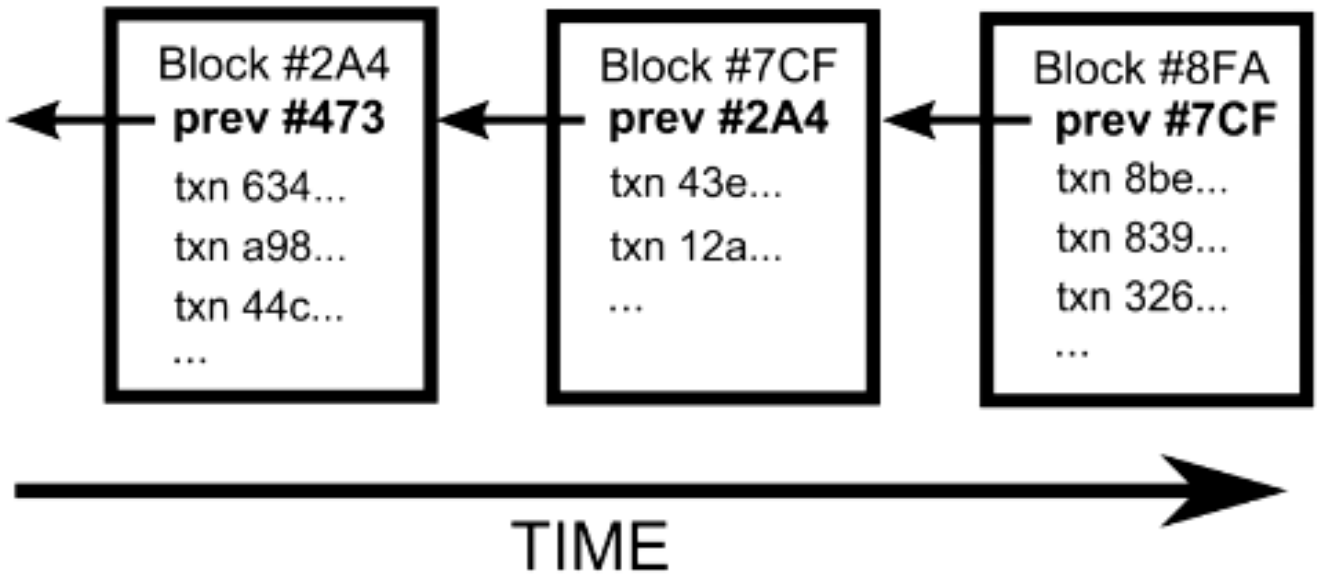
Blockchain

The solution for double spend:

- make everybody the bank, everybody has the entire transaction history — will be called blockchain
- Bob checks whether infocoin belongs to Alice and then broadcasts the message to anybody else

