Blockchains & Distributed Ledgers

Lecture 03

Dimitris Karakostas



Contracts

"A contract is a legally binding agreement that defines and governs the rights and duties between or among its parties."

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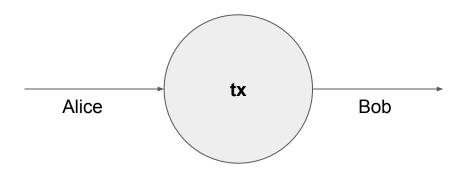
"smart contracts are neither smart nor contracts"

What is a smart contract?

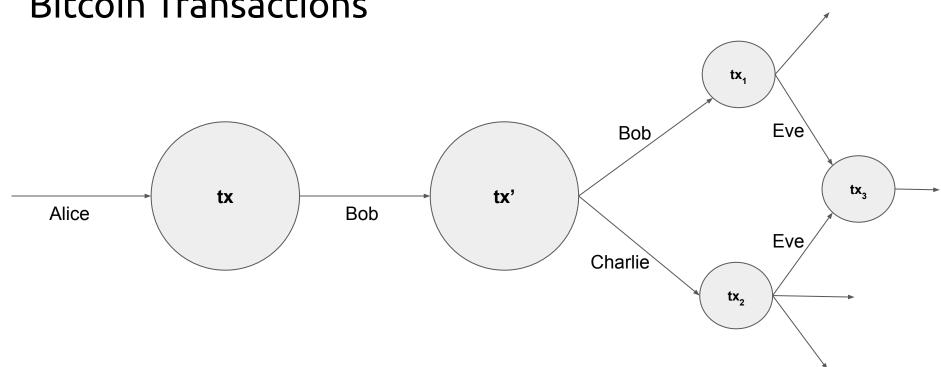
- Computer programs
- Contract code is executed by all full nodes
- The outcome of a smart contract is the same for everyone
- Context:
 - Internal storage
 - Transaction context
 - Most recent blocks
- The code of a smart contract cannot change

Bitcoin

Bitcoin Transactions



Bitcoin Transactions



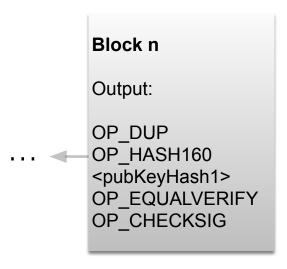
Bitcoin programs

- **Transaction:** a transfer of value in the Bitcoin network
- Each transaction consists of the following main fields:
 - o **input**: a transaction output from which it spends bitcoins:
 - i. previous transaction address
 - ii. index
 - iii. ScriptSig
 - output: instructions for spending the sent bitcoins:
 - i. value: amount of bitcoins to send
 - ii. ScriptPubKey: instructions on how to spend the sent bitcoins
- To validate a transaction:
 - o concatenate ScriptSig of current tx with ScriptPubKey of referenced tx
 - check if it successfully compiles with no errors

Bitcoin Script

- Stack-based
- Notation: Data in the script is enclosed in <> (<sig>, <pubKey>, etc)
- Opcodes: commands or functions
 - o Arithmetic, e.g. OP ABS, OP ADD
 - Stack, e.g. OP_DROP, OP_SWAP
 - o Flow control, e.g. OP IF, OP ELSE
 - Bitwise logic, e.g. OP_EQUAL, OP_EQUALVERIFY
 - o Hashing, e.g. OP SHA1, OP SHA256
 - (Multiple) Signature Verification, e.g. OP_CHECKSIG, OP_CHECKMULTISIG
 - Locktime, e.g. OP_CHECKLOCKTIMEVERIFY, OP_CHECKSEQUENCEVERIFY

Bitcoin Unspent Transaction Output (UTxO) example



ScriptPubKey

Bitcoin Script example



Empty	//sig1> /nunkav1> ()P	Add constant values from left to right to the stack until we reach an opcode.
<sig1> <pubkey1></pubkey1></sig1>	OP_DUP OP_HASH160 <pubkeyhash1> OP_EQUALVERIFY OP_CHECKSIG</pubkeyhash1>	Duplicate top stack item
<sig1> <pubkey1> <pubkey1></pubkey1></pubkey1></sig1>	OP_HASH160 <pubkeyhash1> OP_EQUALVERIFY OP_CHECKSIG</pubkeyhash1>	Hash at the top of the stack
<sig1> <pubkey1> <pub1hash></pub1hash></pubkey1></sig1>	<pub></pub> <pub eyhash1=""> OP_EQUALVERIFY OP_CHECKSIG</pub>	Push the hashvalue to the stack
<sig1><pubkey1></pubkey1></sig1>		
<pub1hash><pubkeyhash1></pubkeyhash1></pub1hash>	OP_EQUALVERIFY OP_CHECKSIG	Check if top two items are equal
<sig1> <pubkey1></pubkey1></sig1>	OP_CHECKSIG	Verify the signature.
Empty	TRUE	If stack empty return True, else return False.

