Bitcoin: after ten wild years, what next for cryptocurrencies?

Level 3 • Advanced

1 Warmer

Match the currencies to the countries they come from.

1. ruble a. South Africa
2. yen b. Turkey
3. zloty c. Russia
4. rand d. China
5. renminbi e. Poland
6. lira f. Japan

2 Key words

Fill the gaps in the sentences using these key words from the text.

bubble  surged  scammer  sidestep  sweeping
encrypted  inception  blockchain  burned  wildcat

1. The ____________________ of something is its beginning.
2. A ____________________ is economic growth that is extremely good for a short period of time.
3. If you ____________________ something, you avoid it.
4. If data is ____________________, it is converted into a code to prevent unauthorized access to it.
5. If the value of a product ____________________, it increased rapidly.
6. A ____________________ is someone who uses a dishonest plan to obtain money, especially online.
7. A ____________________ bank is financially unsound or risky.
8. A ____________________ change or development has a major effect.
9. A ____________________ is a system in which transactions made in a cryptocurrency such as bitcoin are recorded in a computer network.
10. If people get ____________________, they suffer by losing money, especially in an unsuccessful business deal.

3 Find the information

Find the following information in the text as quickly as possible.

1. When was bitcoin born?
2. What value did John McAfee predict for bitcoin by the end of 2020?
3. What was the first purchase made by bitcoin?
4. What was the recent value of bitcoin mentioned in the article?
5. According to the Winklevoss twins, what will the ultimate total market capitalization of bitcoin be?
6. What is the most bitcoin gained in value in a single day?
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From next to no value in 2009, it rose to $20,000 and crashed back to $3,000 within a decade.

Richard Partington
4 January, 2019

1 Two years after its inception, 10,000 bitcoin was just about enough to buy a couple of takeaway pizzas. In January, 2019, 10,000 bitcoin is worth nearly $38m. That is a huge increase but just a fraction of its $180m value only 13 months before because since its creation a decade ago, the digital currency has been at the centre of one of the biggest economic bubbles in history.

2 Bitcoin has had a wild ride since its birth on 3 January, 2009. Created as a digital currency to sidestep the traditional finance industry using encrypted code, it took until May, 2010, for the first reported purchase using bitcoin to take place: those two large pizzas worth $30 for 10,000 bitcoin.

3 But in recent years, bitcoin has become less useful as a medium of exchange and more famous for its boom and bust tendencies. It surged by more than 1,000%, sometimes gaining $2,500 in a single day, to stand at almost $20,000 just before Christmas, 2017. But the digital currency then collapsed over the course of 2018 and recently stood at just $3,780, having wiped out many investments on the way down.

4 Despite the cautionary warnings from mainstream economists, as well as the finance industry labelling bitcoin a vehicle for scammers, crooks and terrorists, there are still lots of cryptocurrency fans, with news websites, blogs and podcasts.

5 The digital currency launched as more than just an opportunity for investors to make millions (before losing them in almost equal amounts). The technology underlying it has excited businesses, while the growth of cryptocurrencies promised another future for its fans outside the traditional financial system. The idea came straight from the Austrian school of economics with a bit of left-wing anarchism thrown in for good measure – offering individual liberty and a way to avoid the grasp of government, while sidestepping corporate power and the banking system.

6 The birth of the digital currency represented a return to the days of private money in the earlier stages of western economic development, with a parallel to wildcat banks in the mid-nineteenth century as the US expanded westward, when railway companies and construction firms issued thousands of banknotes between them.

7 As with the age of private money, which led governments to create monopolies over currency within the central banking system in order to gain state control and to protect consumers from firms and individuals unable to repay the holders of their notes, bitcoin also appears to be heading for a more tightly regulated future.

8 The UK government is about to give sweeping new powers over digital currencies to the Financial Conduct Authority, after members of parliament warned that it and other cryptocurrencies were akin to the “Wild West” and exposed consumers to various risks. Central banks, including the Bank of England, are examining cryptocurrencies, while some countries have looked to create their own.

9 Despite losing some investors millions of pounds, the bitcoin boom and bust has also attracted attention to its underlying technology – the blockchain – which may be used to revolutionize the way companies handle payments or transfer information.

10 Wild estimates were made for the future value of bitcoin in early 2018. John McAfee, the software security company founder, predicted it would reach $500,000 by the end of 2020. The Winklevoss twins, who have invested significant sums in bitcoin, argued it could end up matching gold in value, meaning a price above $320,000 and total market capitalization of at least $4tn.

11 The argument went that prices only exist for any given asset because society agrees it is worth that amount, and why should bitcoin be any different, even if it lacks physical properties. But while gold also has limited utility to justify its value, unlike bitcoin, the precious metal has been held in high regard for thousands of years.

12 At the start of its tenth year, predictions for bitcoin’s future are modest. Stephen Innes, head of trading for Asia Pacific at the currency trading firm Oanda, is moderately optimistic: “A bit of risk is still in the air, but I’m starting to warm up to the upside now – we could see $5,000 and even a push to $6,000.” Senior analyst Clement Thibault reckons investor confidence has been shot for the time being: “I believe too many people got
Comprehension check

Choose the best answer according to the text.

1. What is the current value of 10,000 bitcoin?
   a. $180 million
   b. $38 million
   c. $30

2. What aspect of bitcoin is described as exciting in the text?
   a. its ability to make millions of dollars in a single day
   b. its boom and bust tendencies
   c. the technology that underlies it

3. What is the current attitude of the UK government towards bitcoin?
   a. It has welcomed its ability to generate profits.
   b. It has decided to regulate it more tightly.
   c. It has compared it to the banks of the American Wild West.

4. What are the predictions for bitcoin at the start of its tenth year?
   a. Experts have become much less optimistic.
   b. It has been labelled a bubble, so it is finished.
   c. Everyone is predicting that it will be completely wiped out.

Find the word

Find the following words and phrases in the text.

1. a three-word phrase meaning **periods of success followed by periods of failure** (para 3)
2. a two-word phrasal verb meaning **destroy completely** (para 3)
3. an adjective meaning **warning someone that they should be careful** (para 4)
4. a three-word phrase meaning **as a way of making something complete or better** (para 5)
5. a two-word adjectival phrase meaning **similar to** (para 8)
6. a four-word verb phrase meaning **respected and valued** (para 11)
7. a noun meaning **an action or plan that involves risks but will bring important benefits if it is successful** (para 12)
8. a two-word noun phrase meaning **a very specific benefit for a small number of people** (para 13)
Discuss the statements.

- If you never take risks, you will never get anywhere in life.
- Bitcoin is just another scam. The small investor will be the one to lose out.
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Level 3 ● Advanced

KEY

1 Warmer

1. c
2. f
3. e
4. a
5. d
6. b

2 Key words

1. inception
2. bubble
3. sidestep
4. encrypted
5. surged
6. scammer
7. wildcat
8. sweeping
9. blockchain
10. burned

5 Find the word

1. boom and bust
2. wipe out
3. cautionary
4. for good measure
5. akin to
6. held in high regard
7. gamble
8. niche asset

6 Verb + noun collocations

1. c
2. e
3. a
4. f
5. b
6. d

7 Word-building

1. investments
2. investors
3. speculative
4. obscurity
5. cautionary
6. revolutionize

3 Find the information

1. 3 January, 2009
2. $500,000
3. two pizzas
4. $3,780
5. at least $4 trillion
6. $2,500

4 Comprehension check

1. b
2. c
3. b
4. a