

# Governance in Virtual Environments

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# Virtual environments

- Multiplayer
- Real time simultaneous
- Immersive
- Persistent
- suspension of disbelief, not virtual reality
- MMORPGs
  - pen & paper
  - online text based
  - massively multiplayer graphical

# Types of virtual environments

- Game style worlds

- World of Warcraft, Lineage (I & II), City of Heroes, Everquest (I & II), Star Wars Galaxies, etc.
- Strong central narrative

- Social spaces

- Second Life, A Tale in the Desert, Project Entropia, There, etc.
- No central narrative – free form

# Why games?

- **MONEY**

- External economic effect

- WoW has 6 Million subscribers
    - Total industry 13 Million subscribers worldwide
    - Growing exponentially

- Internal economies

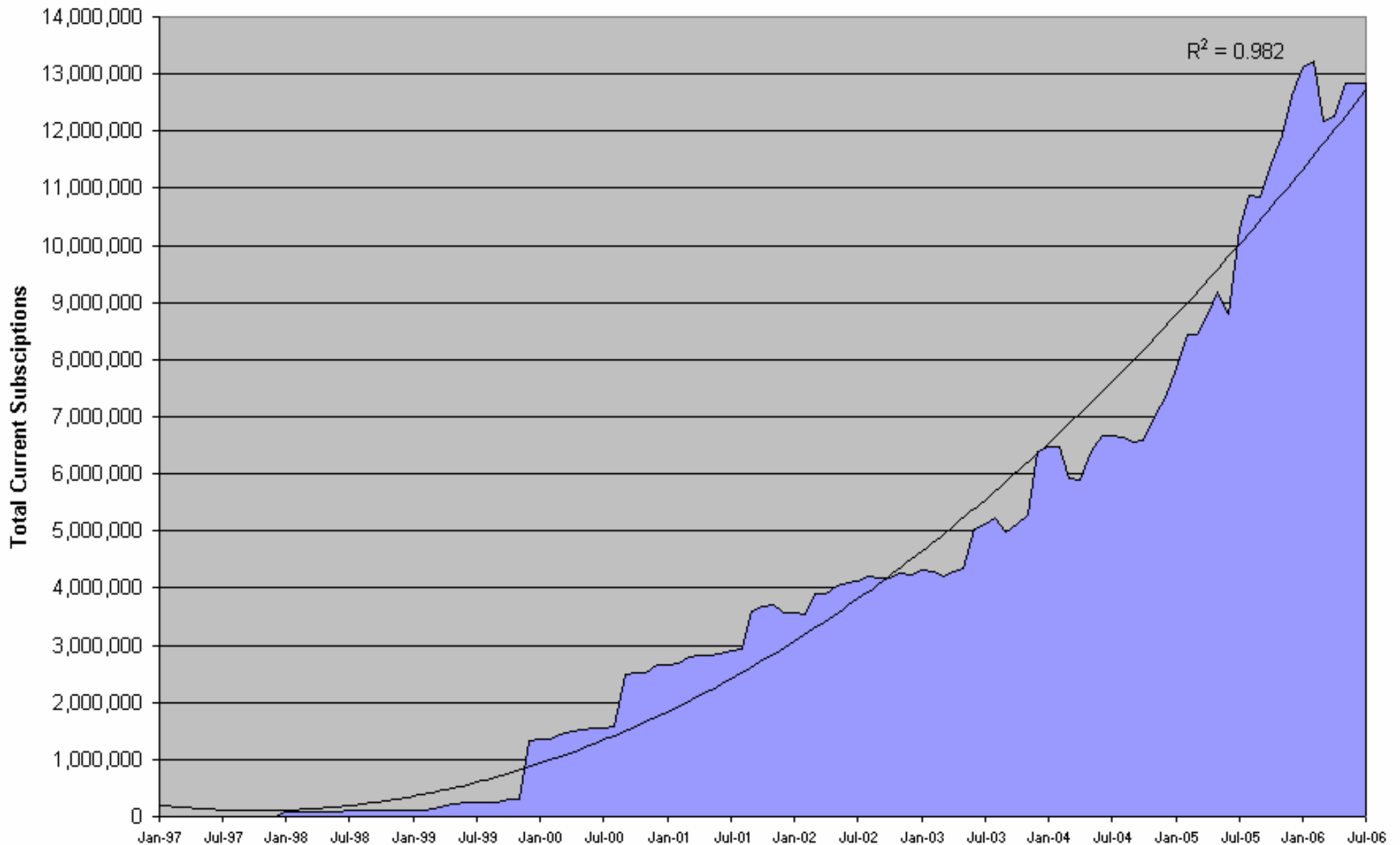
- Castronova on Everquest in 2001:

