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27 NOVEMBER 2006

## Interview with Second Life's Philip Rosedale, Part I

As I mentioned, last week I had an article in the *Guardian* about Second Life and the concerns over the CopyBot program. This was largely based on an extensive interview with Linden Lab's founder and CEO, Philip Linden, conducted on 6 November, 2006, together with email follow-ups.

One of the frustrating things with articles for hard-copy titles like the *Guardian* is that space is always at a premium. This means that there were only a limited number of quotations that I could use from the interview, and that a huge amount of interesting material remained unprinted. Happily, blogs can function as an adjunct to traditional publishing, offering all kinds of supplementary material.

So I'm making the full text of the interview available here. I've tidied this up only minimally, since I was keen to preserve the incredible energy and enthusiasm that Rosedale transmits in his speech. This first part concentrates on the roots of Second Life; the second and final part, looks at its current state and possible futures.

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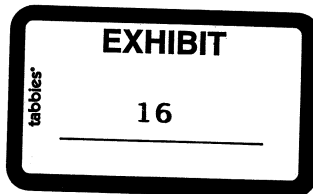
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**Glyn Moody:** *When did you first start thinking about creating an imaginary world? What was the attraction of the idea?*

**Philip Rosedale:** I'd say there are two things about me that probably made me so passionate about what we are doing. The first was that since I was a little kid I was interested in physics, and also in how things worked. I was doing doing electronics when I was really young, and started programming computers as soon as I had enough money to get one.

I think the second thing about me that made me have the particular bent on Second Life that I did was that I was very creative. Sometimes you get that, you get somebody who's fairly artistic and creative but they get into science and technology. I'm definitely one of those people. I am left-handed, and I'd say cognitively I'm really left-handed.

**Glyn Moody:** *You've mentioned books as being very important to you as a child, and the fact that they represented an early form of virtual reality: to what extent is your work with virtual worlds a kind of authorship or creativity for you?*

**Philip Rosedale:** I think there's an important differentiation. I think there are people who played a lot in Dungeons and Dragons, and read a lot of books, and immersed themselves in the fantasy world that can be constructed through the simulator that is your brain, by reading books. And I think there are lot of people who went in the direction of saying, Well, can't I create a book in a computer that is my own vision for a particular kind of world? And then you, the user, can wander around in my vision. I think that there are a lot of people in history who have done a lot of really interesting projects

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that fall into that category. But it's really important to note that Second Life isn't one of those.

The difference is that Second Life is not under my control, and it was never my fantasy to be the Dungeon Master of Second Life. I was very, very passionate from the earliest times about the idea of creating a place that re-implemented the laws of physics in a simulation. But once that was done, I like everyone else would be free to play however I wanted with those Lego blocks, where the Lego blocks were atoms in this new world.

I point that out because there is a real upper limit to what one creative person can do when they are the only artistic input into the structure of a world. And I think there is also an experiential upper limit: World of Warcraft or Everquest can only be so interesting so long as all the content is basically laid out by a first Michelangelo who draws out the world. Second Life just was never that way - it was just dirt at the beginning. I never tried to create anything beautiful, I didn't want to make a book.

**Glyn Moody:** *So in a way you had the same intuition as the free software people about collaboration being a much richer avenue for creation?*

**Philip Rosedale:** I was excited by the idea of being able to build things and show them to people. And I wanted those other people to build things and show them to me. The ability to communicate with great sophistication and to externalise one's thoughts - about my intentions, my thoughts, my designs - those were the two foundational things that I was trying to enable in building the environment.

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**Glyn Moody:** *With 20-20 hindsight your career looks as if at every step you've done things in order to achieve your final goal; to what extent did you consciously say: I'll do this and then this in order finally to build my virtual world?*

**Philip Rosedale:** When *Snow Crash* came out in 1992, my wife bought me the book for my birthday and said: Oh, you're going to like this, another one of these crazy people like you thinking about this simulation stuff. So by then amongst my friends I was well known as the guy into this digital world idea.

I used to do a presentation on the mythology of the Metaverse. Movies often present you with a picture of a future that's mature, and then they try to suggest in some either really detailed or minimal way how things got to be that way. And I always laughed about how the mythology of the Metaverse was always wrong.

