INTRODUCTION

• OK, I'LL FESS UP: I'M NOT AN EXPERT ON ECONOMIC HETEROGENEOUS INTERACTING AGENTS
• I'M A COMPUTER GAMES DESIGNER
• MY SPECIALIST FIELD IS VIRTUAL WORLDS
  – FEAR NOT! AN EXPLANATION FOLLOWS SHORTLY!
• I'M HERE TO OUTLINE THE RECENT COMMODIFICATION OF VIRTUAL WORLDS
  – DAVE BIRCH, TALKING NEXT, LOOKS INTO THE WIDER AND FUTURE IMPLICATIONS OF THIS
• IN ESSENCE, PEOPLE ARE BUYING NON-EXISTENT STUFF FROM OTHER PEOPLE WHO DON'T OWN IT
**Definition**

- **Virtual worlds are online computer games**
  - **MMORPGs** - massively multiplayer online role-playing games
- **Note:** Online games are **not** online gaming
  - I'm not talking about gambling here
- These games support **large numbers of players simultaneously**
- The players use **client software** to contact **servers** operated by the game's developer

**History**

- **Virtual worlds began with MUD1 in 1978**

  Narrow road between lands.
  You are stood on a narrow road between The Land and whence you came. To the north and south are the small foothills of a pair of majestic mountains, with a large wall running round. To the west the road continues, where in the distance you can see a thatched cottage opposite an ancient cemetery. The way out is to the east, where a shroud of mist covers the secret pass by which you entered The Land. It is raining.

  Narrow road.
  You are on a narrow east-west road with a forest to the north and gorse scrub to the south. It is raining. A splendid necklace lies on the ground.

- **Text-based, up to 36 players simultaneously**
- Created by two students here at Essex University
  - Roy Trubshaw and Richard Bartle (that's me)
ASCII GRAPHICS

- GAMES SOON APPEARED WITH PRIMITIVE GRAPHICS

```
[ ][ ][ ][ ][ ]-=-[ ] orc sword shield chain
[ ] A S [ ] A Jennie.c
/ > ++++ [ ] A 2 skeletons
[ ] ++++ [ ] B trolls
[ ] B dh [ ]
[ ][ ][ ][ ][ ]
```

Swing hits with moderate damage
Orc is blocked by your armour
Skeleton is slain
Troll: Kia ardota luuppatar ne

>throw bottle at troll
R mace Hits Hits On Stamina Exper. M. Pnts.
L bottle 35 5 10 6523 9

- ISLAND OF KESMAI, 1981

2D GRAPHICS

- 2D GRAPHICAL GAMES SHOWED UP IN THE EARLY 1990S

- KINGDOM OF DRAKKAR, 1992

- BUT IN 1994 (IMMEDIATELY PRE-WWW), 10% OF ALL INTERNET TRAFFIC BELONGED TO TEXT MUDS
ULTIMA ONLINE

• Things changed with Ultima Online, 1997

STATS

• People pay a **Monthly Fee** to play **Ultima Online**
  – $12.99 a month at the moment

• It garnered **100,000** subscribers within a year

• Now, **8 Years Later**, it has something like **170,000** subscribers
  – After peaking at 250,000 in 2003

• It **still** takes over **$2,000,000** a month
  – And it's been running for **100 Months**!
Everquest

• **Ultima Online** ruled until Everquest, Spring 1999

Stats

• **Everquest** has around **460,000 subscribers**
  - That's more people than live in **Iceland**!
• Over **$5,000,000 a month in subscriptions**
• Supports **action figures** and **comics**

• There are plenty of others like it
  - SWG 250K, FFXI 550K, DAOc 175K, Runescape 340K, ...
NOT FORGETTING...

• **OH, AND **WORLD OF WARCRAFT

• **1.5 MILLION** PLAYERS AS OF MARCH
  – **RUMOURED TO BE 1.8 MILLION+ NOW**

BUT ELSEWHERE...

