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MMORPG's - Virtual Economies Spilling into the Real World

The main purpose of this paper is to show that the virtual economies that appear in MMORPG's (Massive Multiplayer Online Role Playing Games) are real economies that can and should be treated as such. We are going to show that these economies do not just randomly show up but are inevitable because of the economic principles that are presented in these games. We will show that as these games get more realistic and more involved for the user that the economies become more expansive and more stable. This will lead us to the conclusion that as these games will continue to get more realistic and more involved that this concept of a virtual economy and the real economies that go along with it will have to be taken in to account when designing these games. We will look at how past/current games are taking this concept into account already and how they either embrace or try to discourage such out of game real money transactions and how they treat the in game economies.

The plan right now is to have an introduction where we present our thesis and give an outline for the rest of the paper. The next paragraph will be a background of MMORPG's. Since we are going for a broad audience that will include people who have never played these games we will go through how they are played. We will go through what a basic virtual world is like and how exactly the user interacts with such a world. There are obviously many variations that differ from game to game but for the most part these games work on the same basic in-game principals which we plan on going over. This will give a basis of understanding for the audience to see just what a virtual economy looks like from an in game perspective. This will include how people

acquire/trade items and how they are used in the game. We will go over the concept of an avatar and how this character interacts with the virtual world. We will then go into five principles that a game must have in order for a virtual economy to emerge. The first is persistence which is the idea that you can turn off the game but the world does not disappear. This creates the idea of permanence of the virtual world so that the user's actions will transcend one session of game play. The second is property rights, which is the idea that the user retains any resource that comes into their possession and that they can do what they want with that resource. This creates the idea of permanence of the resources in the virtual world so that a user can now accumulate resources that will transcend one session of game play. The third is trade which is the basic idea that users can exchange resources between one another. This creates an environment where users can interact economically. The fourth is scarcity which is the idea that one must put in work (money, time) to get resources (items, money, power). This creates the idea of opportunity cost in the virtual world so that the user can now put a value on resources in the game. The fifth is specialization which is the idea different characters have different skills that are particular to that character and thus resources that are also particularly valuable to that character. This creates the idea of competition and markets for resources with their own supply and demand. We will go through these five principles in regard to past/current MMORPG's on the market and see how they incorporate these principles into game play and then look at the resulting economies that arise in order to show that it is no coincidence. We will use this to show that whether or not companies chose to embrace or discourage real money trading that it is inevitable with games of this sort because they in fact embody real economies.

Outline

1) Introduction

2) "How These Games Work"

- this section will be an introduction to MMO's. What an MMO is, how it's played, why people play them, etc.

3) Brief History of MMOs

- Discussing the history of MMOs is important to give a reference point to the increase in sales of virtual items. Understanding some of the history can help understand why selling of virtual items become more popular.

4) How Items Are Bought and Sold

- Items are bought through e-bay, "Station Exchange", etc
- Why people buy them
- Talk about when buying items became more popular

5) What Makes an Economy?

- Wikipedia lists 5 aspects of a virtual economy - persistence, scarcity, specialization, trade, property rights. Obviously we won't use wikipedia as our source, but we'll use info about virtual economies from a more reputable source.
- We'll break down what makes a virtual economy, and explain how games in the past and present, like Everquest/Project Entropia, are models of an economy
- Each aspect of a virtual economy will be its own section

6) The future of virtual economies

- Recommendations for dealing with and incorporating the sale of virtual items
- Where we think the future will go

7) Is buying and selling virtual items good for the game/economy?

8) Conclusion

Bibliography

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“On Virtual Economies” – Castranova, Edward

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“Virtual Property” – Hunter, Dan and F. Gregory Lastowska

“Virtual Reality: Investing in Virtual Property” – Lehdonvirta, Vili

“Virtual Worlds: A First-hand Account of Market and Society on the Cyberian Frontier” – Castranova, Edward

“Who Owns My Avatar? Rights in Virtual Property” – Eriksson, Anders, Kalle Grill

“Who’s Game Is This Anyway? Negotiating Corporate Ownership in a Virtual World” – Taylor, T.L.

(Note: Obviously this isn’t a formal bibliography, but it has enough information to find and locate the papers)