
From: Vincenzo Iozzo [REDACTED]
Sent: Thursday, July 24, 2014 11:42 AM
To: Jeffrey E.
Subject: Re: proof of burn (re: bitcoin&anonymity)

no in the case I was sketching in my email you don't actually replace the dollars, you just replace bitcoins. The only reason why you want to replace bitcoin is to get their network power which is needed to solve the multiparty consensus problem (the double spending attack).

Now in one of the other potential options you don't even need that, if you enforce identities you can also guarantee benign multiparty consensus on transactions as long as less than $N/4$ actors are malicious. Which in practice means you don't need to have that many people in your network mining coins.

Also yes you can easily embed transactions descriptions/codes.

There's always the risk of actually losing or having your 'wallet' stolen, but you cannot avoid that 100%. You can either do what some bitcoin services do (it's called cold/hot storage) or have the govt as an insurer of last resort.

I feel like that story you told me about you trying to decode hand signals back in the days, in the sense that I'm either missing something here or my pessimistic view of things is shaping my thinking too much - I don't see why anybody but governments would want to have this. In any case, forgetting that for a moment and assuming companies want to do this then you can do it quite easily.

anyhow, it's probably worth to talk about this F2F in Santa Fe if we manage to work that out

On 24/Jug/2014, at 11:14, Jeffrey E. <jeevacation@gmail.com> wrote:

> the goal is to create a fully transparent currency, but secure, It does not need to replace dollars with complement them, for ex. corporate cash. so corporations and govt can transact transparently, much more like a game world. inflation is needed if there will be loans, (to compensate for risk). yes to santa fe. in addition it would be nice to tag the transaction with a code (refund, loan, advance, income, sale etc).

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> On Thu, Jul 24, 2014 at 5:37 AM, Vincenzo Iozzo [REDACTED] wrote:

> Jeffrey,
>

> not sure if you're still interested in this but.. to answer in a more explanatory way the question of how to remove anonymity from bitcoin, here it is:

>
> The bitcoin network has a couple of things that are particularly
> important for any crypto currency, the first one is that the network is big enough to prevent double-spending kind of attacks and the second one is that there's no way (I mean there is, but it's sci-fi) to generate the private key for a random bitcoin identity/public key that is not yours.

>
> A number of annoying things about bitcoin are:
> 1) It's deflationary, not just because the amount of coins is finite
> but also because people lose wallets/keys so potentially a lot of the

> mined coins will never see the light of the day

>

> 2) You can create as many wallets/keys as you want, in theory this

> allows you to keep separate identities.. in practice this is not

> entirely true

>

> 3) A little known fact is that you can mess with the blockchain/ledger

> quite a lot, for instance somebody forced specific values into the ledger. For instance, these values could be virus signature, so antiviruses would quarantine/delete the blockchain from people's computers. Not only that, but people have been storing all sort of stuff into the blockchain and it's permanent you cannot undo it.

> See: <http://pastebin.com/ct2WHUK5> and

> <http://www.righto.com/2014/02/ascii-bernanke-wikileaks-photographs.htm>

> I

>

> ok so here's what you do if you want to fix (1) and (2), I don't have

> a good solution for (3) unless you change the power forces inside the

> network (eg: unless you allow a centralized unit to 'clean' the

> blockchain)

>

> You create another crypto/alt currency that is inflationary so it mimics real money better, then you tell people: "everyone who has bitcoins can get them exchanged for this other currency".

>

> The way this would work is that you actually require people to sign up

> for a *single* identify/key/wallet linked to their real identity and

> when you do something called 'proof of burn', which in practice means that you tell people that to prove they 'exchanged' their bitcoins they need to send them to a non-existent address (remember that it's impossible to generate the private key of a random bitcoin address/public key, so nobody can ever claim those coins and they are lost forever).

>

> On the top of that, since the bitcoin network is flexible you can use that blockchain to record the transactions of your own currency without any major issues (there are some technicalities involved but nothing much).

>

> This brings to the last and probably hardest point which is: Why would people would do it?

>

> So some people do it already to get on board new currencies, so it's mostly a speculation/ideology/belief. But if say you're a government, you can sweeten the deal saying something like "your holdings in bitcoins will not be taxed if moved to this other currency".

> If you're not a govt then things are more complicated, but well..

>

> Anyway, this is in short how you go from bitcoin to another currency

> with the properties you care for) while preserving the bitcoin

> network and its strengths. As I said, not sure if it's

> useful/interesting but I figured I'd share it

>

>

> Another thing: any chance I can crash at your place in Santa Fe say

> Aug 8-10? I'm still not sure whether I'm supposed to be there or not,

> but I figured that maybe it's worthwhile to go and visit anyway

>

>

> ps: note that the moment you remove anonymity from bitcoin there's a

> significant privacy problem. Meaning that now everyone knows what you

> buy/sell through bitcoin, it's advertisers (among others) sweetest

> dream =ut probably your worst nightmare

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> please note

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