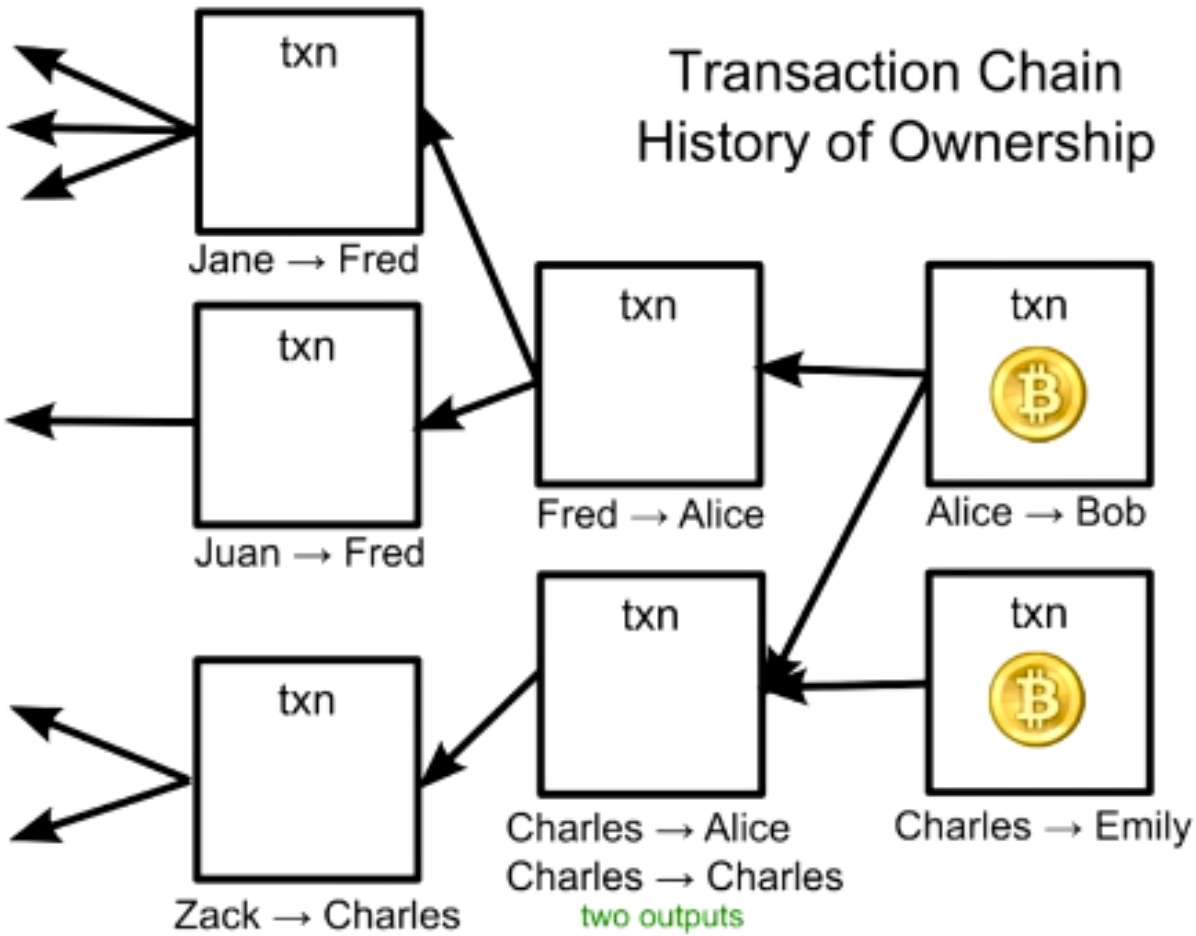


Blockchain


Block #2A4
prev #473
txn 634...
txn a98...
txn 44c...
...
Block #7CF
prev #2A4
txn 43e...
txn 12a...
...
Block #8FA
prev #7CF
txn 8be...
txn 839...
txn 326...
...
TIME

Transaction Graph

older current



Double Spend Again

- I , Alice, am giving Bob one infocoin, with serial number 1234567.
- I, Alice, am giving Charlie one infocoin.

How should other people update their blockchain (public register)?

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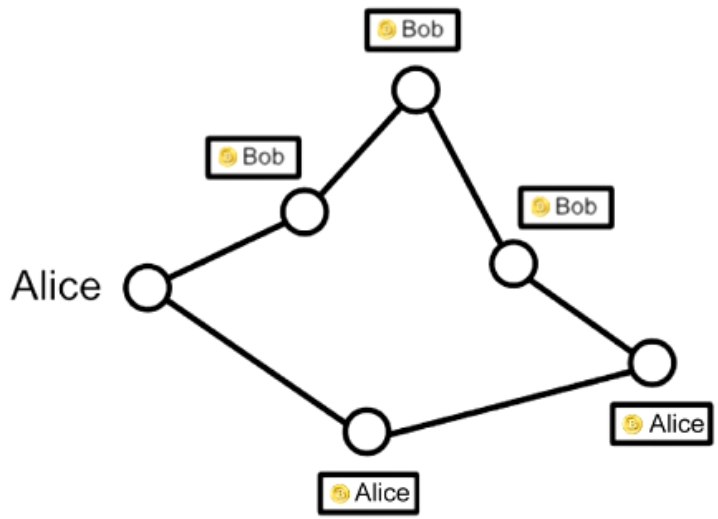

Creating Agreement

Once enough people have broadcast that message, everyone updates their block chain to show that infocoin 1234567 now belongs to Bob, and the transaction is accepted.

