

# Coinbase Just Cut 700 Jobs and Blamed AI. Is That the Real Story?

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## Contents

1. Reading Passage
2. Explanation
3. Key Terms Glossary
4. Reading Comprehension Quiz (10 questions)
5. Answer Key with Explanations

*Note: the original article is provided as a separate file (attached to the email or downloadable from the website).*

## 1. Reading Passage

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Coinbase, the largest US-listed cryptocurrency exchange, said on Tuesday that it would cut about 14% of its staff—roughly 700 of its 4,951 full-time employees—as chief executive Brian Armstrong tries to remake the company around artificial intelligence. In a memo posted to X, Armstrong told staff Coinbase had reached an 'inflection point' at which failing to adopt AI was the single biggest risk facing the business. He wants the exchange rebuilt, in his words, as 'an intelligence, with humans around the edge aligning it.'

But the memo also pointed to a far more familiar villain: a slumping market. Coinbase makes most of its money from crypto-trading fees, and trading has cooled. Bitcoin, the largest cryptocurrency, has fallen about 8% since January, while Ethereum and Solana are down 20% and 32% respectively. Coinbase's own shares have dropped roughly 15% this year, and the wider crypto sector has struggled to recover from a flash crash last October. 'We're currently in a down market,' Armstrong wrote, 'and need to adjust our cost structure now so that we emerge from this period leaner, faster and more efficient.'

Here's the catch. Armstrong is asking the public—and his investors—to accept two stories at the same time: that AI has become so powerful that fewer employees can do more work, and that the business itself is volatile enough to require urgent cost cuts. He insists the layoffs are about more than 'cutting costs.' Yet the same memo concedes the business is 'still volatile from quarter to quarter.' Affected employees, he acknowledged, will find the move 'sudden and harsh,' though he argued it was necessary to protect customer information.

Coinbase is not alone. The article notes that Meta, Crypto.com and Snap have all cited AI as a reason for eliminating jobs in recent months. That clustering matters. When several big firms reach for the same justification at the same moment, it becomes harder to tell where genuine technological transformation ends and where convenient corporate vocabulary begins. Armstrong, an outspoken tech figure who co-founded Coinbase in 2012, claims engineers at the company can now ship in days what previously took a team weeks, and that even non-engineers are pushing 'production code'—software that runs in live products. If true, that is a genuine shift in how a tech company is staffed.

The broader context complicates the picture further. Coinbase's 2021 listing on Nasdaq was hailed as a landmark moment for crypto's arrival in mainstream finance, but the company has since lurched with the wider digital-asset cycle. AI may well be reshaping software work permanently. The crypto slump, however, is the kind of downturn Coinbase has weathered before, and traditionally the response has been the same: trim staff, promise a leaner future, wait for the next rally. What is new this time is the framing. By describing the cuts as the leading edge of an 'AI-native' rebuild, Armstrong is telling investors that the company is not merely surviving a bad quarter but redesigning itself for an era in which fewer humans, supported by fleets of AI agents, can do the work that once required teams. Whether that is a revolution or a rebrand is a question the next earnings cycle will begin to answer.

## 2. Explanation

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*When America's biggest crypto exchange announces it's cutting one in seven employees and replacing them with AI agents, you're either watching a productivity revolution—or a CEO using a buzzword to dress up an old-fashioned downturn.*

### What's Going On?

Coinbase, the largest US-listed cryptocurrency exchange, is laying off around 14% of its workforce—roughly 700 of its 4,951 full-time employees. CEO Brian Armstrong announced the cuts in a memo posted to X, framing them as a response to an 'inflection point' where, he argues, failing to embrace AI is now the biggest risk a company can take.

Armstrong wants to rebuild Coinbase as 'an intelligence, with humans around the edge aligning it.' He claims engineers are now shipping in days what used to take entire teams weeks. But the memo also acknowledges a less futuristic reason: crypto is in a slump, trading volumes are down, and the company needs to cut costs.

### How To Think About It

Two things can be true at once. The trick is figuring out which one is doing the heavy lifting.

- Think of a restaurant chain that fires waiters the same week it installs ordering tablets. Yes, the tablets are real. But if foot traffic also collapsed that quarter, the tablets are partly cover for a demand problem the owner doesn't want to highlight to investors.
- Or think of how schools talk about budget cuts. Administrators rarely say 'we have less money'—they say they're 'reorganising for the modern learner.' The vocabulary of transformation is almost always more flattering than the vocabulary of contraction.

### Key Things To Know

- Coinbase went public on Nasdaq in 2021 at the height of crypto mania; its share price is down about 15% this year and the stock has struggled since an October flash crash.
- Bitcoin has fallen roughly 8% since January, while Ethereum and Solana are down 20% and 32% respectively—directly hitting Coinbase's trading-fee revenue.
- Armstrong, who co-founded Coinbase in 2012, said the layoffs are about more than 'cutting costs'—but admitted the business is 'still volatile from quarter to quarter.'
- Other companies citing AI for layoffs this year include Meta, Crypto.com and Snap—a pattern suggesting 'AI efficiency' has become a standard corporate explanation.
- The non-obvious part: Coinbase's revenue depends on people \*trading\* crypto, not on the price itself. Even if Bitcoin rallies, a quiet market means a quiet income statement.

