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Second Life: The Emergence of a New Moneyscape

The modern consumer society turned the spending of money not only into a central economic practice, but into a dynamic, complex cultural and social activity.

(Zelizer 2011: 137)

In *The Philosophy of Money* (1900), Georg Simmel conceptualized money as a symbol and analyzed its effects upon people and society. Simmel proposes that money has transformed real exchange into a symbolical act, with the abstraction of money leading to the rise of a new form of social interaction – economic exchange. Social development has been shaped by the money factor as “with money in our pocket, we are free [...]” (Simmel 1991: 23). Money thereby became one of the most prominent features of modern societies, but regardless of the social evolution in the present era – an era characterized by the massification of new communication technologies –, the OECD considers that the three classical functions of money are unlikely to change in any near future. Yet new digital forms of payment will continue to grow, thus making the economy increasingly more global. Nevertheless, money will continue to be a unit of account, a means of payment, and a storage of value (Miller et al. 2002).

In order to understand the new global cultural economy, Arjun Appadurai suggests an alternative model to explore the relationship between the various “scapes” of contemporary cultural global flows, which should certainly not be perceived as homogenous as they only occur under specific conditions. Appadurai suggests that “they occur in and through the growing disjunctures among ethnoscapas, technoscapas, financescapas, mediascapas, and ideoscapas” (Appadurai 1996: 37). The suffix “scapes” was chosen to represent the flows of late capitalism: ethnoscape – the landscape of the persons populating a shifting world; mediascape – the distribution of electronic capabilities to produce and disseminate information as well as the world images created by these media; technoscape – the global configuration of technology; financescape – the landscape of global and fluid capital; and ideoscape – a “scape” consisting of the global master-narrative for understanding and representing the world (Appadurai 1996). Taking this conceptualization as a departure point, I propose a new “scape,” the virtual moneyscape. Moneyscapes are conceived of as complementary to “financescapes.” Financescapes relate to a global capital structure that

becomes “a more mysterious, rapid and difficult landscape to follow than ever before” (Appadurai 1996: 34). Moneyscapes refer to the dimension of contemporary lives bound up with money whether as an economic factor or as a cultural factor. This chapter thus aims to contribute to strengthening the attention paid to the “cultural life of money” by presenting a proposal seeking to grasp the relevance of virtual environments, particularly of virtual worlds such as Second Life, to the emergence of this new virtual moneyscape because “the growth of the Internet, and of the shared virtual reality spaces within it, has enabled new choices in terms of what kind of physical beings we inhabit” (Castronova 2003: 7).

Second Life is a tridimensional social platform attracting a large number of users – with around 31 million registered users. Launched in 2003, developed by Linden Lab, the site assembles the main characteristics of virtual worlds: a tridimensional digital setting where users from all over the world run avatars to interact in real time and develop diversified social networks. One of Second Life’s main components is produced content: within this digital environment residents are active contributors to in-world development, and only one per cent of the content available was actually created by Linden Lab (Ondrejka 2006: 163). Players not only contribute to constructing space – buildings, green spaces and general surroundings, but also to social development – institutions and groups that contribute to the in-world economy, culture, identity, and hierarchical organizations. Nowadays, within this virtual world, one may do almost everything one can do in first life: go for a walk in different tourist spots, practice sports, play games, go to the theatre, cinema or a concert, attend conferences or classes, talk with friends or meet new people, or even have a job. Another characteristic that makes this virtual world different is its economic system. The majority of massive multiplayer online role-playing games contain economic systems – players need “money” (usually designated as gold) to be able to buy the artifacts empowering their avatars. What makes Second Life different is not that it runs its own economic system or even its own currency, but the possibility of exchanging its virtual money for “real” money and vice versa.¹ This distinguishing feature makes its economy almost as complex as its first-life counterpart. To contribute to a better understanding of the role of Second Life in our “flowing global culture,” the present chapter is organized into three sections: 1. Money and cultural identity; 2. Virtual lives, virtual economies; 3. Second Life: the emergence of a

¹ The exchange process is similar to that for “real value currencies.” Linden Lab operates an exchange platform – Lindex, enabling the exchange of first life currencies for Linden Dollars and vice versa. In the majority of virtual worlds (including immersive multiplayer game environments) the virtual currency is not exchanged but bought as an object; and we commonly find these currencies for sale on platforms like eBay.

new moneyscape. In the first section, we analyze the relationship between money and cultural identity while, in the second, we consider the impact of virtualization on our lives. In the final section we discuss Second Life's development and its potential as an alternative economic dimension. The last section also features economic statistical data released by Linden Lab between 2006 and 2011 and available at the platform's website – <http://secondlife.com>.