• **WOW IS JUST A PIPSQUEAK COMPARED TO** LINEAGE

• **LINEAGE (1997) HAS OVER 4 MILLION PLAYERS**
Stats

- **Lineage** (in the process of migrating to **Lineage 2**) has a population greater than that of **Eire**
  - Lineage has 2 million, Lineage 2 has 2.2 million
- **50% of the population of South Korea have tried Lineage at least once**
  - Population of S. Korea is ~48 million
- **Other >1 million Far Eastern Virtual Worlds:**
  - Legend of Mir
  - Final Fantasy XI (again)
  - MU Online
  - Ragnarok Online
  - Kingdom of the Winds

Property

- **Where does commerce come in here?**
- **Well, characters in virtual worlds own things within the context of the virtual world**
  - Swords, houses, magic wands, ...
- **Do the players own these things?**
- **Do the players even own the characters?**
- **At the time of writing (yesterday), there’s a Jedi Guardian from Star Wars: Galaxies for sale on eBay at $2,000**
  - No bids yet. It might sell, but the going rate is about $1,250 (down from $1,500 in March)
WIDESPREAD

- **ALSO ON EBAY:**
  - **GEMSTONE IV LEVEL 100 PALADIN** $1,500
  - **ANARCHY ONLINE 220 MARTIAL ARTIST** $800
  - **LINEAGE 2 LEVEL 74 HAWKEYE** $800 (DOWN FROM $1,250)
  - **RUNESCAPE LEVEL 104 WITH 1,400+ SKILL POINTS** $1,000
  - AND **HUNDREDS MORE**

- **IN-GAME CURRENCY ALSO FOR SALE**
  - **EVE ONLINE 2.5 BILLION ISK** $585
  - **EVERQUEST 5,000 GOLD** $420

- **THOSE WERE CURRENT PRICES — THEY’LL ACTUALLY SELL FOR MORE**

OTHER SALES

- **THINK ABOUT THIS A MOMENT:** PEOPLE ARE PAYING **REAL MONEY TO BUY IMAGINARY MONEY**

- **ALSO IMAGINARY PROPERTY:**
  - **SW:G JETPACK** $300
  - **GEMSTONE IV 9XHEAVY CRIT-PADDED CUIRBOUILLI ARMOUR** $700
  - **ULTIMA ONLINE ORNAMENT OF THE MAGICIAN** $215

- **AND IMAGINARY REAL ESTATE:**
  - **ULTIMA ONLINE CASTLES AT $1,000 AND $950**
  - BUT I’LL LET DAVE TELL YOU MORE...
NOTE

- EBay is **NOT** the main marketplace
- **IGE** has **100** people in customer service alone
- **ItemBay** makes more money in **COMMISSIONS** than all the virtual worlds it services do in **SUBSCRIPTIONS** — combined!
- The overall size of the market is **HUGE**
  — Again, Dave has some **MIND BLOWING** stats for this

BUT

- The thing is, most virtual worlds **BAN** virtual object sales
- Main reason: It's **CHEATING**
- Suppose 4 of us are playing **MONOPOLY**
  - The top hat offers **MAYFAIR** for sale
  - I offer **£1,000** for it
  - You offer **£100** for it, plus **£5** in **REAL** money
  - The top hat accepts your offer
- The Scottie dog and I are going to be **VERY** unhappy
  — Especially if it’s **his** set!
EXCUSES

• “I WANT TO TRADE, YOU WANT TO TRADE, WE BOTH GAIN. WHAT’S NOT TO LOVE?”
• IT RUINS THE GAME FOR THE 90% OF PLAYERS WHO DON’T TRADE IN VIRTUAL GOODS, THAT’S WHAT!
  – IT BREAKS THE MAGIC CIRCLE
• IF LETTING PEOPLE HAVE WHAT THEY WANT WERE HARMLESS, DEVELOPERS WOULD DO IT FOR FREE
  – YOU WANT A KICK-ASS SWORD? HERE, HAVE 10!

BUT

• THIS IS WHY DEVELOPERS GENERALLY BAN THE SALE OF OBJECTS/CURRENCY/CHARACTERS/ACCOUNTS
  – EVEN THOUGH THESE OCCUR OUTSIDE THE GAME
  – IN-GAME TRADE USING GAME CURRENCY IS FINE
• BUT IS SUCH A BAN LEGAL?
  – EVERY PLAYER SIGNED AN EULA ACCEPTING THE BAN
  – THE PLAYERS DON’T OWN WHAT THEY’RE SELLING ANYWAY
• OR DO THEY?
At present

- **Runescape Character Sale Small Print**

Disclaimer: I cannot sell any character or item, as Jagex owns all my characters and all the items in their inventory.

Please read this description carefully (especially between the lines) as I don’t want my chars or your future chars banned. So for the record, I am not selling any of Jagex Property. I am selling the time it has taken to master the art of leveling packaged for you to use immediately upon receipt of payment (after you do some things to set up the account, such as changing the password and recovery questions and activating the membership). This item is sold with no refunds, but you will be happy you made the choice. Trust me (look at my feedback, not alot, but I am at 100% and would not jeopardize that), Winner is expected to leave positive feedback and in turn, if payment is made promptly, so will I.