Script

Description

Stack

Bitcoin's scripting language limitations

- Lack of Turing-completeness: No loops
- Lack of state: Cannot keep internal state.
- Value-blindness: Cannot denominate the amount being sent
- Blockchain-blindness: Cannot access block header values such as nonce, timestamp and previous hash block.

Extending Bitcoin functionality: add new opcodes

- Building a protocol on top of Bitcoin:
 - o Pros:
 - Take advantage of the underlying network and mining power.
 - Very low development cost
 - Cons:
 - No flexibility.
- Build an independent network:
 - o Pros:
 - Easy to add and extend new opcodes.
 - Flexibility.
 - Cons:
 - Need to attract miners to sustain the network.
 - Difficult to implement.

Ethereum

Same principles as Bitcoin

- A peer-to-peer network: connects the participants
- **Sybil resistance**: Proof-of-Stake (former Proof-of-Work)
- A digital currency: ether
- A global ledger: the blockchain
 - Addresses: key pair
 - Wallets
 - Transactions: digital signatures
 - Blocks

Ethereum: A universal Replicated State Machine

- Transaction-based deterministic state machine
 - Global state (singleton)
 - A virtual machine that applies changes to global state
- A global decentralized computing infrastructure
- Anyone can create their own state transition functions
- Stack-based bytecode language
- Turing-completeness
- Smart contracts
- Decentralized applications

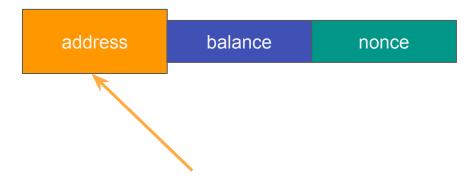
Ethereum accounts

- Global state of Ethereum: accounts
- They **interact** to each other **through transactions** (or messages)
- A **state** and a 20-byte **address** (160-bit identifier) associated with each account

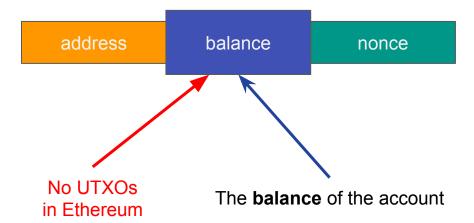


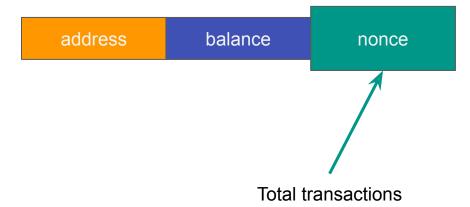
Ethereum account





The address of the account





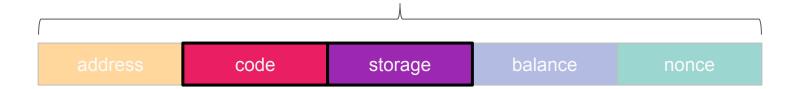
UTxO vs Accounts

- UTxO pros:
 - Unlinkability → Higher degree of privacy
 - Scalability (parallelism, sharding)
- Account pros:
 - Space saving
 - Conceptual simplicity

Two types of accounts

- Personal accounts (what we've seen)
- Contract accounts

Ethereum contract account





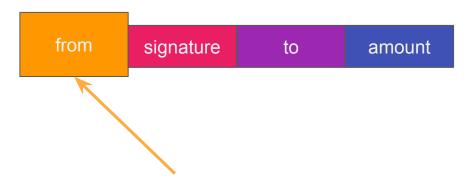
Ethereum accounts

	Personal account	Contract account
address	H(pub_key)	H(addr + nonce of creator)
code	Ø	Code to be executed
storage	Ø	Data of the contract
balance	ETH balance (in Wei)	ETH balance (in Wei)
nonce	# transaction sent	# transaction sent

