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## Virtual Economies, Virtual Goods and Service Delivery in Virtual Worlds

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## **Currencies and Capitalisms on the Internet**

Minna Ruckenstein, University of Helsinki

### **Abstract**

The internet is a particularly vibrant arena of economical development and transformation, because it brings together producers, distributors and consumers in a highly efficient manner. By doing so, it enables the exploration of innovative concepts without having to build costly new facilities. Thus the internet has become a living lab, which is used by people all over the world for creating and developing new economical forms.

Anthropology offers a rich tradition for studying processes of production, distribution and consumption. In addition, anthropological studies on money offer interesting insights for thinking about uses of currencies on the internet. New forms of economical interaction create new kinds of currencies and money is multiplying on the internet. The aim of this paper is to outline some questions that can be raised by anthropological studies on economical forms and uses of currency. In order to understand virtual economies we need to think of what “the economy” actually means. Well-known economical forms are being replicated on the internet, but other kinds of economies are also being created that raise the question of how useful the mainstream idea of the economy is for studying them. Virtual economies often promote self-realization and creativity that have less to do with money than with being part of a vibrant community of people.

**Keywords:** capitalism; currency; virtual economy.

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## Currencies and Capitalisms on the Internet

Minna Ruckenstein, University of Helsinki

The Internet is a vibrant arena of economical development and transformation that brings producers, distributors, and consumers together in an efficient and innovative manner. By doing so, it enables the exploration and implementation of economic transactions without having to build costly new facilities; people all over the world can use the Internet as a living lab for creating and developing new kinds of interactions for the production of value.

Anthropologists, along with other social scientists, have started to pay attention to the forms of production, distribution, consumption, and contestations generated and enabled around them by interactions on the Internet (e.g. Boellstorff, 2008; Kelty, 2005; Malaby, 2008). These studies suggest that the methods and findings of classical anthropological studies can fruitfully be extended to Internet research. Anthropologists have consistently argued for a cultural understanding of the economy; economic transactions derive their forms and vitality from culturally shared aims and desires. This idea also applies to the Western ideology that promulgates the idea of the ‘the economy’ as a bounded and independent domain of human experience; the founding myth of the market economy suggests that it is somehow ‘beyond culture.’ Consequently, economic transactions are typically represented as being detached from cosmological ideas about the world. Contrary to this approach, anthropologists have demonstrated how ideas about the economy rely on Western ideas of the universe, human nature, and the individual. Thus the individualistic discourse of economic action that is personified by the rational and profit-seeking *homo economicus* is first and foremost a cultural discourse (Sahlins, 1996).

This paper argues that because of its critical stance towards prominent notions of the economy, an alliance with anthropology can greatly benefit studies of ‘the virtual economy.’ When economic transactions are understood to be cultural, they are by definition virtual: “Through culture, humans are always already virtual” (Boellstorff, 2008, p. 249). This means that it makes little sense to analytically separate ‘the virtual economy’ from ‘the economy’ as physical-world activities. Both in physical and virtual world, offline and online, people orientate themselves through culture. It is possible to study economic forms within the Internet with the same ethnographic tools and analytical concepts used to study human cultures all over the world.

The virtual nature of economic transactions suggests that processes of value production are of key importance for understanding current forms of the online economy. As I will demonstrate, well-established patterns of economic transactions are replicated on the Internet, but other versions of capitalism have also found a particularly fertile ground online. These findings suggest that if we approach the economy anthropologically, we can better understand how online economies carry on ideas central to Western ideology, while opening up new possibilities for arranging production, distribution, and consumption. These arrangements often emphasize playfulness and creativity, which makes them appear free of hierarchies and inequalities. Yet, as I will demonstrate, power relations are played out in a new manner to which studies of online economies should pay much more attention. Economies on the Internet do not erase forms of inequality, but they do redefine them in imaginative and sometimes unexpected ways.