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But what if Alice sets up a large number of separate identities, let's say a billion, on the Infocoin network. When Bob asks the network to validate the transaction, Alice's puppet identities say "Yes his transaction is validated", while actually the rest network says Alice's transaction is OK?

Proof-Of-Work

The idea is counterintuitive and involves a combination of two ideas:

- to (artificially) make it computationally costly for network users to validate transactions, and
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- to reward them for trying to help validate transactions

this is called mining: whoever validates a transaction will be awarded with 50 bitcoins — this halves every 210,000 transactions or roughly every 4 years; no new bitcoins after 2140 – then only transaction fees

Solving Puzzles

Given a string, say ”Hello, world!”, what is the salt that the hash starts with a long run of zeros?

```
h(”Hello, world!0”) =

  1312af178c253f84028d480a6adc1e25e81caa44c749ec81976192e2ec934c64
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h(”Hello, world!1”) =
  e9afc424b79e4f6ab42d99c81156d3a17228d6e1eef4139be78e948a9332a7d8
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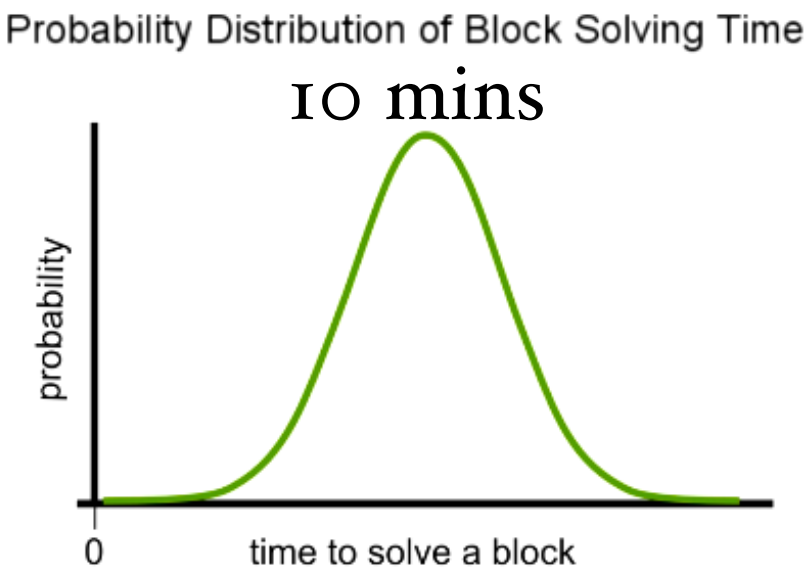
...
h(”Hello, world!4250”) =
  0000c3af42fc31103f1fdc0151fa747ff87349a4714df7cc52ea464e12dcd4e9
```