I guarantee if you are the winning bidder, you will have a Combat Level 104 Main Character on Runescape 2 with a fully stocked bank and lots of items within 24 hours of confirming your payment. This is not a scam, but this description is worded very carefully so that this auction is kept open and no accounts will be banned in Runescape. I take no responsibility if you do something to get this account banned after I turn over the information you need to setup your login and immediately have the stats and items listed here.

Commodification

- As far as some people are concerned, if it looks like a duck, walks like a duck and quacks like a duck, it’s a duck
- Virtual goods look like real goods, are traded like real goods, so a judge might decide real property laws should apply – and real tax laws?
- “There wasn’t a level 50 battlemage in the box when I bought it. I made it, so it’s mine”
- Unfortunately, if this were true then virtual worlds would die
**Implications**

- If I bought a unique magic sword for $1,000 and the next day the developer created 20,000 **identical** swords, could I sue?
- If I have **inventory** I could sell for $250,000 and the developer announces they’re going to **close** the game, can I force them to **stop**?
  - On March 15th 2004, eBay user shakti_122 bid $3,000 for an account on **Earth and Beyond**
  - On March 16th 2004, Electronic Arts announced they were **closing** **Earth & Beyond**
  - EA also announced they would **not** be licensing the software to **anyone**

**Why would this be bad?**

- If players could sue upon losing some of their investment, virtual worlds could never **evolve**
  - Every change affects someone adversely
  - “Nerfing”
- It would **rob** designers of artistic freedom
  - J. K. Rowling could **legally** distress millions by killing off miserable whiner **Harry Potter**
  - Why can’t virtual world designers upset a few foolhardy players who built their **houses** on the slopes of a **volcano**?
- It would be **impossible** to develop a game with a theme such as “escape from Colditz”
IT GETS WORSE

- Some players who “farm” gold or objects can **tie up the market**
  - If you want something, the **only** way to get it is from another player who has a program running the **whole time** getting it automatically

- **Players want these people BANNED**
  - Chinese adena farmers in *Lineage 2*

- **Yet Dark Age of Camelot was SUED for banning accounts run by Black Snow**
  - A company running a gold farm out of *Tijuana*
  - Never went to court
    - *Black Snow didn’t pay their lawyers…*

COTTAGE INDUSTRY

- **For sale recently on eBay:** one *UO* gold farm!
LOATHED AND DESPISED

- MANY PLAYERS LOATHE AND DESPISE COMPANIES SUCH AS IGE
  - THEY REGARD THEM AS “LEECHES”, “PARASITES”, “THIEVES” ETC.
- IGE HIRED THE WELL-RESPECTED THEMIS GROUP TO IMPROVE THEIR PR THROUGH MARKETING
  - THEMIS PULLED OUT AFTER 3 MONTHS AMID RUMOURS THAT ASSOCIATION WITH IGE WAS HARMING ITS OWN REPUTATION
- YET IGE IS ONE OF THE MORE RESPECTABLE COMMODOFiers
  - OTHERS ROUTINELY RUIN FREELANCERS BY BUYING STUFF FROM THEM THEN CANCELING THE PAYPAL PAYMENT

AND YET...

- A FEW VIRTUAL WORLD DEVELOPERS EMBRACE COMMODIFICATION
- SECOND LIFE IS AT THE FOREFRONT HERE
  - BUT IT'S NOT A GAME
- ACHAΣA SELLS OVER 4.5 MILLION ITEMS A YEAR TO ITS OWN PLAYERS
  - AND IT'S A TEXT GAME!
  - IT DOESN'T LET THEM TRADE BETWEEN ONE ANOTHER, THOUGH
- ULTIMA ONLINE WILL FAST-TRACK CHARACTERS THROUGH THE FIRST 25 LEVELS FOR A FEE
THE TIDE TURNS

• Last month, SOE (EQ, SWG) changed its mind and said it would support real-money transfers
  – It got a vitriolic reaction from its players
  – And also from some other developers
• SOE claims it’s bowing to player demand
  – But safe to assume it wants a piece of IGE’s action, given it can’t stop these trades
  – Also, its profits plunged when Wow stole its EQ2 customers...

SUMMARY

• There is a vibrant trade in virtual objects
  – IGE (under-)estimates $880 million worldwide per year
• Most players are against this trade
  – Because it spoils their fun
• Most developers are against it too
  – But Sony Online Entertainment has broken ranks
• There’s no problem if developers want to embrace commodification
• The problem is when they don’t want it but get it anyway
• As always, it’s a good time to be a lawyer...