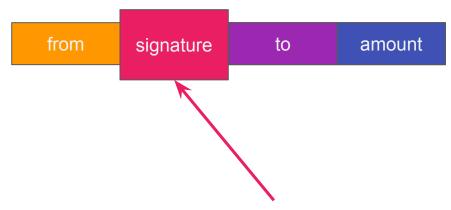
address code storage balance nonce

Ethereum transaction

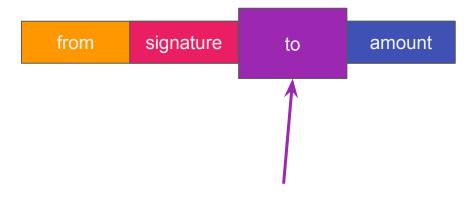




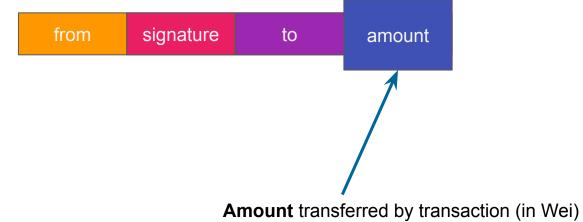
The **sender** of the transaction

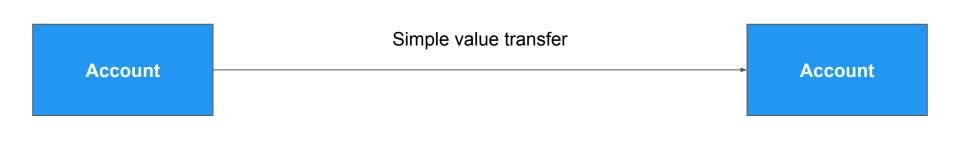


Digital signature on the **new transaction** created by **the sender's private key**

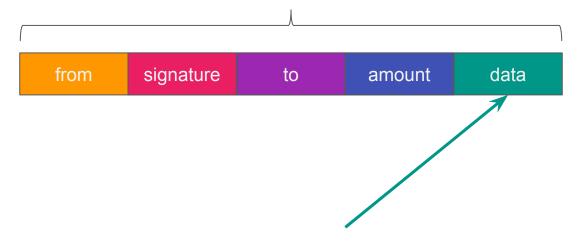


Receiver of the transaction





a transaction about a contract



Transaction **about personal accounts**: Field is unused

Transaction about contracts:

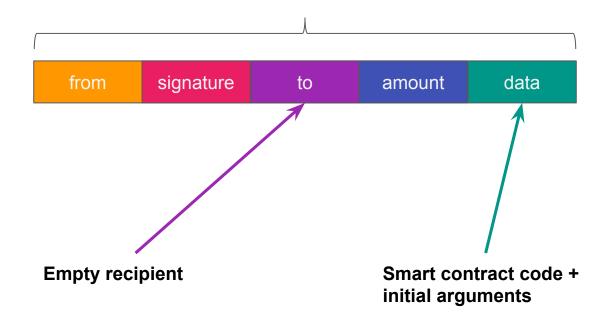
Will contain data about the contract

Smart contract lifecycle



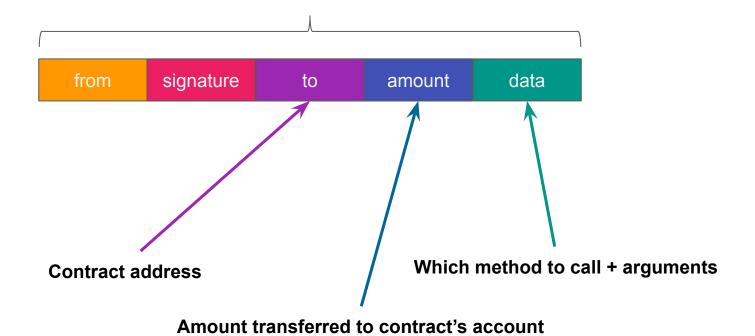


Transaction for contract creation





Transaction for contract interaction



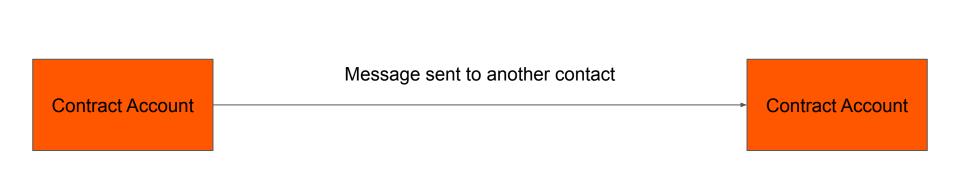


Contract method call

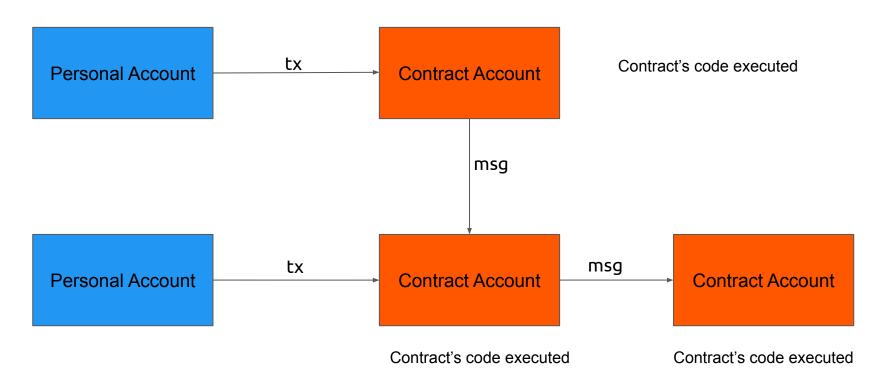
- When contract account is activated:
 - a. Contract **code** runs
 - b. It can read/write to **internal storage**
 - c. It can **send other transactions** or **call other contracts**
- Can't initiate new transactions on their own
- Can only fire transactions in response to other transactions received