People would always say, Well, it all started because businesses wanted to visualise data in 3D and time went by and now we have people walking their dogs and dancing – that's baloney. It never happens that way. New mediums are always used by creative people for play first. And they're not used by big businesses to better imagine their data. The same thing was true of instant messaging, email, television, radio, the Web itself – all of those mediums were used initially for entertainment and just for people who wanted to goof off. They were not trusted; and then as time went by they became trusted, and then people began using them for business because they were in the vernacular by that point.

In the mid-'90s I was already telling my friends this Metaverse thing

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isn't going to work until it's really sexy and exciting, and it's not going to be with the computers that are around. All these companies and projects are going to fail, and that's going to suck. Because we're all dreaming this dream, and all these people are getting companies funded to go after it, and I want to do that too, but I know that it isn't going to work.

I said to people: video compression over the Internet – this is 1995 - however, will work, and that's a powerful communication enabler. And besides that, I wanted to get some experience writing programs for Windows. So I said, OK, I'll write a program that does multipoint video conferencing – a solvable algorithmic problem if you're just trying to do 2-way 28.8 modem communication of video streams.

So I built this product called FreeVue. Rob Glaser saw it, asked me to go to RealNetworks. I didn't want to move to Seattle; the big final decision that I made to go to RealNetworks was that – and I told my friends this – I'm going to go to Real Networks because I'm going to get a great engineering management experience because this project is going to be a big project – this virtual world thing.

In mid-1999 networking got fast enough, and Nvidia released the big 3D card, the GeForce2, and I said, Man, I'm out of here, I've got to start this, it can be done. But the "it can be done" was always contingent on the idea that it had to be playful and fun and chaotic and just crazy for the kind of vision for the Metaverse to take off.

**Glyn Moody:** *I believe that originally Linden Lab was going to be a hardware company: could say a little about those early days – what you were trying to do, and what happened to change your mind?*

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**Philip Rosedale:** In '93 I was trying to imagine a way to put multiple cheap monitors around one's head. For \$300 you could buy pretty good monitors. If you wanted to create an immersive display where you could really have the world all around you, you could put three of these things right next to each other – or more, but three was good – but you had to hold your head 15 inches from the screen to be immersed in the image. All these companies were trying to build head-mounted displays so you could look around, but that was dumb because you couldn't build LCDs that had anyway near the quality of a monitor, even for \$30,000.

I was sitting one night just totally obsessed with this problem, and thought: God, you know, what would be really cool would be if I didn't have to move my head - I can't move 40 lb monitors around: what if I didn't actually move my head at all? What if I couldn't move my head at all, but when I tried to look to the left and right, there was something that could feel me trying to look to the left and the right, and would move my view around. And I realised this was a powerful idea.

Fast forward six years. I had some money, and I had time. I said: I am going to get a shop and a welder and a milling machine and I'm going to build this thing, because it's going to cost 50 grand to prototype. So this is '99 to late 2000 - and we actually got it working: we have it here in the office. There's all our machine tools and stuff at the back and you can try it out. They call it "The Rig": our users have heard about it, most people don't know what it is. But it's really, really a cool idea, and we want to get back to it.

There were probably four or five of us in the office by the time we

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were fiddling around with this prototype, and I remember saying: you guys, even if we build this haptic rig, and you can literally walk into a virtual world and hold your hand up in front of your face and look at it: Where are we going to go with this thing - Doom? It seemed like a pretty paltry use for such revolutionary technology.

Obviously, even in '99 we had been prototyping some of the simulation layers of Second Life, but we had this realisation: the much bigger problem is the software, the hardware's easy. You can use any number of interfaces for this stuff, but the thing that matters so much here is the place. The place that we're all going to go is the hardest problem from a technology perspective and also probably the best business. So that was it.

**Glyn Moody:** *In April 2003, you made a major change to Second Life when you decided to allow residents to keep the intellectual property rights to the things they made. I've come across a couple of explanations for what led up to that, including de Soto's book, The Mystery of Capital, and a meeting involving Larry Lessig and Edward Castronova: could you untangle what exactly led you to make that change, and why it was important?*

**Philip Rosedale:** In 2002 a guy named Doug, who works here, gave me that book, *The Mystery of Capital*, and he said: You've got to read this. It had a terrible front cover, and I don't have much time for business self-improvement books, and I remember looking at it and thinking: oh god, this is one of these books that some academic wrote because he needed to finish his degree. But Doug's a really smart guy, and I was like, OK, if Doug says to read it, I'll read it. Those first 15 pages it reads like - I don't know what it reads like - it reads like the Gettysburg Address - it's just moving. Basically I read

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that, and I was like, man, oh man, that's so convincing.