Hardness

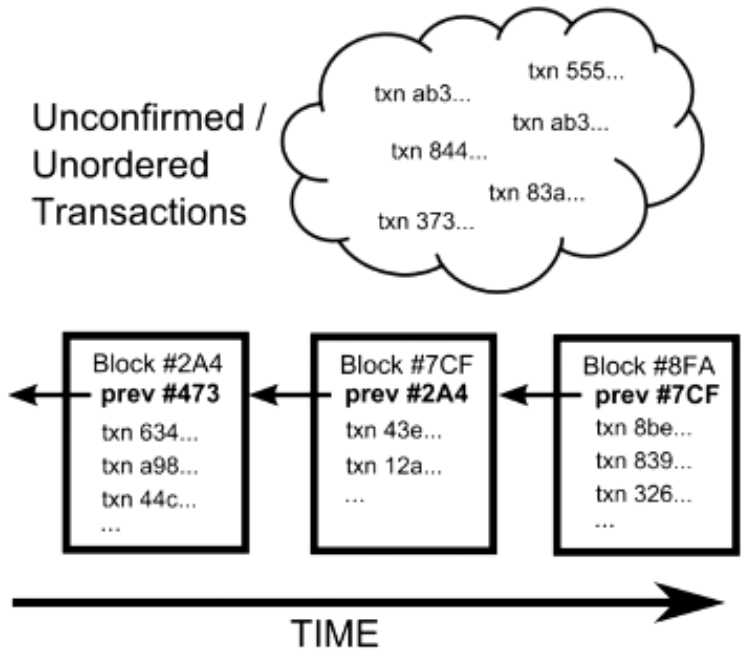
If we want the output hash value to begin with 10 zeroes, say, then we will need, on average, to try $16^{10} \approx 10^{12}$ different salts before we find a suitable nonce.

Hardness can be controlled by setting a target (maximum number).



Order of Transactions

If we don't have such an ordering then at any given moment it may not be clear who owns which infocoins.



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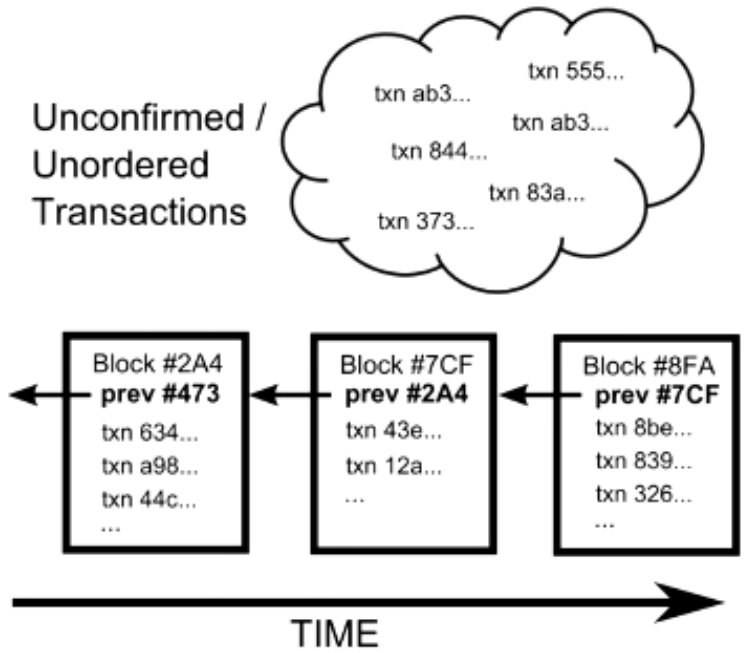

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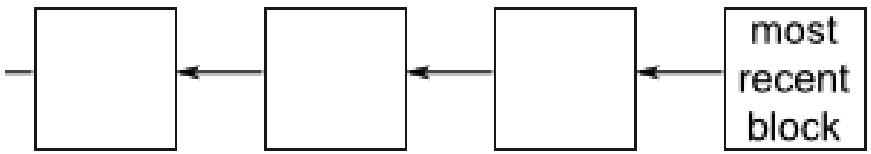
Forks

