



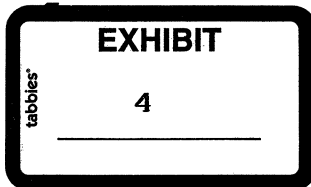
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## Second Life and the virtual property boom

By Aleks Krotoski / Virtual worlds 10:41am

I've just seriously dug into the online "game" Second Life, a remarkable tool which seems to span genres of interactivity. At once an online game without the plot-structure, a 3D Multi-User Dungeon and a visual chat room, it has a well-documented history of intriguing cross-over economies. In light of last week's announcement about the case of the Chinese gamer who stabbed another man over the theft of his virtual sword, and subsequent post about the relativity of virtual property, I asked Second Life's CEO and Founder Philip Rosedale some questions about the rationale for making their ground-breaking step towards user-ownership, and how that's making leaps towards sci-fi author Neal Stephenson's freaked-out vision of the metaverse.

**Second Life famously offers its players total ownership of their**

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### **in-game creations. Why?**

We like to think of Second Life as ostensibly as real as a developing nation. What kind of government is there? Would I move there? When we were developing the idea we read a lot of books and were inspired by Hernando DeSoto's *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*.

Why is it that Western capitalism sometimes seem to work and sometimes it doesn't? Western capitalists would say that some developing countries have everything associated with Western capitalism, but why do they still have a low GDP? DeSoto concludes that the answer starts at the bottom, not at the top. What it all has to do with is land. The number one creator of new business in the US is second mortgage on property. The fundamental basis of a successful developing nation is property ownership. If people cannot own property, the wheels of western capitalism can't turn from the bottom.

### **How does that Western capitalism translate into Second Life?**

We launched Second Life without out of world trade and after a few months we looked at it and thought, "We're not doing this right, we're doing this wrong." We started selling land free and clear, and we sold the title, and we made it extremely clear that we were not the owner of the virtual property.

USD\$.4m a month is traded directly to world markets in Linden Bucks on Gaming Open Market. That's USD\$.4m redeemed, or Linden Bucks turned into US dollars. In May 2005, the total amount traded in-world was USD\$1.47 million. There were 1.3 million transactions between 19,500 unique users.

### **Why is this important?**

We think there are fundamental elements in successful sites: 1. a tangible sense of community to form into groups and to talk live; 2. a marketplace. There needs to be some sort of an exchange marketplace that allows people to trade with one another. It doesn't

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have to be valued in US dollars, but there needs to be a marketplace;

3. whatever it is that's being traded and valued must be user-created;
4. the site must be fundamentally unstructured, which allows people to be intellectual and curious. Second Life is magically unstructured, like a park, and therefore users can create their own relationships with it.

**What do you gain from allowing users to keep their virtual property?**

We get the content. We allow people to create a world which will be thousands of times more compelling than we could create ourselves. To date there are 10 million things built by users in Second Life. In other games, it's all about getting all of the finite amount of content. Once that's done, players move on. We're continually updating with user-created objects so we don't have to put patches or sequels out.

**How is value realised in the game?**

One of the things that's been underscored is the degree to which we value objects to the extent of seeing the amount of creative energies that have gone into them. A Mercedes is valued because of intangibles, not the number of screws and the technology used to put it together. It's its service record. If things have that associated with them, they are real. They don't need to be physically tangible to be real.

Scarcity is another way of creating value, but brand, lifestyle and meaning are important as well. Clothing from [in-game clothing designer] Nephilaine Protagonist is highly valued because it's her stuff. I talked with a head guy at Vercace who said to me, "I sell jeans for \$5,000. There's no reason for that, but people will pay that much for the pleasure of wearing the brand."

Should virtual property be treated as real? It's moot; what's happened in common law is that it's been determined to be real.  
Case closed.

The talk in the interview is loose about what is actually owned. What is owned is intellectual property rights, read the terms of service for an exact definition what it is LL give you rights to and what rights they force you to give back. Also you will note that for the avoidance of doubt the TOS states that LL can delete any data they want at any time.

**Posted by ren reynolds on June 15, 2005 12:50 AM.**  
Offensive? Unsuitable? Report this comment.

Right, they can delete your property at anytime. What that means to me is that it is "imaginary" property. You can pretend that you own these things in the game, and you might even get someone else to pay you for the things you own in the game.

I think it's important to keep in mind that any such "property" or "transactions" should be considered for entertainment purposes only. It's only a game.

**Posted by Zach Anthony on June 16, 2005 12:19 AM.**  
Offensive? Unsuitable? Report this comment.

Just like with real life money is not worth anything. Your government backs it however, and it is only worth as much as you have confidence in them. Clearly one should not trust Linden Labs to back their goods as strongly as a developed nation would, but think of in game assets as currency backed by a very weak, poor country. If all goes well you stand to gain a great deal, if it goes sour you lose. Investing in these games seems to be around the corner.

**Posted by TonyG on June 16, 2005 01:15 AM.**  
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This is not a scam.

Second Life is just like the web, but wrapped in a pretty 3D virtual world - it is primarily a place where you can create and host content for others to enjoy (and purchase).

Land is a metaphor for server space. The money you pay is for the server resources. There is a finite amount of them per server (65536 sq.m.) and if you want, you can even buy your own server. Some people own more than one! Even major RL corporations are starting to hit SL - if you're a student, or unemployed, you could get yourself a real job!

Artist? Programmer? Just plain bored? Join Second Life - I've been there for over two years and will never look back.

