

Name _____

The Magical World of Cryptocurrencies: Unraveling the Secrets of Bitcoin

Open-Ended Response Answer Key

1. (Sample answer) Cryptocurrencies like Bitcoin could be a useful alternative to traditional banking in scenarios where individuals lack access to traditional banking services or where traditional banking is expensive. For example, in regions with limited banking infrastructure, people can use Bitcoin for financial transactions, remittances, and access to digital financial services.
2. (Sample answer) The advantages of Bitcoin's limited supply include protecting against inflation, scarcity that can drive value, and reducing the risk of excessive money printing by governments. However, disadvantages include potential deflationary pressures, hoarding behavior, and a limited ability to respond to economic crises.
3. (Sample answer) Cryptocurrencies could impact the future of finance and transactions by offering faster and cheaper cross-border payments, providing financial services to the unbanked, and introducing new models of trust and transparency. However, they may also face regulatory challenges and concerns about their environmental impact.
4. (Sample answer) Private keys in a digital wallet are like secret spells that grant access and control over the digital coins. I would explain that they must be kept safe and private, similar to guarding a magical key to a treasure chest. Losing the private key could mean losing access to the digital coins forever, so it's essential to protect it like a valuable secret.