Typically the blockchain will look as follows



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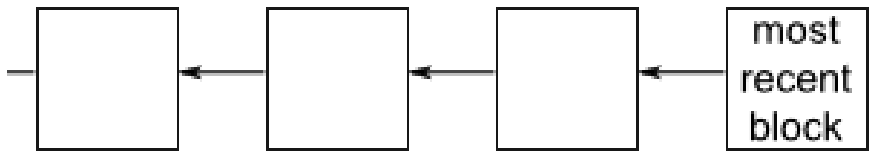
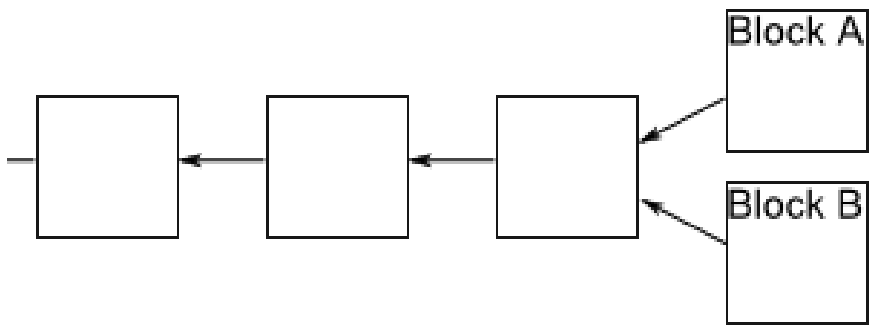
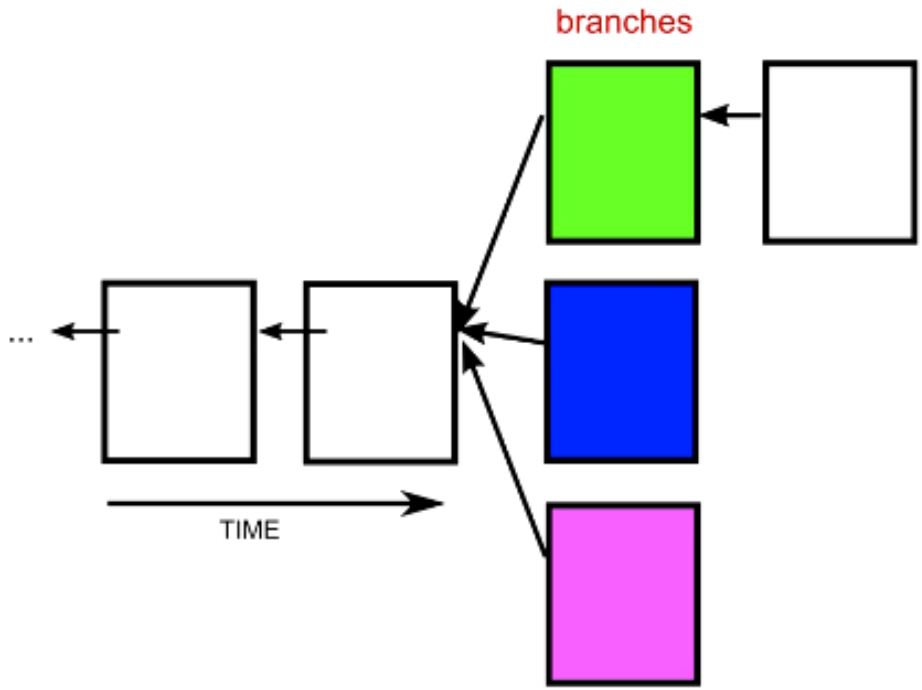