### Why It Matters

If you're picking a college major or imagining a first job, this is the cleanest example yet of a CEO publicly arguing that fewer humans plus more AI agents equals a better company. Whether or not Armstrong is right, that framing is now reshaping hiring at firms you might one day apply to. Entry-level

roles—the ones traditionally handed to new grads—are exactly the workflows AI is eating first.

## **The Bigger Picture**

Crypto has been through several boom-bust cycles, and Coinbase has survived them all by trimming staff in the busts. What's new is the language: this isn't being sold as a downturn but as a permanent re-engineering. Watch two things next: whether Coinbase's productivity actually rises after the cuts, and whether other slumping industries—media, consulting, even retail banking—copy the script. If 'AI-native restructuring' becomes the standard cover story, distinguishing genuine transformation from ordinary belt-tightening will be one of the defining challenges for investors and workers alike.

### 3. Key Terms Glossary

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**Crypto exchange**

A digital marketplace where people buy, sell and store cryptocurrencies like Bitcoin and Ethereum. Exchanges typically earn money by charging a small fee on every trade.

**Inflection point**

A moment when the trajectory of something changes sharply and permanently. Borrowed from calculus, where it marks where a curve switches from bending one way to the other.

**Nasdaq listing**

When a company's shares begin trading on the Nasdaq stock exchange, making it publicly owned. Coinbase's 2021 listing was a symbolic milestone for crypto's mainstream acceptance.

**Cost structure**

The mix of fixed and variable expenses a company has to cover to operate—salaries, rent, software, etc. 'Adjusting' it usually means cutting one of those buckets.

**Disclosure (SEC filing)**

A formal document a public company must file with the US Securities and Exchange Commission whenever something material happens, so investors aren't trading on outdated information.

**AI agent**

A piece of software that can take actions—not just answer questions—on a user's behalf, like writing code, sending emails or executing trades. Armstrong wants Coinbase staff to manage 'fleets' of these.

**Production code**

Software that actually runs in a live product used by real customers, as opposed to experimental or test code. Armstrong's claim that non-engineers are now shipping it is what makes his AI argument provocative.

## 4. Reading Comprehension Quiz

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Circle the best answer for each question.

- Q1.** The passage primarily argues that Coinbase's layoffs are best understood as which of the following?
- A) A straightforward cost-cutting measure caused entirely by falling crypto prices
  - B) A response to two overlapping pressures: AI-driven productivity gains and a crypto slump
  - C) A reaction to new financial regulations imposed by Washington on crypto exchanges
  - D) A long-planned strategy unrelated to short-term changes in market conditions
- Q2.** According to the passage, why does a falling Bitcoin price hurt Coinbase specifically?
- A) Coinbase holds large reserves of Bitcoin that lose value when prices drop
  - B) Lower prices reduce trading activity, and Coinbase earns money from trading fees
  - C) Coinbase has guaranteed minimum prices to its customers and must cover the difference
  - D) Falling prices trigger automatic government penalties on listed exchanges
- Q3.** Which choice best states the central idea of the passage?
- A) Crypto exchanges are doomed because AI will eliminate the need for human traders
  - B) Coinbase's CEO is using AI to justify cuts driven partly by an industry downturn
  - C) Bitcoin's price decline this year proves crypto was always a financial bubble
  - D) AI tools have already replaced engineers at most major technology companies
- Q4.** As used in the passage, the word 'bites' most nearly means
- A) tastes
  - B) takes hold
  - C) punishes
  - D) criticises
- Q5.** As used in the passage, the word 'lean' most nearly means
- A) tilted
  - B) muscular
  - C) efficient
  - D) hungry
- Q6.** Which statement about Coinbase can most reasonably be inferred from the passage?
- A) The company's revenues are sensitive to investor enthusiasm for cryptocurrencies
  - B) The company plans to leave the cryptocurrency business within the next year
  - C) The company has never previously reduced its workforce in its history
  - D) The company's executives believe AI will fully replace all human employees
- Q7.** The passage suggests that the list of other companies citing AI for layoffs (Meta, Crypto.com, Snap) is included primarily to
- A) argue that AI is uniquely transforming the cryptocurrency sector
  - B) show that Coinbase's framing fits a broader corporate pattern
  - C) imply that these companies coordinated their layoff announcements
  - D) criticise tech firms for hiring too many employees during the pandemic

**Q8.** The author's tone toward Armstrong's stated rationale for the layoffs is best described as

- A)** openly hostile and dismissive
- B)** uncritically admiring and enthusiastic
- C)** carefully sceptical without being accusatory
- D)** completely neutral with no implied judgment

**Q9.** Based on the passage, which of the following is most likely to happen if cryptocurrency trading volumes recover sharply next year?