1 Money and cultural identity

Thus far, some research has focused only on money from the economic point of view and ignores its social facet. Bearing in mind the advent of common currencies like the Euro, understanding money's role as a feature of cultural identity proves especially pertinent. The Euro is considered a relevant example of the cultural dimension of money, whether as a currency around which a transnational community is currently being built, or as a key factor that is eroding the same community. Money represents part of daily capitalist interactions and plays a major role in shaping the everyday rituals of social interaction. The economic crisis experienced by some Eurozone member states has led to questioning the Euro's role as a factor fostering social cohesion. Nevertheless, as Kennedy proposed in 2012: "solidarity can certainly transform many parts of the [European Union's] cultural sense. Indeed, it may be the only thing to save the cultural integrity and social coherence of the EU." (Kennedy 2012: 34)

Most national currencies came to the fore in the nineteenth century. They resulted both from the establishment of nation-states, and from the need to strengthen identity bonds in order to consolidate "imagined communities" (Helleiner 2003). National currencies rapidly became part of daily life and money became "a medium through which social consensus, social integration and territorial borders are produced and reproduced" (Gilbert and Helleiner 1999: 40). The creation of currencies connected peoples and territories as well as nations and states while also contributing to the invention of tradition since money represents the most universal form of public imagery (Hobsbawm and Ranger 1983: 281). Besides this characteristic of territorial limitation, a currency is part of a community's cultural identity – national currencies reflect tangible symbols of a common identity.

With the Euro, a cultural change took place as several European countries replaced their national currencies for a common European one, symbolizing a collective European identity. The introduction of a common currency linking 19 of the 28 European countries represents the consolidation of the European Union (EU). Symbols are a key dimension of the EU's affirmation as a commun-

ity. The flag, anthem, motto, currency and commemorative holiday are the signs chosen to represent the union between different states in the same continent. Should one add to this set of symbols the political meetings between EU members and the democratic rights of its citizens, we may realize that the EU is a broad imagined community (Anderson 1999). The common currency may thus be perceived as a daily remembrance of the bond between citizens and the state and as a factor reinforcing the sense of belonging to a common social entity despite the different cultural roots of its members.

The example of the Euro as a factor contributing for the establishment of a community helps grasp the impact that emerging virtual currencies, such as the Linden Dollar – Second Life’s micro-currency, hold for the development of virtual economies leading up to the emergence of virtual moneyscapes.

2 Virtual lives, virtual economies

Before the advent of the avatar, there was only one world to live in, Earth, and only one avatar to inhabit there, the Earthly body. The recent emergence of virtual worlds besides Earth has vastly expanded the range of choices regarding one’s own physical being and the space which it inhabits. (Castronova 2003: 32)

The development of the Internet and the growth in the number of its users have proven very important in bringing reality closer to the fictional technological worlds and this has as well had fictional resonances, as a recurring theme in both literature and cinema since the beginning of the twenty-first century. The Internet’s development alongside the rise of web 2.0, or the social web, led to the growth of social platforms. Recent years have seen the launch of several social applications. Their shared goal involves inducing interaction, collaboration and sharing among their users. Blogs, podcasts, wikis, social networking sites (Facebook, MySpace), content sharing networks (YouTube, Flickr) and massively multiplayer online social games (Second Life, Habbo Hotel) are among the most popular web 2.0 applications (Pascu 2008).

Social games, such as Second Life, are one of the characteristic applications of web 2.0. They are a sub-genre of massively multiplayer online games. These games have revolutionized not only the video games industry but the entertainment industry in general. The first online multiplayer games were remarkable in how they allowed players from all over the world to get together and play in a shared digital space. The virtualization of social space had a renowned impact

on the entertainment industry and the number of networked players has grown rapidly. However, the goal of these games was similar to the majority of games – to win, to be the most powerful, and eventually the most feared.

The distinctiveness of massive multiplayer online social games within the scope of the genre rests on their ability to promote live experiences. The challenge is not to become the first to achieve the end and win the game but rather to live out an experience through an avatar,² a character created for this alternative space. This kind of game may take place in varied settings and offer different possibilities, but there is one factor in common – they recreate new worlds, new social spaces, second lives. One example of the new virtual experience economy fostered by this technology is a virtual space created to provide an alternative dimension for social interaction – Second Life. This platform – like other virtual worlds – is often called a metaverse, meaning a virtual world where humans represented by avatars interact in a tridimensional digital space.

Virtual spaces like Second Life open up the scope for virtual representation in a different dimension – the cyberspace. Through these web-based platforms, participants enter into an alternative sphere for the development of social lives, a sphere characterized by the de-materialization or the de-physicalization of social interaction (Knights et al. 2007: 750). Whilst the first multiplayer environments appeared in the 1970s, as soon as the Internet became available for personal computers the number of these platforms increased rapidly. Nowadays, there are more than 50 three-dimensional virtual environments. Edward Castronova terms such virtual spaces “synthetic worlds”, i.e. “worlds that are created completely by design and live only within computers are synthetic, and the world of earth, air, fire, water and blood that we’ve inherited from our forebears is real” (Castronova 2007: 7). Second Life is one of the most complex synthetic worlds available with platform players called residents who actively participate in in-world’s development – their world and their imagination.³ Residents are represented by avatars, humanoid figures that may be totally personalized or may alternatively shed their original human look. Through these avatars, residents develop an active and complex social network: “The avatar mediates our self in the virtual world: we inhabit it, we drive it, we receive all of our sensory information

² The etymology of avatar derives from the Sanskrit *avatārah* meaning the descending of a divinity from paradise to Earth. According to Boellstorff (2008) avatar means the incarnation of a Hindu deity (particularly Vishnu), nevertheless “while ‘avatar’ [...] historically referred to incarnation – a movement from virtual to actual – with respect to online worlds it connotes the opposite movement from actual to virtual, a decarnation or invirtualization” (Boellstorff 2008: 128).

