

# [Technology of trust - building confidence and trust in blockchain](https://assignbuster.com/technology-of-trust-building-confidence-and-trust-in-blockchain/)

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Trust is the “ most often used word in any debate about the sharing economy” (Nesta, 2015) and represents one of the “ promises of the blockchain” (Economist, 2015). It is a multilayered and complex research topic, difficult to delineate and divergently addressed across disciplines (Rousseau et al., 1998). However, a common element in various trust definitions is the intention to accept vulnerability based upon positive expectations. (Rousseau, Sitkin and Burt, 1998)

Trust is complex and hard to define exactly. It has several denotations and many altered forms. Yet trust is the original fabric of human connections, of central position to interpersonal and interorganizational relationships.

Blockchain affects trust. People sometimes refer to Blockchain as a knowledge that kills the need for trust in human interactions. It’s uncertain that overcoming the need for trust is possible; rather, it’s more productive to assess blockchain’s effect on the pasts of trust, including confidence, integrity, reliability, responsibility, and predictability. If we can be confident that associations will be executed as intended, and that there’s only one version establishing truth, honesty is guaranteed. When contracts are executed as coded, Blockchain is seen to be consistent. Roles and responsibilities are determined in advance, and outcomes are predictable. When these trust backgrounds are handled effectively by Blockchain, certainty can replace uncertainty. This is a major hope for Blockchain; time will tell if it can be realized.

– Smart contracts (Bitcoin and Ethereum)

Security and transparency helps the Blockchain provide a single version of what is the case and how that case was achieved—what some call “ the truth.” In this, bitcoin and Ethereum are similar. Ethereum goes beyond by allowing contracts, a piece of code that enables the Ethereum Virtual Machine (EVM) to perform on the blockchain. The EVM is similar to other simulated machines, collecting orders from an encoding linguistic into low level code for the computer on which it runs. The EVM is a large distributed computer containing millions of objects called “ accounts.” Accounts can maintain interior files, perform code, and talk to other accounts. A smart contract is itself an account.

The EVM allows for externally owned accounts (EOAs) controlled by a private key through a user. A smart contract can’t be changed once the code is set, although storage of the smart agreement can be transformed. The piece of code acts as a settlement, accessible for anyone to use. Smart contracts are made probable by the Turing complete programming languages compiled into EVM bytecode. Smart contracts have discourses and perform code based on the data they receive. Smart contracts can call other smart agreements through messages. To avoid spiteful behavior, infinite circles or distributed denial of service attacks, execution and creation of smart contracts uses Ethereum’s internal cryptocurrency. The amount needed for a contract is determined by the computations and storage entries of bytecode that the EVM compiles the smart contract into. Specific computation costs are calculated by the complexity of the computation, with basic computations (addition, subtraction, and multiplication) costing less and more complications costing more. Miners are paid for use of their computational power. As of 2015, the computing power available on blockchains was small, about equivalent to a 1999 smartphone. However, with powerful smart contracts this could change quickly. Access to a blockchain is for transaction validation or transaction entry. Transaction validation depends on whether the blockchain is permission less (all nodes can validate transactions) or permissioned (only preregistered can validate transactions).

Transaction access is available to all nodes in public blockchains. Only preregistered bumps can submit new relations in private blockchains. Public blockchains can be either permissioned or permission less.

Blockchain’s essential ideas are well recognized: FIDELITY AND TRANSPARENCY. Fidelity is the truthful version of the state of things. People trust those things are as represented. The technical structure of the blockchain is that blocks containing necessary information are secured cryptographically, and agreement mechanisms ensure that blocks along the chain agree with the formation of or change in the information to be held. Transparency is the capability of anyone to inspect the whole record of variations to control when, how and why variations were made. The building of blockchain is such that any effort to “ hide” information on the chain is noticeable, causing other users of the chain to ask questions about why it’s happening. The technology doesn’t promise that a blockchain cannot be ruined, but it makes fraud difficult enough to generate trust.

– Disrupting Governance with Blockchain: Governance refers to the way rules, norms, and actions of how people interact with each other are organized, continued, controlled, and held responsible. It is about regulating decision‐making procedures among actors involved in a cooperative problem, leading to the creation, support, or duplication of social norms and organizations. The degree of formality depends on the interior rules of a given organization and, externally, with its professional environment. As such, domination may take many forms, driven by different inspirations and with different results. In this paragraph, governance refers to the processes of governing, whether by a market, organization, network, family, or tribe formal or informal through laws, norms, power, or language.

A traditional view of organizational and political governance structures highlights centralism and hierarchy, with various steps of rigid top‐down command and control decisions making rule‐sets. Blockchain promises more decentralized and spontaneous management by addressing two problems of traditional centralized governance structures: the principal–agent dilemma and high transaction costs of coordination.

The principal–agent dilemma occurs when the agent is empowered to make decisions on behalf of, or impacting, a so‐called major, the agent is assumed to be a self‐attentive utility maximizer who will pursue their own egocentricities over and above the wishes of the principal in the absence of pressures, permissions, or encouragements. In such setups, moral hazard occurs if one person takes more dangers because someone else accepts the cost of those dangers, usually when original information irregularity is at play.