



# What is Bitcoin and how does it work?



Bitcoin, often described as a cryptocurrency, a virtual currency or a digital currency - is a type of money that is completely virtual. It's like an online version of cash. You can use it to buy products and services, but not many shops accept Bitcoin yet and some countries have banned it altogether. However, some companies are beginning to buy into its growing influence. For example, the online payment service, PayPal, announced that it would be allowing its customers to buy and sell Bitcoin. The physical Bitcoins you see in photos are a novelty. They would be worthless without the private codes printed inside them.

Each Bitcoin is basically a computer file which is stored in a 'digital wallet' app on a smartphone or computer. People can send Bitcoins (or part of one) to your digital wallet, and you can send Bitcoins to other people. Every single transaction is recorded in a public list called the blockchain. This makes it possible to trace the history of Bitcoins to stop people from spending coins they do not own, making copies or undo-ing transactions.

In order for the Bitcoin system to work, people can make their computer process transactions for everybody. The computers are made to work out incredibly difficult sums. Occasionally they are rewarded with a Bitcoin for the owner to keep. People set up powerful computers just to try and get Bitcoins. This is called mining. But the sums are



becoming more and more difficult to stop too many Bitcoins being generated. If you started mining now it could be years before you got a single Bitcoin. You could end up spending more money on electricity for your computer than the Bitcoin would be worth.

Some people like the fact that Bitcoin is not controlled by the government or banks. People

can also spend their Bitcoins fairly anonymously. Although all transactions are recorded, nobody would know which 'account number' was yours unless you told them. In an online chat with social media users in January 2021, the world's richest man, Elon Musk, said he was a big supporter of Bitcoin. He even went as far as to change his Twitter bio to "#bitcoin". He has repeatedly shown his support to online currencies in recent years and caused major movements in their values due to his own personal wealth and influence. This particular endorsement led to the value of Bitcoin to rise significantly.

# Vocabulary:

**What is Bitcoin and how does it work?**

**Altogether: completamente**

**Currency: divisa**

**Novelty: novedad**

**Worthless: sin valor**

**Trace: rastrear**

**Rewarded: recompensado**

**Mining: minería**