There's a book I read before that, though, that we were talking about a lot, which really informed our design, and that's Jane Jacobs's *The Death and Life of Great American Cities*. That was one of the most important things because it was in 2001, 2002, that we got into this idea that the way online games worked was just completely inconsistent with what we're trying to do, and that Everquest or online games of the time were what Jane Jacobs was talking about when she said that planned cities all failed.

Then you read *Death and Life of Great American Cities*, and what that says is that it all has to be random. The randomness gives way to overlapping behaviours where some people are walking to go to the store, some people are walking to their home, some people are walking to go to work. Those people all run into each other, there's a kind of a commons behaviour where they'd like to just double click on their work and get there immediately, but they can't: they have to walk. That means they entertain each other: some of the times you're the one being entertained, and some of the times you're the entertainment, that's kind of what Jane Jacobs said. And we were like, oh yeah, that's exactly what we want. Because if the world is just created by everybody, then you'll have this very haphazard, crazy kind of feel to it, and that'll be incredibly powerful the way New York is.

The *Mystery of Capital* was like a follow on to that, because it said for people to build that way everybody has to own their own intellectual property - including of course physical real estate - in a very explicit way with alienability and all that stuff.

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ABOUT ME

GLYN MOODY

I have been a technology journalist for a quarter of a century, covering the Internet since March 1994, and the free software world since 1995. One early feature I wrote was for Wired in 1997: *The Greatest OS that (N)ever Was*.

My most recent books are *Rebel Code: Linux and the Open Source Revolution*, and *Digital Code of Life: How Bioinformatics is Revolutionizing Science, Medicine and Business*.

I can be contacted at glyn dot moody at gmail dot com



Then we had this little Star Chamber, with Larry Lessig, Ted Castronova, Julian Dibbell, Mitch Kapor. We all sat down and looked at what was going on and those guys were like, yeah, you've got you're thinking exactly the right way, you've got to let the economy be free running and real.

**Glyn Moody:** *Around the same time there was something of a revolt among the residents of Second Life over the tax system then in place: what exactly happened?*

**Philip Rosedale:** That was us doing dumb stuff and getting reminded of it. We were never misaligned with people's creative intentions -- the idea of no taxation without representation. Our initial economy wasn't very real -- the economy more or less worked the same way, but you couldn't convert things back and forth to dollars. We always intended to make it completely real, so that people could use those tokens of value, transferable in any way they wanted. That went back to some of the 2001 thinking about how people that owned property or whatever in Second Life would be the operators of Second Life, and that at least some of them would want to make money doing that.

The whole tax revolt thing was very funny because what we were trying to do was balance the public commons - resources that you access in Second Life like scripting and land and how many prims you could build and whether they had lights on. We built this taxation system that every Monday would automatically tax you according to how much stuff you had in the world and how big it was. It's still fundamentally a good idea; the problem was this tax bill that you got every week that was so algorithmically complicated that no human, us included, could estimate what their tax would be. It

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was terrible. So people just had a horrible experience with that.

It was kind of chance that people were so pissed off with the prim accounting system at about the same time we switched over to allow people to own land. The other thing was, in the initial economy you couldn't pay more and get more land - you had to earn more money within the economy to buy more land. When we made that change at the end of 2003, we said, look look look: this is just land, this is just property. If you want to buy more of it, you can buy it with dollars, we're not going to stop you from doing that.

That pissed off people too, because they said: Look, we want it to be a pure meritocracy. If you're successful in Second Life you cannot use US cash to get more land, you have to please other people. And in principle, I think that's lovely. But the problem is you've got a sort of "water seeks it's own level" there around design; arbitrage always exists. So it seems foolish to be a big central "we're going to catch you if you're cheating" organisation and try to keep people from selling those credits, those Linden dollars on the side. So we said, screw that, we're just going to open the system all the way - you can buy land and turn Linden dollars into dollars.