The discussion that follows relies on anthropological studies of perhaps the most celebrated ‘social’ virtual world, Second Life (Boellstorff, 2008; Malaby, 2009). Second Life was launched in 2003 and it differs from other well-known virtual worlds like World of Warcraft and Everquest II in that it has no established game objects; users spend their time in Second Life in a wide variety of ways doing all kinds of things imaginable. It is estimated that Second Life would have about 600,000 active users (Malaby, 2009, p. 2): this means that other virtual worlds are much more popular. Thus the amount of users is not what makes Second Life interesting. What anthropological studies demonstrate is that the Second Life exemplifies important themes for studies of Internet economies by concentrating developments that are becoming more prominent in both online and offline worlds. From this perspective, Second Life is an important laboratory for future trends of capitalist production. In describing these trends I am also relying on my ongoing research on Finnish children’s interactions in the Habbo Hotel that brings to the fore online forms of production, distribution, and consumption from the child perspective.

### **Business as usual online**

The vibrancy of economic transactions online becomes tangible in relation to money. Money is multiplying on the Internet; new currencies are constantly being invented for company-created virtual worlds where people operate through personalized avatars. A fundamental difference between virtual worlds and the offline world is that virtual worlds can be owned by companies; this means that virtual worlds are often backed by venture capitalists who expect to make a profit. New currencies are used for managing and generating cash flows; they are designed as “special-purpose money” (Polanyi 1968) for certain forms of exchange. For instance, in Second Life, a special-purpose currency is used for purchasing clothes, furniture, land, and property for avatars.

Companies have consistently tried to limit economic transactions within their virtual worlds to the special purpose currencies exclusively created for use within the games’ boundaries. Without exception, however, users have started to exchange special-purpose currencies for general-purpose money. Consequently, an informal economy around web-currencies that typically operates through auction sites like the eBay has been created. The owner of Second Life, Linden Lab, took this into account and the company tied the value of the ‘linden dollar’ to that of the U.S. dollar. Since 2003 the linden dollar has been freely convertible through the U.S. dollar to all other currencies (Boellstorff, 2008, p. 212). Tom Boellstorff (2008), who has written a fascinating account of “the coming of age of Second Life,” describes how the linden dollar was transformed into a currency that invited people to pursue economic successes characterizing the offline world. This generated online retail, banking, real estate sales, and financial speculations in Second Life. Even though the income of residents was typically modest, fortunes were also made online through buying and selling land and property (Boellstorff, 2008, pp. 212-217).

These kinds of economic activities suggest that ‘the virtual economy’ is business as usual; it can easily be explained with well-established models of supply and demand. Research suggests, however, that there are also other forms of production, distribution, and consumption online that go beyond the usual explanatory models of the economy; users and residents of virtual worlds typically seek value that derives from other sources than ‘purely’ economic transactions. One could argue that these forms are social, not economic. Yet, in an indirect manner, they are intimately linked to a pursuit of economic profit through processes of

production of value. Thus I suggest that it makes sense to study these forms as economic, even though they might not be easily separated from the aims and desires that people have for spending time online. This kind of approach is also in line with an anthropological perspective that approaches the economy through culture.

### **Creationist capitalism**

It is well-established that residents and users of virtual worlds seek entertainment, self-fulfillment, expertise, social relations, and respect. These aims and desires are not determined by the economy, or the Internet for that matter. They are clearly motivated by cultural values. For instance, the *Global Habbo Youth Survey* (2008, p. 30) tells us that “being well respected” is the aspect of future life which has the most value for Habbo-users. Other important values that guide children and youngsters in their everyday lives are: “finding an interesting job” and “having lots of friends.” The definition of value suggested by David Graeber (2001, p. 254) is particularly useful for thinking about what might inspire people in virtual worlds: he argues that “value is the way actions become meaningful to the actors by being placed in some larger social whole, real or imaginary.” This means that one needs to “define things not in terms of what one imagines them to be in a certain abstract moment, outside time, but partly by what they have the potential to become” (Graeber, 2001, p. 254). In other words, people are not motivated purely or even primarily by the acquisition of things, but by the potentialities that these things might open up for them. The purchasing of clothes, furniture, and property in virtual worlds becomes meaningful if the actions required for obtaining and owning them make sense in a larger social whole.