Messages

- Like a transaction except it is produced by a contract
- Virtual objects
- Exist only in the Ethereum execution environment
- A message leads to the recipient account running its code
- Contracts can have relationships with other contracts



Transactions & messages

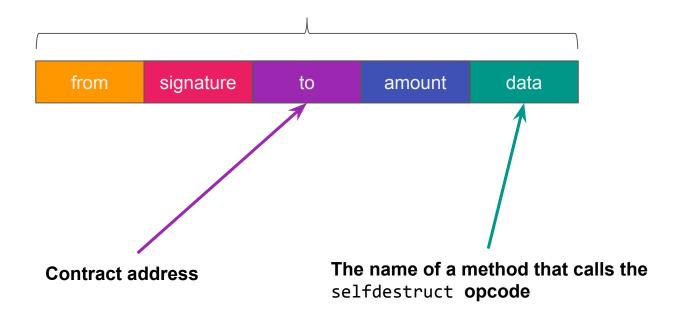


Types of transactions

	send	create	call
from	sender	creator	caller
signature	sig	sig	sig
to	receiver	Ø	contract
amount	ETH	ETH	ETH
data	Ø	code	f, args



a transaction for contract destruction



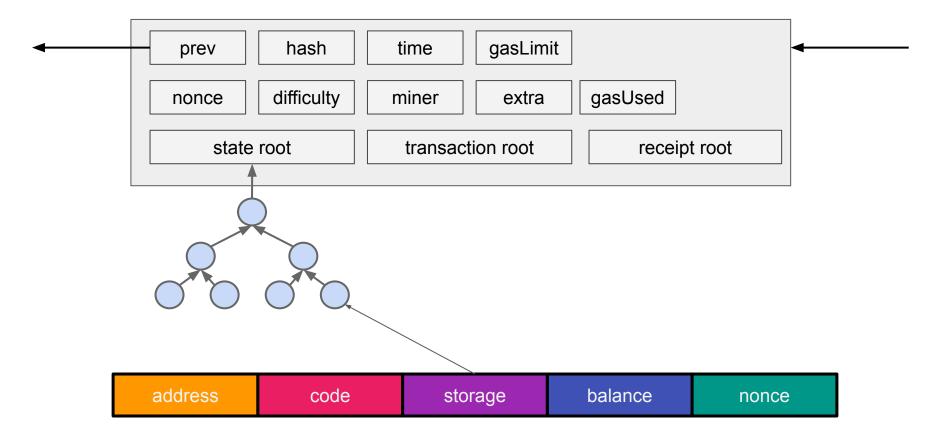
Ethereum Virtual Machine

- Series of bytecode instructions (EVM code)
- Each bytecode represents an operation (opcode)
- A quasi **Turing complete** machine
- Stack-based architecture (1024-depth)
- **32-byte** words (256-bit words)
- **Crypto** primitives

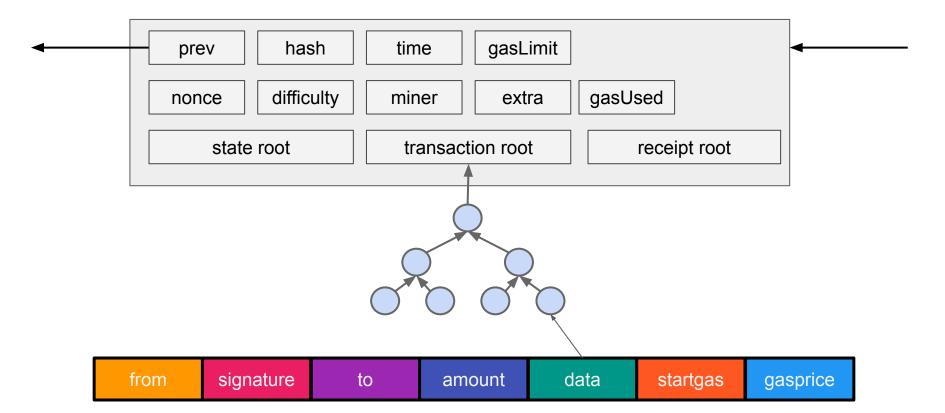
EVM: contract execution

- Three types of storage:
 - Stack
 - Memory (expandable byte array)
 - Storage (key/value store)
- All memory is zero-initialized
- Access:
 - value
 - sender
 - o data
 - o gas limit
 - o **block header** data (depth, timestamp, miner, block id, ...)