- A)** Coinbase's revenue would likely improve, even with a smaller workforce
- B)** Coinbase would immediately reverse the layoffs and rehire all 700 employees
- C)** Coinbase would be forced to delist from Nasdaq under SEC rules
- D)** Bitcoin's price would automatically fall to offset the trading increase

**Q10.** Which choice provides the best evidence for the answer to the previous question?

- A)** The reference to Armstrong as 'an outspoken tech figure' who co-founded the company
- B)** The statement that Coinbase 'makes most of its money from crypto-trading fees'
- C)** The mention that Coinbase's 2021 Nasdaq listing was 'a landmark moment'
- D)** The note that other companies including Meta and Snap have also cited AI

**My Score:** \_\_\_\_\_ / 10

## 5. Answer Key with Explanations

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**Q1.** The passage primarily argues that Coinbase's layoffs are best understood as which of the following?

**Answer: B**

The passage repeatedly pairs the AI rationale with the admission that crypto is 'still volatile from quarter to quarter,' showing both forces at work. A is wrong (Trap A: right scope, wrong direction)—it ignores the AI argument the CEO emphasises. SAT Tip: When a 'central idea' question appears, look for the option that captures BOTH halves of any tension the passage sets up; single-cause answers are usually traps.

**Q2.** According to the passage, why does a falling Bitcoin price hurt Coinbase specifically?

**Answer: B**

The passage explicitly says Coinbase makes most of its money 'from crypto-trading fees,' which depend on how actively users trade—activity that cools when prices fall. C is wrong (Trap B: uses passage vocabulary like 'prices' and 'customers' in a fabricated combination). SAT Tip: For 'according to the passage' questions, ignore what's plausible in the real world and only accept what the text actually states.

**Q3.** Which choice best states the central idea of the passage?

**Answer: B**

The passage frames Armstrong's AI rhetoric alongside the slump in digital asset prices, suggesting the cuts have a dual motivation. D is wrong (Trap C: a sweeping real-world-sounding claim the passage never makes). SAT Tip: The central idea must cover the whole passage. If an option is true of only one paragraph, it's a detail, not the main idea.

**Q4.** As used in the passage, the word 'bites' most nearly means

**Answer: B**

In the headline phrase 'as impact of AI advances bites,' the verb means the impact is starting to take hold or be felt. A is wrong (Trap B: the everyday meaning of the word, which doesn't fit the figurative usage). SAT Tip: On vocab-in-context, substitute each option into the original sentence; the right answer preserves the sentence's meaning, while the most common dictionary definition is often the trap.

**Q5.** As used in the passage, the word 'lean' most nearly means

**Answer: C**

Armstrong pairs 'leaner' with 'faster' and 'more efficient,' indicating the word means operating without waste. A is wrong (Trap B: a literal meaning of 'lean' that has nothing to do with corporate operations). SAT Tip: When a word appears in a list with synonyms, the surrounding words are your strongest clue—pick the option closest in meaning to its neighbours.

**Q6.** Which statement about Coinbase can most reasonably be inferred from the passage?

**Answer: A**

Because trading-fee revenue rises and falls with market activity, and Armstrong cites the 'down market' as a reason for cuts, sensitivity to investor enthusiasm is a fair inference. D is wrong (Trap C: an extreme version of a passage idea that the text doesn't actually support). SAT Tip: Inferences should be small steps beyond the text—if you need to add new assumptions to make an option true, it's probably wrong.

**Q7.** The passage suggests that the list of other companies citing AI for layoffs (Meta, Crypto.com, Snap) is included primarily to

**Answer: B**

*Listing several firms using the same justification highlights that 'AI' has become a common explanation across industries, not a Coinbase-specific story. A is wrong (Trap A: the opposite of what the comparison establishes—it shows the trend is broad, not crypto-specific). SAT Tip: When a passage offers a list of examples, ask 'what generalisation are they all evidence for?'—that generalisation is usually the answer.*

**Q8.** The author's tone toward Armstrong's stated rationale for the layoffs is best described as

**Answer: C**

*The passage reports Armstrong's claims while also noting the crypto slump and falling token prices—juxtapositions that quietly question whether AI is the full story. B is wrong (Trap A: the opposite tone). SAT Tip: For tone questions, look at what details the author chose to place next to each other; the juxtaposition often reveals an attitude the author never states directly.*

**Q9.** Based on the passage, which of the following is most likely to happen if cryptocurrency trading volumes recover sharply next year?

**Answer: A**

*Since the passage ties Coinbase's revenue to trading activity, a recovery in volumes would lift the top line, and the leaner cost base would mean more of that revenue drops to profit. B is wrong (Trap C: a real-world possibility the passage gives no basis for predicting). SAT Tip: For prediction questions, only use mechanisms the passage actually describes—don't import outside assumptions about how companies usually behave.*

**Q10.** Which choice provides the best evidence for the answer to the previous question?

**Answer: B**

*Linking revenue to trading fees is exactly the mechanism that makes a volume recovery translate into higher revenue. D is wrong (Trap B: relevant passage content used in a way that doesn't actually answer the previous question). SAT Tip: On evidence-pairing questions, decide which sentence in the passage justified your previous answer FIRST, then match it to whichever option quotes or paraphrases that sentence.*