

CSE5095-010: Blockchain Technology

Lecture 2

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Outline

- Semantics of blockchain-based systems.
 - Basic components.
 - Basic properties.
- Cryptographic primitives overview.
 - Hash functions.
 - Hash pointers.
 - Linked lists with hash pointers.
 - Merkle trees.
 - Digital signatures.

Semantics of Blockchain-based Systems

Mainly we will focus on permissioned blockchains, later we will discuss differences with respect to other types of blockchains.

Basic Components I

- Participants.
 - Two types:
 - clients who are only interested in using the service/system,
 - miners who maintain the blockchain and implement the network protocol.
- Peer-to-peer (P2P) network.
 - Connectivity between the participants.
 - No pre-deployed infrastructure, any party searches for peers to connect with in order to join the network.
 - To bootstrap, DNS seed servers are hardcoded in the network protocol.
 - Return a randomly selected set of miners to connect with.

Basic Components II

- **Blockchain.**

- A log of all transactions (and actions) happened so far in the system (scalability?).
- A linked list of records or blocks (backward connections, each block points to its parent).
- Connections between blocks are hard to alter (the older the block, the harder to alter its backward connection).
- Starts with a genesis block; first page of the ledger.
- Each miner stores a copy of the blockchain representing its view of the system.

Basic Components III

- **Mining protocol.**
 - The process of recording new transactions on the blockchain.
 - Main task of the miners.
 - Each round a new block is mined and appended to the blockchain.
 - Requires proving ownership of mining rights (or power).
- **Consensus protocol.**
 - Rules to agree on the current view of the system (represented by its blockchain).
 - Usually, participants may disagree on recent history (most recently mined blocks) but eventually they will agree on the chain prefix (old history).

Basic Components IV

- **Network protocol and transaction processing rules.**
 - Rules to validate and process a transaction.
 - Transaction processing changes the system's status (like balance adjustment, data sharing, etc.).
 - Transactions could be simple currency transfer or more sophisticated functionality like multisignature escrows or user-defined scripts/programs.
 - Rules to handle specific actions based on the type of service provided (e.g., creating escrows, paying for file storage, etc.)

Basic Components V

- **Incentives.**

- Several forms:
 - Explicit in the form of tokens or coins (mainly in cryptocurrency-based systems).
 - Implicit in the form of the desire to achieve a common goal (e.g., public good).

- **Community.**

- The participants themselves (more like stakeholders).
- Some specialized entities like foundations and code developers.
- Outsider entities like research community (academia and industry).
- The value of the system stems from the beliefs of its community.

Basic Properties I

- Open access.
 - No real identities are required.
- Decentralization.
 - Log storage: distributed among all miners.
 - Log extension: anyone can join as a miner and work on extending the blockchain.
 - Consensus: agreeing on the state of the system is done in a fully decentralized way. No centralized entity to orchestrate that.
 - Governance: automated through the network protocol implemented by the miners.
 - Code: anyone can work on the code (according to a specific procedure), and the code is usually open source.

Basic Properties II

- Public verifiability.
 - Anyone can verify the status of the system based on the actions logged on the blockchain.
- Log immutability.
 - Hard to alter the blockchain. Requires a large mining power in order to do so.
- Honest majority.
 - An assumption necessary for the security of the system.
 - Simply states that the majority of the mining power is in the hands of honest miners.

Basic Properties III

- Incentive compatibility.
 - Participants are rational and self-interested.
 - Compatibility means that the participants' self-interest, or incentives, are aligned with the system goals.
 - For example, miners with high stake are interested in keeping the system up and running (to attract more users and reserve the value of their stake). So they act honestly since this is in their best interest.

Cryptographic Primitives Overview

Hash Functions I

- Mathematical functions that take input of any size and produces a fixed size output.
 - Compress the input to produce a shorter output.
 - Usually the output is called a digest.
- They are also called one-way functions where computing the hash of some string is easy but reversing the hash to recover the input is hard.
 - Technically: computing the image of some input is efficient (done in polynomial time of $O(n)$ where n is the input size), while computing the preimage is inefficient (non-polynomial or computationally hard).
 - So in some sense the output does not leak any information about the input.

Hash Functions II

- Security properties:
 - First-preimage resistance: given y where $y = h(x)$ it is computationally hard to find x .
 - Second-preimage resistance: given x it is computationally hard to find x' such that $h(x) = h(x')$.
 - Collision resistance: it is computationally hard to find any x, x' such that $h(x) = h(x')$.
- Applications:
 - Message authentication codes.
 - Commitment schemes.
 - Hash tables.
 - Password hashing.
 - Merkle trees.

Hash Functions III

- In theory, hash functions are keyed functions.
 - Meaning that the hash function is parameterized by a key (public, known to everyone). Changing the key changes the mapping (or the output).
- In practice, hash functions are unkeyed (for the same input they always produce the same output).
 - Examples: SHA1, SHA2, SHA3, etc.
- Most cryptocurrencies use SHA256 (SHA2 with output size of 256 bit) and SHA3 (or Keccak) with the same output size.
 - Bitcoin also uses RIPEMD-160 with output size of 160 bits.

Hash Functions IV

- It is so common when analyzing security to model hash functions as random oracles.
 - Called the random oracle model (ROM).
 - Basically means that a hash functions acts as a random function that chooses a digest completely at random.

Hash Pointers

- A pointer that gives a way to retrieve some information as well as to verify that this information has not changed.
 - It has both the address (or location) of the data and a hash of that data.
 - You verify the correctness of the data by computing its hash and compare it to the hash stored inside the pointer.