POSTED BY GLYN WOODY AT 10:57 AM

LABELS: GUARDIAN, INTERVIEWS, PHILIP ROSEDALE, SECOND LIFE

### 3 COMMENTS:

internetfuzzi said...

Great interview, many thanks =)

Promising Insights, and I like to wish Philip Rosedale and the Metaverse all the best =)

5:50 PM

Taran Rampersad (aka Nobody Fugazi) said...

In effect, land tier is the defacto tax which hides the mathematics behind the elder tax system. He stopped just short of saying that. :-)

7:31 PM

glyn moody said...

True: but at least it's progress of sorts...

8:17 PM

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# OPEN...

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28 NOVEMBER 2006

## Interview with Second Life's Philip Rosedale, Part II

This is the second part of the interview, in which Rosedale talks about the future of Second Life, including funding options, the arrival of big business, the open sourcing of Second Life's code, and the rise of the 3D Web. The first part, which traces the origins of Second Life, can be found in a posting made yesterday.

**Glyn Moody:** *What's your overriding principle in running Second Life? How do you decide detailed economic and social policies – elements that clearly have a huge impact on how Second Life is experienced by residents?*

**Philip Rosedale:** The overriding principle is that it should run itself. And, in particular, that the best way to make SL stable in the long-term – and I say that word "stable" in the physics context, related to complex systems – [is to] have a high degree of heterogeneity and a high degree of locality in [its] behaviour. While there may be a loose framework of unifying principles, the majority of the policy and the majority of the environment is determined by the local area that you're in.

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We should be able to define low-level rules of interaction – that there will be a reputation system, or that you can transfer inventory between people, or land has an ability to exclude others from it if you choose as the landowner. Our idea is to use low-level rules to make SL stable, not high-level governance, and in fact to do high-level governance only to the minimal degree that we can't simplify our way out of.

For example, economic policy is at some level necessary globally, only because the efficiency of a single currency is such an enormous public good, right? If there's one Linden, there's \$35,000 a day in trading and that will make it fairly stable, and having it be stable is a public good. There are a few cases where you need to use global systems, but we basically try to avoid those wherever we can.

With social policy – we don't really have any. The community guys say: be nice to each other and don't impair each other's ability to interact, and we'll use force to establish that if necessary. But I think that will give way to more and more sophisticated systems of local control. So, like the question of dispute resolution and arbitration and crime in SL, long-term I totally expect that to be managed by an overlapping set of locally-defined standards. If you look two years in the future or something, I suspect getting in trouble in SL would probably mean getting put on someone's blacklist. Or getting subjected to a trial by users – not by Linden Lab – [where] at the end of it you get put on that blacklist. And because it's a public trial getting put on that blacklist is very serious because 60% of the people in SL subscribe to that blacklist.

I suspect that that kind of user-created governance is much more

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- Getting it Right on Copyright

likely to be successful. Indeed, I would say that one of the appeals of SL as compared to the real world is that the real world unfortunately has too many cases in which it seems necessary to use central control to establish an optimal system for everyone. In the real world there are key resource like historically steel and now silicon and oil, that humans can easily park on top of the only places on the earth's surface where those resources are, and then use guns to maintain control of those resources - or something like guns. Governments have to act to break up the monopolistic and therefore inefficient positions that can be established by single individuals over those resources.

But of course SL doesn't have any fundamental resources that you need to control, so establishing a monopoly position in SL is much harder - maybe, hopefully, impossible. So we'll try to set the low-level rules so that's it's as unlikely as possible that anyone can have a monopoly on anything. But I think we'll be more easily able to do that because we have access to the code in a way that I suppose only God has access to the code in the real world.

**Glyn Moody:** *As well as the in-world traders, we are now seeing major RL companies enter Second Life; some residents are worried that this will turn Second Life into a huge market research experiment or into a virtual shopping mall: how do you view things, and how will you assuage their fears?*

**Philip Rosedale:** Well, I don't think I've done a good job assuaging people's fears, and I think that's the right expression. But as a deep thinker about the behaviour of complex systems, I do feel fairly confident that major real-life companies will succeed in SL only to the extent that they are able to offer real value in the same manner in

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which those people that have been there for three years have offered value.