- Nominal wage USD\$3.42/hour
      - GNP per capita USD\$2,266
        - 77<sup>th</sup> in the world, between Russia and Bulgaria

- Project Entropia, Second Life

- real currencies, real exchange rates
      - booming virtual real estate business

## Total MMOG Active Subscriptions



# Not just money!

- “Virtual worlds are entitled to respect because real people care about them and come together in them.” (Grimmelmann)
- Social relationships
  - people live, love, learn in these spaces
  - play, trade, socialise – no real limit to motivations of participants
- Castronova: 20% of Everquest players live in Norrath and commute to Earth to support themselves

# What are the rules?

- Governed by contract (EULA, ToS)
  - **Blizzard may terminate this Agreement at any time for any reason or no reason.** In such event, you must immediately and permanently destroy all copies of the Game in your possession and control and remove the Game Client from your hard drive. Upon termination of this Agreement for any reason, all licenses granted herein shall immediately terminate. (WoW EULA, cl 6)
- The virtual world is the property of the platform owner
  - a (mostly) benign dictatorship

# Near-term tensions

1. Real Money Trades (RMTs)
2. Marginalisation of player value
3. Intellectual property – copyright
4. Virtual crimes
5. Virtual liberties

# 1. Real Money Trades

- MMORPGs are *boring*
- Time-poor players pay others to grind for them
  - money, items, status
- Game-based worlds often prohibit RMTs
  - seen as a breach of the magic circle
  - potentially harms subscription model – removes grind, and lowers barriers to exit
  - players dislike both 'ebayers' and 'farmers'
    - Ebayers obtain benefits without labour;
    - farmers cause inflation

# RMTs (cont)

- Blizzard banned 30,000 accounts in May – removed 30 Million gold (USD\$3.2M)
- Actively encouraged by other worlds
  - Everquest, Ultima Online – centralised trading
  - Project Entropia, Second Life – fluid economy
- Selling property of the publisher, or buying the labour of the participant?
- “virtual sweat shops” or new economy innovators?

# RMTs (cont)

- Expect virtual environments to adopt a services based economy
  - power-levelling, custom designs, etc
- Economy based primarily on artificial scarcity
  - vulnerable to inflation, flooding by platform owner or participants
- Detinue and Conversion of virtual wealth?
- Suits against platform owner for unfair competition?

## 2. Value generated by participants

- participants are responsible for much of the value of virtual environments
  - content
  - social relationships and structures
- What keeps subscribers is not only content, but other participants
  - Not recognised by platform owners – players don't feel like they have a say
  - Relationships are commodified and devalued by platform owners
  - What happens when a player is removed from all of his or her social relationships?