Tom Boellstorff defines the economy of Second Life in relation to such a larger social whole as capitalism that he refers to as “creationist capitalism” (2008, p. 206). Creationist capitalism is a term that attempts to capture a much more general shift towards a mode of production which is becoming globally prevalent. This move has also generated other definitions; it has been referred to as playful capitalism or “ludocapitalism” (Dibbell, 2006). In business literature the interaction between the company and the consumer is now presented as the new locus of value creation, “the co-creation” (Prahalad & Ramaswamy, 2004). In other words, creationist capitalism seems to refer to a widely recognized shift in capitalism that is not only interested in people’s creativity, but equates it with labor: “production is understood as creation” (Boellstorff, 2008, p. 206).

Boellstorff (2008, p. 208) defines creationist capitalism through a Christian metaphysics that firmly ties it to the Western ideology. Instead of predestination, however, people are guided by individualistic self-fulfillment. In Second Life the resident becomes “a minor god,” who participates in the creation of new worlds for human sociality. As Boellstorff (2008, p. 207) puts it: “In creationist capitalism, selfhood is understood as the customization of the social.” Thus it is the idea of the self as the creator that is becoming a prominent way of seeing the world, including economic action. The notion of the consumer as the new locus of value creation materializes in joint ventures which are being promoted by companies and consultancies. These ventures are referred to with terms such as coproduction, co-invention, co-distribution and co-consumption that underline that “value will have to be jointly created by both the firm and the consumer” (Prahalad & Ramaswamy, 2004, p. 7). In this understanding, people are not simply selling their labor-power and consuming ready-made products, but they are actively co-producing products and services that they consume.

Capitalism that is founded upon the creative contribution and participation of individuals is an updated version of the well-established economic tradition that situates individual needs at the heart of economic action. Because of its emphasis on individual creativity, creationist capitalism is, however, an unusually seductive cultural translation of capitalism. It promises to make sense both economically and socially. It is to be a reassuringly fun version of capitalism: playful, dynamic, productive, individualistic, egalitarian and emancipatory. A form of capitalism that does not alienate but engages; it promises to treat consumers as “informed, connected, empowered and active” (Prahalad & Ramaswamy, 2004, p. 6).

Boellstorff (2008, p. 207) locates the structuring principles of creationist capitalism in the individualistic ethos typical to Californian culture. Through innovative technologies, the Silicon Valley is an important locus for the circulation and dissemination of this ethos. For instance, the developers of Second Life, who work in San Francisco, actively promote this unique ethos which is characterized by a firm belief in the emancipatory potential of new information technologies, free-wheeling bohemian creativity and goal-oriented entrepreneurship (Malaby, 2009).

Because of its intimate links to the development of technologies, creationist capitalism provides a fruitful framework for studying the economy online. The Internet offers an exceptional venue for forms of co-invention and co-creation: people can participate in creative processes much more freely than in the offline world where people typically need some credentials to become part of established creative communities. Online people are only judged on their doings: they do not need to prove themselves to be capable beforehand. This does not mean that the online world is free of power relations and hierarchies; processes of inclusion and exclusion are simply played out in new ways.

Thus ethics and politics of virtual worlds rely on notions of creativity that suggest that production is possible without alienation (Boellstorff, 2008, p. 209). Creationist capitalism invites people to join in and become creators of their own worlds. In practice, this means that company-created virtual worlds rely on and take advantage of user-generated content. “Second Life *depends* on unanticipated uses by its consumers,” as Thomas Malaby (2009, p. 8) puts it. Similarly, the Habbo Hotel flourishes because children and youngsters from Brazil to Finland produce content for it. User-generated theme rooms in Habbo Hotel include barbershops, police stations, hospitals, cruise ships, market places, and adoption centers.