The real life companies in the real world can just park in New York and enjoy the benefits of being in New York - you just don't get that in SL. I also think that there is a kind of sense of community and a sense of a shared future in SL, the very powerful fact that you are writing the future - you as the user, all of us collectively. That is a very powerful, almost spiritual thing about what it's like to be in SL. And I think that if you're a real life company trying to turn SL into a marketing experiment you'd have to fight and win against that force, and I don't think you will. Even if we as a company were bound and determined to turn SL into some huge market research experiment, from which we would maximally profit, I don't think we'd be successful, given where it is now.

But I think if we can build low-level rules that keep it a level playing field then that is the primary thing that will keep all of that spirit in place. And I don't see us doing anything in any other direction. We have struck no deals with these big companies, we have no relationship with them, we don't even know how many there are or who they are. It's hard to tell who's buying what, but it looks like the real-world companies represent a low single-digit percentage of land ownership at this point.

**Glyn Moody:** *Will your business model bring in enough to allow you to grow rapidly as Second Life takes off, and still make a profit?*

**Philip Rosedale:** The money people are paying as land-use fees - the recurring fees per acre per month - that's a profitable business.

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We've set the prices pretty low at the outset, because we just wanted a lot of creativity. When people are new to systems like this they don't believe it's all going to work. So it was in our interests to make these servers as cheap as possible. But we always had in mind that that would be a fundamental part of the business and we needed to set prices in a way that made sense. If you look at the recurring price of a server today, depending on what kind of server you're buying, what kind of customer you are - whether you're buying on the islands or on the mainland - it's a couple to several hundred dollars a month - that's a fine business.

I think that on an even higher level than that, we believe that it's all going to be a good business just because of the size of the economy. We can reasonably ask a fee against what's going on in the economy in a variety of ways. I think today land-use fees are the right way to do that because it's a bit like being an entrepreneur who wants to move to a new country. You look for a country that offers like no sales tax and no corporate income tax. When you move your company there the only thing you probably pay for is a lease on the land and basically that's what we're offering here. I think to an entrepreneurial content creator we probably feel like Malaysia or something.

**Glyn Moody:** *As Second Life matures, might you add things like a corporate income tax or a sales tax?*

**Philip Rosedale:** We could, there's also things like advertising. Right now, people do pay us to list classified ads and also place listings. That could be a way to make money in the future. Sales tax on transactions? Maybe someday, we wouldn't rule that out. Our mission is to get the most people creating the most amazing content

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and experiences. So we'll be pretty aggressive about changing our business model only to the extent that it keeps that going at maximum speed.

People often ask, beyond the money, how will you say that you were successful, Philip? What I always say is that I will feel like I've been successful personally if I have made it grow as fast as it could. And if I slowed down some of that growth to convert it into wealth for myself, well, shame on me. The people behind the company are very principled about changing the world in a positive way through technology – that's Mitch [Kapor], Pierre [Omidyar], Jeff Bezos, Benchmark Capital, Catamount Ventures, and Ray Ozzie, all the people behind us, they've got the same perspective.

**Glyn Moody:** *You've recently appointed a Chief Financial Officer who has had experience in making an IPO: does that mean you are thinking about doing the same at some point?*

**Philip Rosedale:** I think the only thing I'll say about that is just that the company is making money in a way that will enable us to exist and grow as we like and as long as we like as a standalone company. Whether it's a private company or a public company, we can be a successful company in our right.

**Glyn Moody:** *If someone made you a substantial offer for Second Life, would you consider taking it – or are you so committed to your vision that it would trump any consideration of money?*

**Philip Rosedale:** Oh, without question, yeah. I can only speak for myself, personally. First off, I've had the fortune to be successful enough not to be tempted by dollars – I mean, everybody is tempted

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ABOUT ME

GLYN MOODY

I have been a technology journalist for a quarter of a century, covering the Internet since March 1994, and the free software world since 1995. One early feature I wrote was for Wired in 1997: *The Greatest OS that (N)ever Was.*

by dollars – I just mean that I've had the good fortune to convert enough brainpower into money historically that it makes me pretty unsusceptible to that. But I fall back on what I just said to you: I would never make a decision that would cause this thing to grow any less slowly than it can, because I think that I'm making people's lives better. And I hold myself to the question: did I make as many people's lives better in as short a time as possible as I could? If I felt like the answer was "no", and in particular because I wanted to make some money or something, I'd feel terrible, and I wouldn't do it.