But every so often there is a fork



...bugger this is exactly what we are trying to avoid

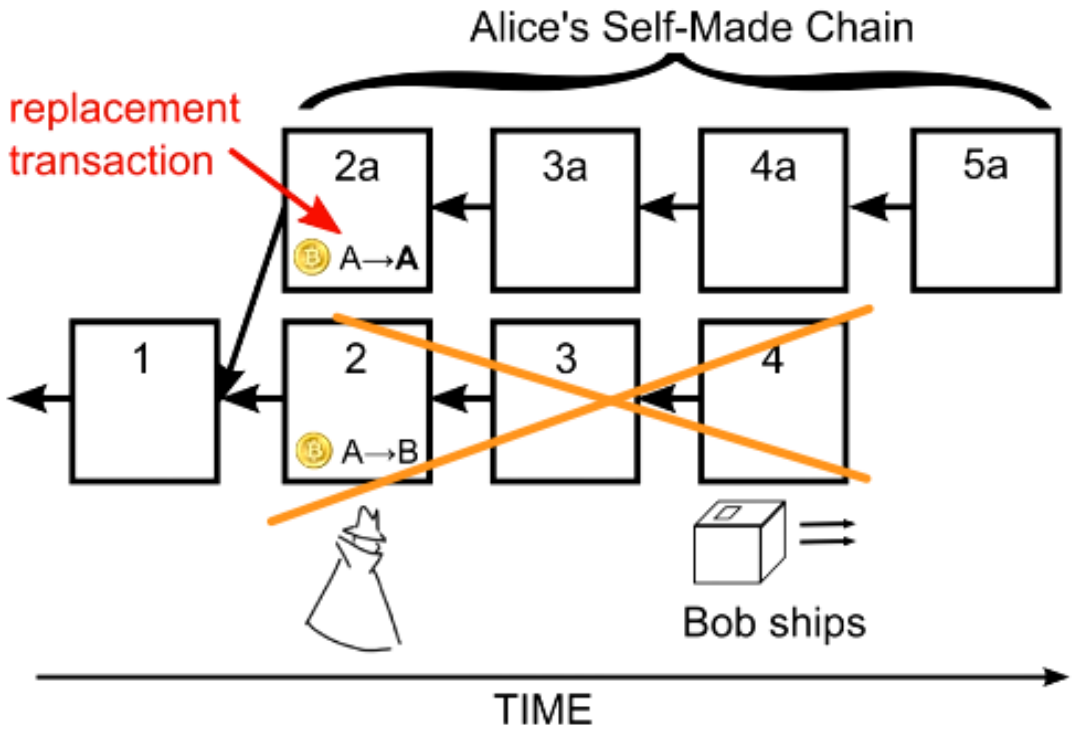
The tie is broken if another block is solved



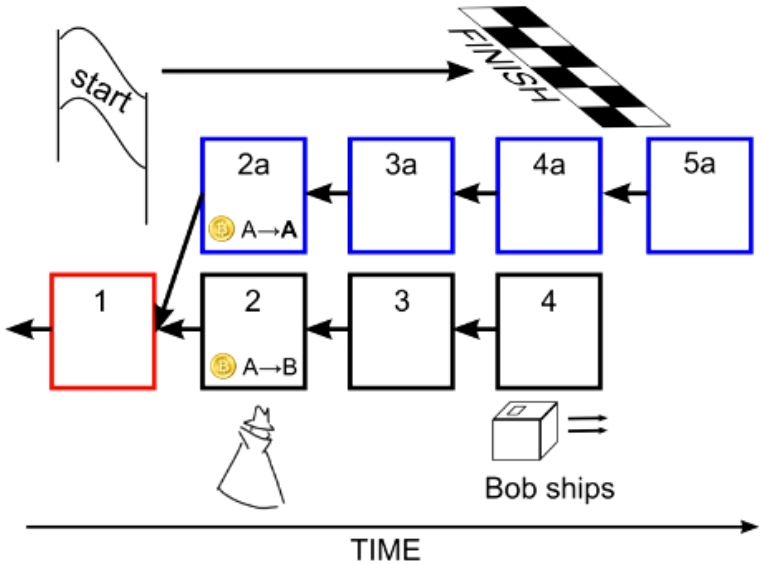
The rule is this: if a fork occurs, people on the network keep track of all forks. But at any given time, miners only work to extend whichever fork is longest in their copy of the block chain.