<http://secondlife.com/ss/?u=e64b39e515cccfd795ada55d4a0f8bc3>

You can build just about anything out of simple geometric shapes and make it come alive with a powerful, yet simple scripting language that uses C/Java style syntax and an event-driven paradigm.

Check out the language reference and see for yourself!

<http://secondlife.com/badgeo>

Second Life even includes a full fledged physics engine called Havok, which is rapidly becoming the industry standard.

<http://www.havok.com>

SL is at the very least LEGO on steroids, and you dont need to fear losing your content - even if the world goes under you can reuse the content elsewhere with a simple XML exporter script I created :)

Heaps of screenshots <http://sluniverse.com>

**Posted by Eggy Lippmann on June 16, 2005 01:24 AM.**

**Offensive? Unsuitable? Report this comment.**

So what happens when someone makes something real and tangible from this "imaginary" stuff?

**Posted by csven on June 16, 2005 01:49 AM.**  
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When it comes to intangible assets like intellectual property rights (which are really just an offensive right to sue in the case of infringement) - what is "real?"

There's an interesting article on a game developer in SL that sold the rights to a game that was popular in SL to a "real world" game developer. (Google "Trango") Soon everyone can play trango on their computer outside SL. Does this make the game more real? How real is the money in your bank account? It's backed some some government or other, but that's really just saying we all agree it's real and since we all agree then it is.

An interesting idea regarding property in SL is that it's theoretically got an infinite resource base. As long as demand increases, so can supply. Resource scarcity is a critical element of classical economic models so whole new models may be developed in virtual worlds.

**Posted by The Whiz on June 16, 2005 09:42 AM.**  
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Philip is such a cool CEO dude. He's like rockstar, y0.  
NEPHILAINE RULEZ!!! You gotta see her inworld clothing creations yourself, and on all the avatars that wear 'em, to believe the quality of the stuff. And oh she's really really nice. :-)  
I don't know none of this economic stuff but I sure dig cool thingamaroos!

**Posted by Torley Torgeson, Resident of Second Life on June 16, 2005 10:12 AM.**  
Offensive? Unsuitable? Report this comment.

Davros23, you ask "how does that explain Germany's position, one of the world's richest countries in terms of GDP, yet most property, particularly homes, is rented?"  
 If a home is rented, it is still owned by the landlord.  
 I'm not defending Hernando DeSoto's theory , just pointing out the flaw in your logic.

**Posted by Keith\_Beef on June 16, 2005 11:19 AM.**  
 Offensive? Unsuitable? Report this comment.

Keith\_Beef, I allude to that in the last line of my original post. Surely German economic prosperity does not originate entirely with the landlords' accumulation of wealth/profit? On the other hand when I think of a landlord I'm picturing some seedy guy in a grubby office somewhere in Haringey. I'm sure the picture is somewhat different in Germany...

**Posted by Davros23 on June 16, 2005 03:49 PM.**  
 Offensive? Unsuitable? Report this comment.

It's not "Trango", it's called "Tringo".  
[http://www.secretlair.com/index.php?clickableculture/entry/sls\\_tringo\\_hits\\_rl\\_markets/](http://www.secretlair.com/index.php?clickableculture/entry/sls_tringo_hits_rl_markets/)  
 The inventor sold the real-world rights for 'low 5 figures' real money. The SL servers can go down but I think he gets to keep the royalties he's getting from cellphones and web implementations, don't you? :)  
 Those of you who think "this is just a game" clearly don't understand the impact that cyberspace is beginning to have on the real world. You'd think after the last 10 years you'd get that part.

**Posted by Cindy on June 16, 2005 03:53 PM.**

Offensive? Unsuitable? Report this comment.

Davros23, The landlords I have met in Germany were nicer than most Americans. I've only rented for a couple weeks at a time, but I've been invited to family meals and treated to stocked fidges free of charge. Now, here in the US, my "landlord" is a faceless HOA that takes my money and doesn't want to hear from me otherwise.

**Posted by Stanley Weber on June 16, 2005 08:28 PM.**

Offensive? Unsuitable? Report this comment.

How do I know if its good befor I by it there are like no trails anywhere?

**Posted by Leann on June 20, 2005 09:10 AM.**

Offensive? Unsuitable? Report this comment.

Leann, you don't buy SecondLife. It's not a game you'll see on a store shelf. It's a 3d version of the web, or at least that is what it strives to be. You can download the client software from <http://www.secondlife.com> and then there is a 7 day free trial period. To teach you how to use the client interface you'll first find yourself on "Orientation Island". Follow the simple instructions and you'll soon be teleporting to the "main grid" where everyone else is. Click this link to sign up for your free trial <http://secondlife.com/ss/?u=0562fcd3f4ef077d173b74c25a1d9d38>

**Posted by Surina on June 20, 2005 09:30 AM.**

Offensive? Unsuitable? Report this comment.



As an SL resident I'd advise anyone interested in the ins and outs of the SL property market to join and jump in. Currently the market is suffering a massive slump, caused in part by poor land release policies by Linden Labs (the 'game' creators), and partially by some recent technical difficulties which have caused a mass exodus of disenchanting customers.

The net result is that it is now possible to pick up any amount of land at prices far below the 'normal' market levels.

So - cheap land to build your dreams on, or maybe become a property magnate (Land Baron in SL speak)?

**Posted by Anshe on June 23, 2005 12:12 PM.**  
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