Ethereum block



Ethereum block



Ethereum Mining

- Blocks contain: transaction list and most recent state
- Block time: ~12-15 seconds
- *(Since 2022)* Proof-of-stake (Gasper)
 - Previously **Proof-of-work**: Ethash (originally designed to be **memory-hard**)
- **Winner** of the block:
 - Previously: 2 ETH + tx fees
 - Now: a bit more complex

Transaction fees: the phone booth model



Gas: a necessary evil

- Every node on the network:
 - evaluates all transactions
 - stores all state



Gas: a necessary evil

- Every node on the network:
 - evaluates all transactions
 - o stores all **state**
- The halting problem:
 - Miners cannot determine if a program can/will finish



Gas: a necessary evil

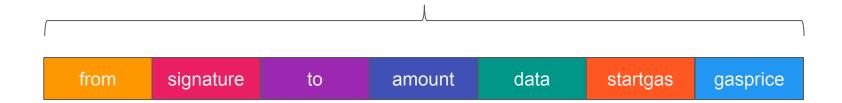
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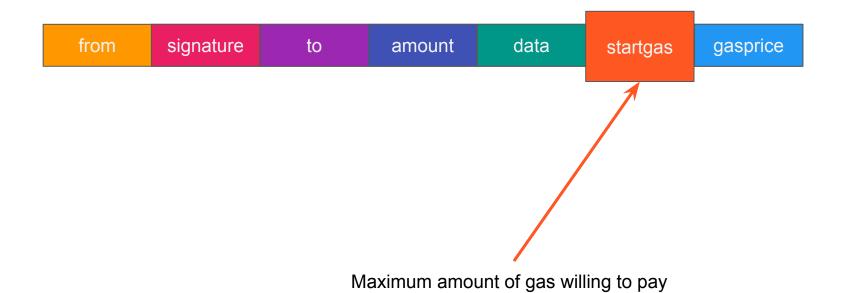
Solution

- Every computation step has a fee
- Fee is paid in gas
- Gas is the unit used to measure computations



Ethereum transaction

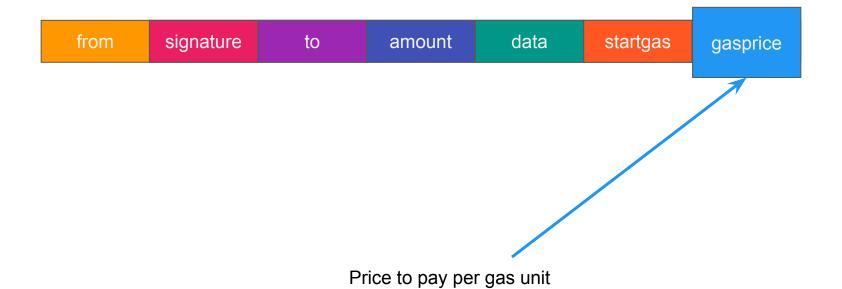




Gas Limit

- Equals to startgas
- All **unused gas** is **refunded** at the end of a transaction
- Out of gas transactions are not refundable
- Blocks also have a gas limit





Gas Price

- Measured in gwei (10^9 Wei)
- Determines how quickly a transaction will be mined
 - Higher gas price makes transaction more appealing to miners