# 3. Copyright

- Participants unable to represent their environments
  - machinima
  - game guides (*Kopp v Vivendi*)
- Healthy disrespect for external copyrights
  - leads to strange business models:

# Copyright- buy *The Scream*

The screenshot shows a virtual world interface for Second Life. At the top, a blue title bar reads "Second Life" and includes a menu (File, Edit, View, World, Tools, Help) and system information (Mullett 234, 139, 146 (PG) - Moonshine Casino / FREE MONEY / BLACKJACK / SLOTS, 7:00 PM, L\$3,910). The main scene is a bar with a bartender and several patrons. A dialog box titled "Buy Copy of Scream by Munch" is open, showing a preview of the painting "The Scream" and asking to buy it for L\$30. A framed copy of the painting is also visible on the right. A text box on the left contains a warning: "d, the bartender, is a generous guy! minute he will open his wallet for his guests. asleep, or he will send the bouncer on you! hour or so, he may give your seat to someone else!". Other text elements include "Sit here", "Stand Up", and "Music control". The bottom of the screen features a navigation bar with buttons for History, IM, Chat, Friends, Fly, Snapshot, Find, Build, Say, Shout, Gesture, Mini-Map, Map, and Inventory.

Second Life

File Edit View World Tools Help Mullett 234, 139, 146 (PG) - Moonshine Casino / FREE MONEY / BLACKJACK / SLOTS 7:00 PM L\$3,910

Chloe Carlos Jeanine Oe (Away)

Buy Copy of Scream by Munch

Scream by Munch (no copy)

and its contents:

Buy for L\$30 from Moonshine Herbst?

Buy Cancel

d, the bartender, is a generous guy!  
minute he will open his wallet for his guests.  
asleep, or he will send the bouncer on you!  
hour or so, he may give your seat to someone else!

Open Access Learned Om

Cloudedjudgement VIP Jebediah Spatula

Learned Om earned L\$18 just sitting here.  
Zenith Babcock

Jebediah Spatula earned L\$6 just sitting here.

Sit here

Stand Up

Music control

History IM Chat Friends Fly Snapshot Find Build Say Shout Gesture Mini-Map Map Inventory

## 4. Virtual crimes

- Stealing virtual items?
  - Loss of monetary value
  - cf rules of the game?
- Confiscation of property
  - Marc Bragg v Linden Labs
- Cheating, Fraud
  - Acquiring land (Bragg)
  - Gambling regulations?
- If code is law, is everything which is possible permissible?

## 5. Virtual liberties

- Freedom of expression?
- Freedom of association?
- As more of our interactions occur in these virtual environments, who controls our relationships?
- Public activities in private spaces
- Who has rights of exclusion?
- Are these places going to be countries or country clubs? (Prokofy Neva, upon being banned from a 'public library' in SL)

# Naked gnome protest





# What role for territorial law?

- Danger of regulating virtual environments out of existence
  - Let the market decide
- But, can we trust platform owners to rule fairly?

# “if you don't like it, leave”?

- right of exit dependent on low switching costs
- high switching costs important for continued subscriptions
- Very difficult to leave an environment which is designed to attach you
  - property, status, social relationships
- Real Money Trades can significantly lower switching costs (for commodified indicators)
- Are low switching costs necessary for a liberal environment?
  - If so, how will platform owners enforce the rules?

# Breaking point?

- Individuals have little power
  - Will it take player unions to effect change?
  - Class actions unlikely
- EULAs and ToS may be unconscionable
- Property is a pressure point
  - Courts may be responsive to arguments framed in terms of property interests of participants
- Hegemony and relative autonomy
  - keeping participants happy and oppressed?

# Justified intervention

- Courts and legislatures will eventually be asked to intervene
- When will they be justified in doing so?
- We don't have universal rights of the avatar
  - different for all environments
- Do we have a baseline?
- Is there a way of knowing?

# The importance of governance

- Virtual environments should be allowed to develop
  - need to be able to make their own rules
- The more legitimate the rules, the less territorial powers should interfere
- Where a sovereign behaves arbitrarily, we may have a duty to protect the participants

# Define legitimacy

- What do we expect from virtual environments?
  - participants know the rules
  - rules are enforced transparently
  - decisions are not made arbitrarily
  - Right of appeal?
  - Participatory decision making?
- What is the baseline?
- Are there a set of principles we can establish?