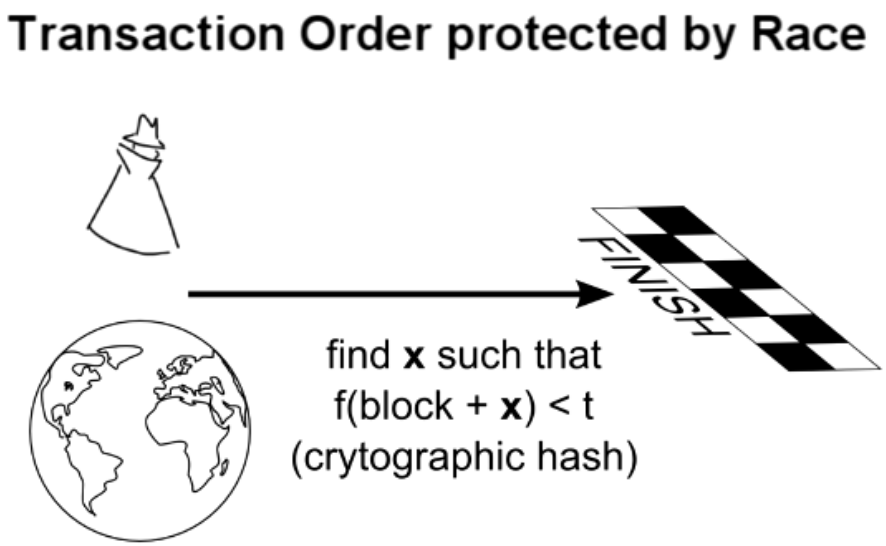
Double Spending Again

So if Alice wants to fake it she needs to produce a longer chain:



Racing Agianst the World





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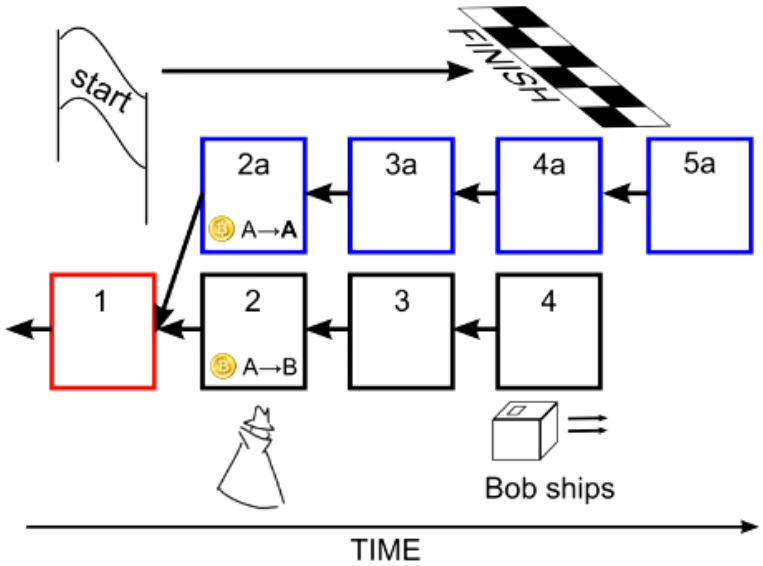

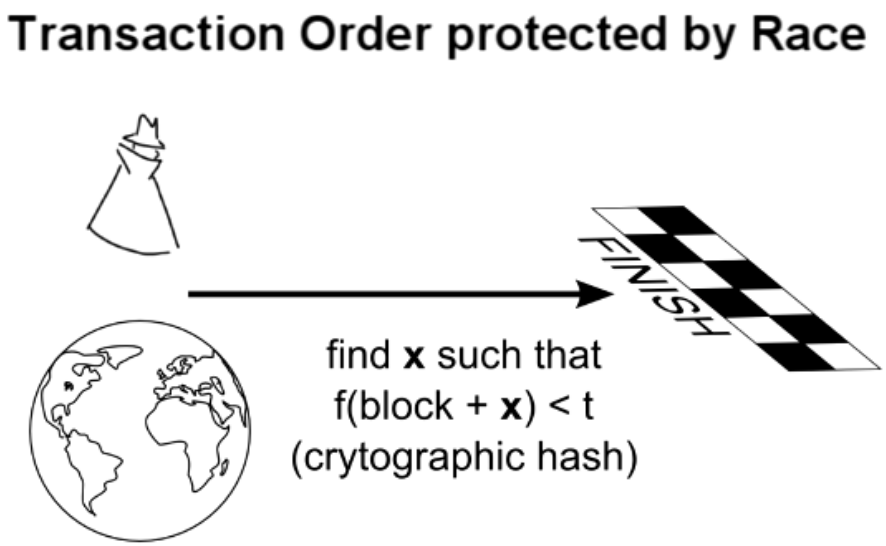

A transaction is "confirmed" if:

(1) it is part of a block in the longest fork, and (2) at least 5 blocks follow it in the longest fork. In this case we say that the transaction has "6 confirmations".