Thus the cultural production of its users is crucial in order for the company to make a profit, even if it is distanced from corporate cash flows through the logic of creationist capitalism. Children participate in the production of Habbo Hotel and make it appealing to other children, even if children and parents would not refer to this production as a form of labor. In creationist capitalism creativity allows labor to acquire value as a form of leisure; children’s creative doings transform themselves into a form of labor in its own right. This reflects a more general blurring of work and play that the Internet is particularly good at enabling. Celia Pearce (2006, p. 18), a game researcher, argues for a notion of play as an act of production; paradoxically, in virtual worlds people pay money to produce their own entertainment and self-fulfillment. In places like Second Life and Habbo Hotel production melts into play and leisure.

### **Towards new worlds of sociality**

I have argued for an approach that defines the economy as cultural and thereby also virtual; this means that capitalist action, whether online or offline, motivates people because it opens up possibilities to become a part of some larger whole, real, or imaginary. From the perspective of creationist capitalism, this means that people become users and residents of online worlds because they want to participate in creative processes either by generating content for online worlds or by consuming the products of other people's creativity. I have also suggested that it makes little sense to think of the 'virtual economy' as an independent form of economy. This point becomes further emphasized by the fact that capitalism that benefits from and builds on the creativity of people is not merely a characteristic of virtual worlds. The idea that creation is part of the capitalist process has a well-established history in Western ideology, but it has become more prominent and is now being convincingly disseminated in the corporate world through management consultancies that argue for the centrality of co-creation in the production of economic value. The Internet offers an unusually open venue for further disseminating and implementing this idea because information technologies both facilitate and make possible processes of creationist capitalism.

Precisely because the Internet is so relevant to current economic processes, researchers should actively avoid reinforcing the idea that 'the virtual economy' is somehow qualitatively different and separable from 'the economy.' The production of value that takes place through information technologies will have an increasing cultural impact worldwide: it will affect both actual flows of money and new worlds of sociality benefiting from forms of production, distribution, and consumption. This impact can remain unrecognized if important cultural continuities between online and offline worlds are not empirically verified and analyzed in research. Such continuities are a key to the study of the Internet because they can underline how online worlds represent, concentrate, and accelerate cultural forms and movements. Through their interactions in Habbo Hotel Finnish children are, for instance, producing childhoods that have not existed before. A prominent idea of modern childhood as a non-productive area of leisure becomes efficiently questioned by children's participation in processes of co-creation. Similarly, in the case of the creationist capitalism, it is important to tie it to the Western ideology and culture of Silicon Valley, which is characterized by a distancing of hierarchy and the endorsement of individuals pursuing an enlightened self-interest as they use technologies for creative expression.

Cultural continuities and disruptions offer the potential for a deeper understanding of what inspires and motivates productions of value in virtual worlds. In order to identify continuities, disruptions, and transformations, it is important to explore how people circulate their ideas in virtual worlds in order to create something new. In terms of the economy, it is crucial to study people, including children, who eagerly take part of in processes of co-creation. From the perspective of a notion of a rational and profit-seeking *homo economicus*, people are doing something counter-intuitive. They are giving away the products of their own creativity, being openly altruistic. Virtual worlds make visible people's needs to participate in networks of giving and receiving, and this makes these worlds so useful for thinking through key questions concerning the economy and society.



The Internet is a huge shopping mall and a place for making money, but it also promotes self-realization and creativity motivated by being part of vibrant, creative, productive communities of people. All this suggests that we need to explore capitalism as a cultural process which takes advantage of what came before it, but also pushes forward new worlds of human sociality. As Malaby (2009, p. 11) argues: “technology is more and more directly confronting human sociality, with effects that are not determined by either existing social patterns or the impact of the new.” While technologies increasingly saturate our experiences, engagements with technologies are never entirely separable from physical-world activities. Through culture, the Internet shapes offline worlds, including those of people who have nothing to do with the Internet. With its focus on playfulness and creativity, creationist capitalism has the potential to become a new master narrative for the economy. From this perspective, virtual worlds are at the heart of processes by which important future projects are being defined; people worldwide are being influenced, even shaped by new forms of production, distribution, and consumption. These are the processes that we need to understand in order to contribute to them.

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