Transaction Fees

Gas Limit

50.000



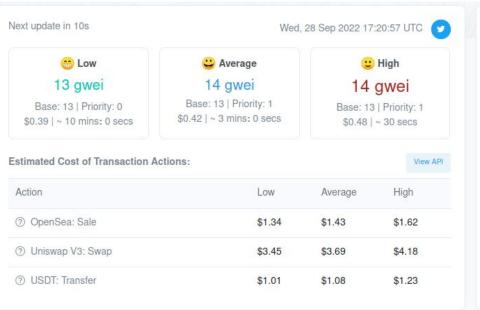
Gas Price

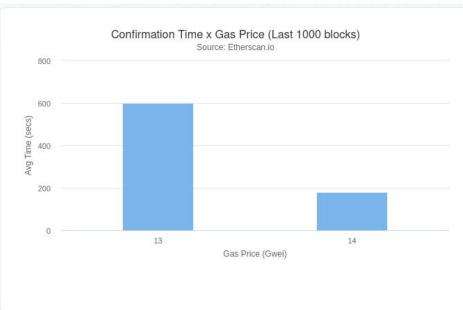
20 Gwei

Max transaction fee

0.001 ETH

Confirmation vs. Gas price





https://etherscan.io/gastracker

Confirmation vs. Gas price



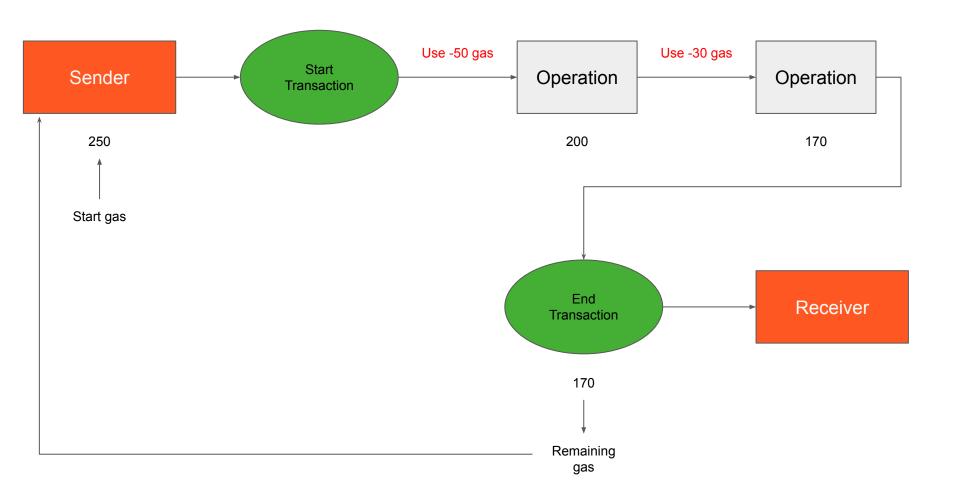
Storage in Ethereum

ETH Price: \$1,300 (28 September, 2022) - Gas Price: 16 Gwei

Size	Gas	Cost (ETH)	Cost (\$)
1KB	677,000	~0.021	\$27
1MB	~693,000,000	21.33	\$27,700
10MB	~7,000,000,000	~215	\$280,000

Computation steps

- If gas_limit * gas_price > balance then halt
- Deduct gas_limit * gas_price from balance
- 3. Set gas = gas_limit
- 4. **Run code** deducting from gas
- 5. After termination **return remaining gas** to **balance**



Out of gas exceptions

- State reverts to previous state
- gas_limit * gas_price is still deducted from balance



Introduction to Solidity

Solidity

- A high level programming language for writing smart contracts on Ethereum
- Compile code for the Ethereum Virtual Machine
- Syntax similar to JavaScript

Documentation: docs.soliditylang.org

Solidity

- Contracts look like classes / objects
- Statically-typed language (variable types must be set explicitly)
- Most of the control structures from JavaScript are available in Solidity (conditions, loops, exception handling, etc.)

HelloWorld contract

```
pragma solidity >=0.7.0 <0.9.0;</pre>
contract HelloWorld {
   function print () public pure returns (string memory) {
       return 'Hello World!';
```

Pragmas

```
pragma solidity 0.8.0;

pragma solidity ^0.8.1;

pragma solidity >=0.8.1 < 0.9.0;</pre>
Equivalent
```

The pragma keyword is used to enable certain compiler (version) features or checks. Follows the same syntax used by <u>npm</u>.

Contract

```
contract <ContractName> { ... }
```

Constructors

```
contract HelloWorld1 {
   constructor () { ... }
contract HelloWorld2 {
   constructor (uint x, string y) { ... }
```

Solidity: Variables

- State variables:
 - Contract variables
 - Permanently stored in contract storage
 - **Must declare** at compilation time

- Local variables
 - Within a function: cannot be accessed outside
 - **Complex** types: at **storage** by default
 - **Value** types: in the **stack**
 - Function arguments

Types

- The **type** of each variable **needs to be specified** (Solidity is a statically typed language)
- **Two** categories:
 - Value types
 - Reference types
- "undefined" or "null" values do not exist in Solidity
- Variables without a value always have a default value (zero-state)
 dependent on their type.
- Solidity follows the scoping rules of C99 (variables are visible until the end of the smallest {}-block)

Value types

Types: booleans

```
contract Booleans {
  bool p = true;
  bool q = false;
}
```

```
Operators: !, &&, ||, !=, ==
```

Types: integers

```
contract Integers {
   uint256 x = 5;
   int8 y = -5;
}
```

- Two types:
 - o int (signed)
 - o uint (unsigned)
- Keywords: uint8 / int8 to uint256 / int256 in step of 8.
- uint / int are alias for uint256 / int256.
- Operators as usual:
 - comparisons: <=, <, ==, !=, >=, >
 - Arithmetic operators: +, -, *, /, %, **
 - o Bitwise operators: &, |, ^
 - Shift operators: >>, <
- Range: 2^b 1 where $b \in \{8, 16, 24, 32, ..., 256\}$
- Division always results in an integer and round towards zero (5/2 = 2).
- No floats!

Types: address

```
contract Address {
   address owner;
   address payable anotherAddress;
}
```

Address type holds an Ethereum address (20 byte value). The "payable" keyword enables to send Ether to the address (you cannot send to plain addresses).