If somebody came to us with a big offer, well, the question would be: How could the people who were offering us that money help us grow SL faster - better technology, better experience for more people? I think that what we're doing is so innovative, and in particular the way we run the company is so unusual, and the way we've built SL in many ways is so unusual, that it's pretty unlikely that there'd be another company out there that could help us do that. I'm not saying it's impossible, but I just mean that I would have to be convinced.

**Glyn Moody:** *Going back to this tremendous growth, how will this be managed in-world – will there, for example, be new continents? And would you contemplate allowing different local (real-world) laws to be applied to some of that new land if the servers were located outside the US?*

**Philip Rosedale:** To the first point - What will SL look like long-term? - I think if you look at the islands, people are already gluing them together, there's motivation to create contiguity. So I think that SL over the years to come will look like a bunch of large continents, that will have different characteristics, like we were talking about earlier. That may be related to governance and zoning and things like

My most recent books are *Rebel Code: Linux and the Open Source Revolution*, and *Digital Code of Life: How Bioinformatics is Revolutionizing Science, Medicine and Business*.

I can be contacted at glyn dot moody at gmail dot com

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that.

The second question, about laws reflecting where servers are based, we just don't know. We're trying to be pretty smart about it, but the company's here in the United States right now. Yeah, the servers could be in another country, maybe that'll make the local laws apply differently on those servers - I just don't know. We're thinking about that, we're trying to learn as much as we can about it, we just don't have any immediate strategy.

Part of the problem here is there's a whole bunch of things about SL that are untested from a legal standpoint. So what we try to do is to err on the side of providing a lot of information and informing everyone. We talk to lots of people in the United States Government, for example, just saying, look, this is what's going on, this is what's happening, if you care, you can get more information, and talk to us about it, here's what on principle we think this means. There's a lot of different aspects of this that are going to be really fascinating to watch play out and that we couldn't give a final word on.

**Glyn Moody:** *What is the US Government's attitude in general to this?*

**Philip Rosedale:** I don't know. What I would say about everybody who comes into contact with SL, that has been really uplifting, everybody seems to get that it's a good thing, it's fundamentally an empowering thing. And nobody, whether you're the government or a company, nobody wants to screw that up. All the companies that I meet with, the CEOs, these companies that come into SL and do things, whenever I meet people, at least from my sample, they're all very smart and inspired about what SL is and what it can be, and can

they just be there and be a part of that and not mess it up. I suspect that governments will have the same perspective. The US Government is pretty smart about doing things like taxation in a way that does not quench people's ability to innovate. I think that's what's cool about what we're doing, it's not just an economic discussion. Everybody who comes in contact with this and sees it is like, oh my God, this is making the world better: we've got to take that into account when we think about legislating.

**Glyn Moody:** *You use a lot of open source to run Second Life, and you've said that you will be opening up elements of the code: what's the situation at the moment?*

**Philip Rosedale:** So yeah, without speaking to specific timing or plans - and we've thought and are thinking lots and lots where there might be exceptions to this - but it seems like the best way to allow SL to become reliable and scalable and grow. And we've got a lot of smart people here thinking about that.

**Glyn Moody:** *Looking forward, what are your views on the convergence of three-dimensional virtual worlds like Second Life with today's Web - the 3D Web as some are calling it?*

**Philip Rosedale:** People always believe that the idea of simulating a three-dimensional world will make the experience of people in it different because it's three dimensional, and that's certainly true. However, there's a second thing about the 3D web that makes it different than the 2D web, and is really important, which is that there are other people there with you when you're experiencing it.

Look at MySpace. When you go to a MySpace page, you can listen to

their music. What is the listening experience like? Well, it's still just you sitting in front of your computer listening alone to that music. But in SL, if you're listening to somebody's music, whether live or pre-recorded, there's a very good chance that there's someone next to you listening to the same music, and so you're able to turn to them and say: What do you think? Or you're able to turn to them and say: Have you been here before, and, if so, do you know where the lawnmower section is?

That, I think, is what makes the potential of the 3D Web different perhaps even more so than the spatial difference between 3D content, and 2D content. And I think that alone makes it very likely that there will be a kind of a 3D Web, that has this shared experience property. That's what everyone will look back on and say: Wow, that is what made it different.

POSTED BY GLYN MOODY AT 1:28 PM

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