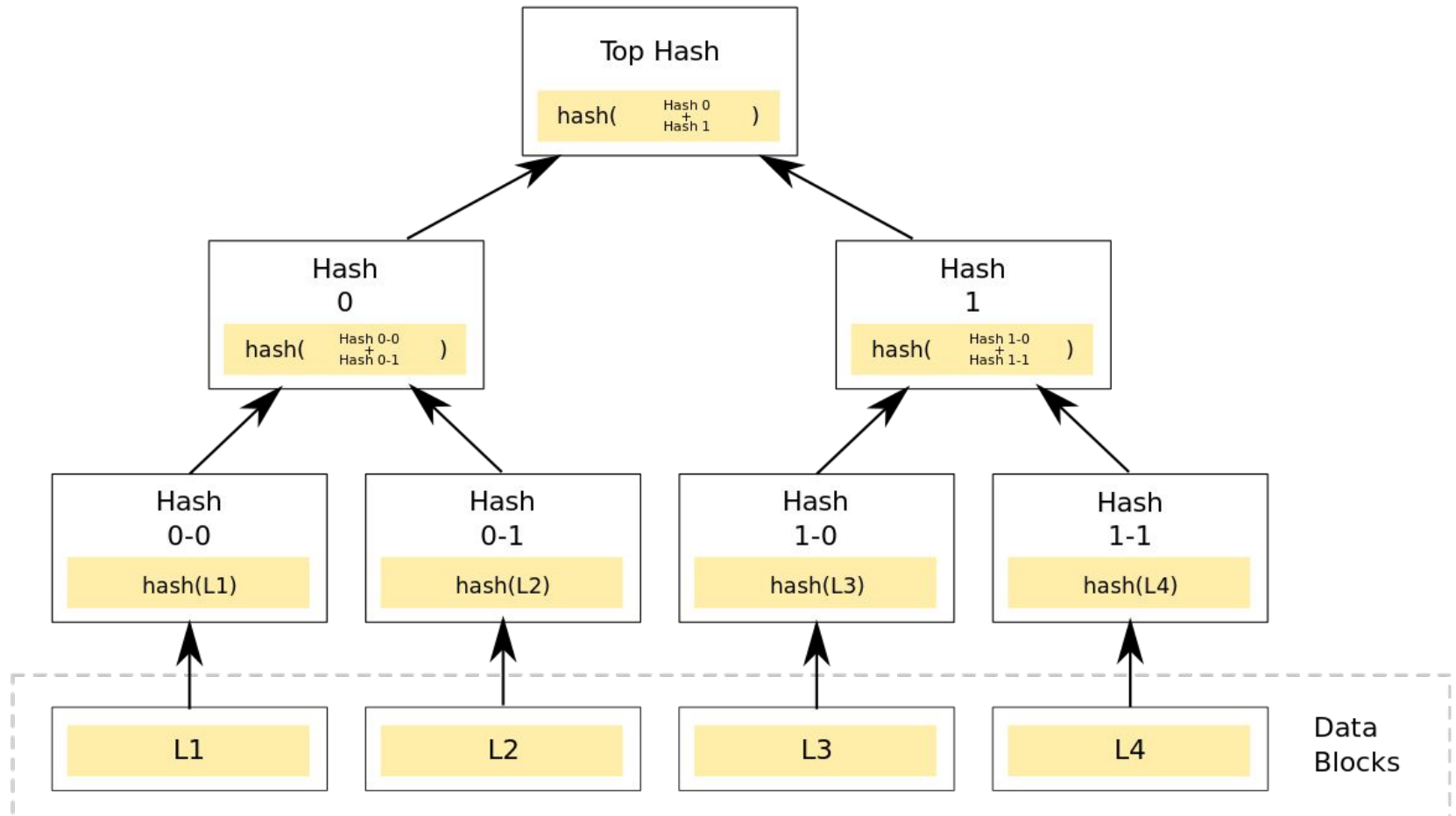
Linked lists with Hash Pointers

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Merkle Tree

- An efficient solution for data correctness verification.
 - Usually used in distributed systems and file storage.
- It is a binary tree with leaf nodes as input values: L_1, L_2, \dots, L_n with depth $\log n$.
- Each internal node in the tree is the hash of its two children.
- The root digest represent the hash of all leaf nodes.
- Verifying the correctness of an input is done by providing a membership path of size $\log n$ digests.
 - It requires $\log n$ digests and $\log n$ hash invocations.

Merkle Tree Pictorially



Digital Signatures I

- Used to provide message integrity and non-repudiation.
 - Integrity: prevent message tampering.
 - Non-repudiation: bind the sender (or message originator) to the message.
- Work in the public-key setting.
 - Each party creates a key pair, public and private key.
 - Uses the private key to sign the message, while anyone can verify the signature using the public key.
 - The public key usually serves as an ID for the user in a blockchain-based system.

Digital Signatures II

- A digital signature scheme consists of three algorithms:
 - Gen: generate a key pair.
 - Sign: sign a message using the private key (usually it is randomized).
 - Verify: verify the correctness of the signature over the signed message (deterministic).
- Informally, a secure digital signature scheme means that an attacker cannot generate a valid signature over a message without knowing the secret key even if it obtains signatures on other messages.
 - It cannot forge a signature.
- Most practical digital signatures constructions are computationally secure.
 - It is computationally hard to forge a signature unless you know the secret key.

Digital Signatures III

- Usually the hash-sign paradigm is used, where the message is hashed first and then the digest is signed.
- Most cryptocurrency systems use ECDSA (Elliptic Curve Digital Signature algorithm).
 - Recently, several systems started to switch to EdDSA (Edwards-curve Digital Signature Algorithm) for security and efficiency reasons.