Types: fixed-size byte arrays

```
contract ByteArrays {
   bytes32 y = 0xa5b9...;
   // y.length == 32
}
```

- bytes1, bytes2, bytes3, ..., bytes32
- byte is alias for byte1
- length: fixed length of the byte array. You cannot change the length of a fixed byte array.

Types: Enum

```
contract Purchase {
    enum State { Created, Locked, Inactive }
}
```

Example Enum

```
pragma solidity ^0.4.24;
contract Enum {
 enum ActionChoices { GoLeft, GoRight, GoStraight, SitStill }
 ActionChoices choice;
 ActionChoices constant defaultChoice = ActionChoices.GoStraight;
 function setGoStraight() public {
   choice = ActionChoices.GoStraight;
 function getChoice() public view returns (ActionChoices) {
   return choice;
```

Reference types

Types: arrays, static and dynamic

```
contract Arrays {
     uint256[2] x;
     uint8[] y;
     bytes z;
     string name;
     // 2D: dynamic rows, 2 columns!
     uint [2][] flags;
     function create () public {
           uint[] memory a = new uint[](7);
           flags.push([0, 1]);
```

- The notation of declaring 2D arrays is reversed when compared to other languages!
 - Declaration: uint[columns][rows] z;
 - Access: z[row][column]
- bytes and string are special arrays.
- bytes is similar to byte[] but is cheaper (gas).
- string is UTF-8-encoded.
- Members:
 - o push: push an element at the end of array.
 - length: return or set the size of array.
- string does **not** have **length** member.
- Allocate memory arrays by using the keyword new. The size of memory arrays has to be known at compilation (in this case 7). You cannot resize a memory array.

Types: Mappings

```
contract Mappings {
    mapping(address => uint256) balances;
}
key
    value
```

Types: Struct

```
contract Vote {
    struct Voter {
        bool voted;
        address voter;
        uint vote;
```

- A struct cannot contain a struct of its own type (the size of the struct has to be finite).
- A struct can contain mappings.

Example Structs

```
pragma solidity ^0.4.24;

contract Ballot {
    struct Voter {
        uint weight;
        bool voted;
        address delegate;
        uint vote;
    }
}
```

```
contract CrowdFunding {
    struct Funder {
        address addr;
        uint amount;
    }

    struct Campaign {
        address beneficiary;
        uint fundingGoal;
        uint numFunders;
        uint amount;
        mapping (uint => Funder) funders;
    }
}
```

Visibility

Visibility

- **public**: Public functions can be called from other contracts, internally, and from personal accounts. For public state variables a getter function is automatically created.
- **external**: External functions cannot be called internally. Variables cannot be declared as external.
- internal: Internal functions and variables can be called only internally. Contracts
 that inherit another contract can access the parent's internal variables and
 functions.
- private: Private functions and variables can be called only by the contract in which they are defined and not by a derived contract.

Solidity: Functions

- Can return multiple values
- Access
 - Public: Accessed by anyone
 - Private: Accessed only from the contract
 - Internal: Accessed only internally
 - External: Accessed only externally
- Declarations
 - **View**: They promise **not** to **modify** the **state**
 - **Pure**: They promise **not** to **read** from or **modify** the **state**.
 - Payable: Must be used to accept Ether

Remember that on-chain data is public regardless of access declaration!

Data location

Data location: areas

- Every reference type (array, struct, mapping) has a data location.
- Two main data locations: **storage** and **memory**.
- Calldata: special location for function's arguments.
- As of Solidity version **5.0.0** you must **always declare** the data **location** of reference types inside functions' body, arguments and returned values.

Data location: areas

- Storage:
 - Persistent
 - All state variables are saved to storage
- Memory:
 - Non-persistent
 - Can be used for function variables or arguments
- Calldata:
 - Non-modifiable (read-only)
 - Function arguments
 - Cheaper than memory
 - Used for dynamic params of an *external* function

Data location: assignment copy/reference rules

- Assignment of the form "variable <- variable"
- Assignment by copy
 - storage <-> memory
 - state (global storage) variable <- state variable, storage and memory
- Assignment by reference
 - memory <-> memory
 - local storage variable <- storage

Fallback functions

```
contract Fallback {
    receive() external {
   fallback() external {
```

- No arguments (msg.* is accessible, contains all data about incoming transaction, incl. sender and value).
- No returned values.
- Mandatory visibility: external.
- Receive is executed if no data (transaction field) is supplied. It is implicitly payable.
- Fallback is executed if the function that a user tries to call does not exist. May or may not be payable.
- In the absence of a fallback function a contract cannot receive Ether and an exception is thrown.
- Should be simple without consuming too much gas.