(might take 1h+...but for creditcards you have 6 months chargeback)

Mining Pools

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Many people join groups called mining pools that collectively work to solve blocks, and distribute rewards based on work contributed. These act somewhat like lottery pools among co-workers, except that some of these pools are quite large, and comprise more than 20% of all the computers in the network.

BTC, the largest mining pool, has limited its members to not solve more than 6 blocks in a row.

Bitcoins for Real

- you need a public-private key (the hash of the public key to determines your bitcoin address)
- if you want to receive bitcoins, you publicise this address
- there are 2^{160} possibilities
  (no check for duplicates)

A Transaction Msg


```
{”hash”:”7c4025...”,
 ”ver”:1,
 ”vin_sz”:1,
 ”vout_sz”:1,
 ”lock_time”:0,
 ”size”:224,
 ”in”:[
    {”prev_out”:
      {”hash”:”2007ae...”,
       ”n”:0},
       ”scriptSig”:”304502... 042b2d...”}],
 ”out”:[
   {”value”:”0.31900000”,
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the hash of the msg that follows; kind of serial number

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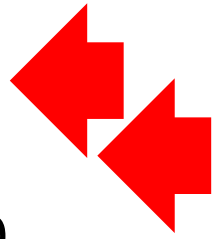

the transaction has one inout and one output (could be more)

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```

the hash of the incoming transaction (incoming serial number)

A Transaction Msg

```
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 "ver":1,
 "vin_sz":1,
 "vout_sz":1,
 "lock_time":0,
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```

use the 0th output of the incoming transaction

A Transaction Msg

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```

the public key and signature of the sender

A Transaction Msg

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{"hash":"7c4025...",
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 "out":[
   {"value":"0.31900000",
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```

use x amount of the incoming money

A Transaction Msg

```
{”hash”:”7c4025...”,
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 ”vout_sz”:1,
 ”lock_time”:0,
 ”size”:224,
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       ”scriptSig”:”304502... 042b2d...”}],
 ”out”:[
   {”value”:”0.31900000”,
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```

public key of the receiver

A Transaction Msg

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```

you do not need a central authority to issue serial numbers

there are no "coins", just a long series of transactions

Transaction History

you can follow back the transaction history until you reach either

- the genesis block (a transaction without input of 50 bitcoins)
- coinbase transaction (this is the reward of the miner who validated a block of transactions in the blockchain)

Lost Bitcoins?

- somebody needs to be able to generate a key-pair for the signature (for this you need the private key)

- somebody spends your bitcoins fraudulently (you cannot charge them back)... bad luck
- you can send bitcoins to a "non-existing" address (Mt. Gox)

Good Points

An attacker can't:

- reverse other people's transactions
- change the number of coins generated per block
- create coins out of thin air
- send coins that never belonged to an attacker

The system can be scaled to all world transactions.

But I did not Inhale

Anonymity

Bitcoins may not be ideal for money laundering because all transactions are public.[218] Authorities have expressed concerns, however. How anonymous is Bitcoin? Many people claim that Bitcoin can be used anonymously. This claim has led to the formation of marketplaces such as Silk Road (and various successors), which specialize in illegal goods. However, the claim that Bitcoin is anonymous is a myth. The block chain is public, meaning that it's possible for anyone to see every Bitcoin transaction ever. Although Bitcoin addresses aren't immediately associated to real-world identities, computer scientists have

Bitcoin vs Gov

Purported absence of potential government interference?

Bitcoin vs Gov

Purported absence of potential government interference? Far from it:

- government could compel "mayor players" to blacklist bitcoins (exchanges)
- coerce developer community (e.g. Lavabit)
- put pressure on mining pools, or be big a miner itself