Solidity: events

- EVM logging mechanism
- Arguments are stored in the transaction log
- An alternative to store data cheaply
- Client software can create "listeners" to events (eg. in Python/JS)

Solidity: events

```
pragma solidity ^0.4.24;

contract ClientReceipt {
  event Deposit(
    address indexed _from,
    bytes32 indexed _id,
    uint _value
  );

function deposit(bytes32 _id) public payable {
    emit Deposit(msg.sender, _id, msg.value);
  }
}
```

Contract - Solidity

```
var abi = /* abi as generated by the compiler */;
var web3 = /* http/ws connection to Eth full node */;
var contractObject = web3.eth.contract(abi);
var contractInstance = contractObject.at("0x1234...ab67");
/* address */
var event = contractInstance.Deposit();
// watch for changes
event.watch(function(error, result){
  if (!error)
    console.log(result);
  /* use result to access event data .. */
});
```

Client - Javascript

Solidity: Inheritance

- Multiple inheritance
- One contract is created on the blockchain for all derived contracts: codes concatenate
- The general inheritance system is very similar to Python's

Solidity: Inheritance

- Use is keyword to extend a contract
- Derived contracts: access all non-private members, internal functions and state variables
- Abstract contracts can be used as interfaces
- Functions can be overridden
- **Interfaces**: functions are not implemented

Solidity: Inheritance

```
pragma solidity ^0.4.24;
 interface Regulator {
   function checkValue(uint amount) external returns (bool);
   function loan() external returns (bool);
contract LocalBank is Bank(10) {
  string private name;
  uint private age;
  function setName(string newName) public {
     name = newName;
  function getName() public view returns (string) {
     return name:
  function setAge(uint newAge) public {
     age = newAge:
  function getAge() public view returns (uint) {
     return age:
```

```
contract Bank is Regulator {
  uint private value;
  constructor (uint amount) public {
    value = amount;
  function deposit(uint amount) public {
    value += amount;
  function withdraw(uint amount) public {
    if (checkValue(amount)) {
       value = amount:
  function balance() public view returns (uint) {
    return value;
  function checkValue(uint amount) public view returns (bool) {
    return value >= amount:
  function loan() public view returns (bool) {
    return value > 0;
```

```
pragma solidity ^0.4.24;
contract Jedi {
 function computeForce() internal pure returns (uint){
       return 50;
 function getExtraForce() private pure returns (uint) {
       return 100;
contract Ewok {
 Jedi j = new Jedi();
 uint force = j.computeForce(); // error private method
```

```
pragma solidity ^0.4.24;
contract Human is Jedi {
 uint age = 70;
 string name = "Luke";
 string lastName = "Skywalker";
 bool isMaster = false:
 uint force = 0;
  function setMaster(bool _master) external {
       isMaster = _master;
       force = computeForce(); // internal call
       force = force + getExtraForce(); // error private
method
 function getJedi() public view returns (uint, string, string,
bool){
       return (age, name, lastName, isMaster) //
multi-values
```

Solidity: Modifiers

```
pragma solidity ^0.4.24;
                                                              contract mortal is owned {
                                                                function close() public onlyOwner {
                                                                  selfdestruct(owner);
contract owned {
 address owner;
 constructor() public { owner = msg.sender; }
 modifier onlyOwner {
   require(msg.sender == owner);
                                               Declare modifier
                                                                                 Apply modifier
```

Ether Units

 A literal number can take a suffix of wei, finney, szabo or ether (2 ether == 2000 finney evaluates to true)

Time Units

Suffixes like seconds, minutes, hours, days, weeks and years (1 hours == 60 minutes)

- Block and Transaction Properties
 - block.blockhash
 - Block.coinbase
 - block.timestamp
 - o msg.data
 - o msg.gas
 - o msg.value
 - msg.sender
 - o tx.origin

- Error Handling
 - via error objects (see <u>Solidity docs</u>)
 - assert
 - o require
 - revert
- Mathematical and Cryptographic Functions
 - addmod, mulmod
 - Keccak256 (SHA-3), sha256, ripemd160

Address Related

- <address>.balance
- <address>.transfer
- <address>.send
- <address>.call, <address>.delegatecall

Contract Related

this, selfdestruct

Send ether

Send ether

Function	Gas forwarded	Error handling	Notes
transfer	2300	throws error on failure	 Safe against re-entrancy Fails if recipient contract's fallback function consumes >2300 gas
send	2300	false on failure	 Safe against re-entrancy Fails if recipient contract's fallback function consumes >2300 gas
call	all remaining gas	false on failure	Not safe against re-entrancy

Interacting with other contracts

Interacting with other contracts

```
contract Planet {
    string private name;
    constructor (string memory _name){ name = _name; }
    function getName() public returns(string memory) { return name; }
contract Universe {
    address[] planets;
    event NewPlanet(address planet, string name);
    function createNewPlanet(string memory name) public {
         Planet p = new Planet(name);
         planets.push(address(p));
         emit NewPlanet(address(p), p.getName());
```