³ This is in fact Second Life’s slogan.

about the world from its standpoint” (Castronova 2003: 5). Avatars become the medium that enable virtual representation.

Second Life’s development level has improved so much since its launch that residents may now do almost everything one can do in first life with ever greater exploration of the possibilities offered by this platform. The growth of resident interest in in-world activities has also encouraged economic development. Nonetheless, this interest was also promoted by Second Life’s intellectual property rules, which define how everybody owns the intellectual property of whatever they create. This innovative right helped to stimulate the economy and residents began investing time and money in this virtual place. Linden Lab’s business model then is based on the premise: residents pay for the land, they may build whatever they want, they may charge visitors for activities or products, and at the end take the Linden Dollars earned and change them back for “first-life” money.

The scope for exchanging Linden Dollars for material currencies represents one of the characteristics that made Second Life’s economic activity so prominent – an average of US\$30 million are traded monthly through LindeX.⁴ This volume of transactions makes Second Life one of the largest user-generated virtual economies.

3 Second Life: The emergence of a new moneyscape

Nowadays, Second Life is not the same platform as that launched in June 2003. It evolved and became an alternative social dimension. In order to understand how Linden Lab’s policies for this virtual world influence the development of its economic dimension, I identify three key moments in Second Life’s history for analysis: the launch of LindeX in 2006, the prohibition on gambling in 2007, and the Xstreet acquisition in 2009.

The LindeX is Linden Lab’s currency exchange. Through this service, residents are able to buy and sell Linden Dollars available to residents on the platform’s website⁵ or in several in-world places.⁶ This service allows Linden Lab to

⁴ Data available at <http://community.secondlife.com/t5/Featured-News/bg_p/blog_feature_news/label-name/economy>. Amount of Linden Dollars exchanged in the third quarter of 2011.

⁵ This is only available to registered users.

control the micro-currency value and the Linden Dollar has been a stable currency since its launch. The prohibition on gambling also contributed to better control over the Linden Dollar. Until 2007, gambling was legal and had become an important activity to its economy. However, following the 2007 US gambling law, Linden Lab forbade all types of gambling games within Second Life:

While Linden Lab does not offer an online gambling service, Linden Lab and Second Life Residents must comply with state and federal laws applicable to regulated online gambling, even when both operators and players of the games reside outside of the US. And, because there are a variety of conflicting gambling regulations around the world we have chosen to restrict gambling in Second Life as described in a revised policy which is posted in the Knowledge Base⁷ under “Policy Regarding Wagering in Second Life.”⁸

After this decision, economic development slowed, before recovering to previous levels just a few months later, – residents began to invest in land and traditional economic activity gained importance in this virtual space. At this time, the almost infinite Second Life capacity of creation began to be explored by residents. Nowadays, there are some very lucrative activities taking place within this virtual world; one involves the creation of objects and scripts enriching the virtual experience. Commerce became such a major activity that, in early 2009, Linden Lab bought one of the most important Second Life product shopping web sites, XStreet.⁹ This acquisition made commercial transactions among residents much easier.

Through Second Life’s development process, Linden Lab took efforts to present its synthetic world as appealing in order to compete for audiences with game worlds such as World of Warcraft or EverQuest. One of Second Life’s major strengths has been its economic stability and solidity. Throughout the years – and because of the aforementioned adjustments – the Linden Dollar stabilized and became perceived as the official in-world currency. Users established close relationships with it and the monetary unit now gets used for all kind of transactions. Since the foundation of LindeX, Linden Lab has been able to guarantee its stability and the Linden Dollar’s exchange value has since remained stable – at approximately L\$250 to the US Dollar.¹⁰ This constancy was understood as an

⁶ There are LindeX kiosks at several in-world locations, as well as ATM points. Both of them have the same purpose, but configuring them in different formats allows two different first life activities to be recognized – money exchange and cash withdrawals.

⁷ From <http://wiki.secondlife.com/wiki/Knowledge_Base>.

⁸ Announcement available at: <<https://blogs.secondlife.com/community/features/blog/2007/07/26/wagering-in-second-life-new-policy>>.

⁹ XStreet was replaced by Second Life Market Place in 2010.

¹⁰ Data available at LindeX (only accessible to registered users).

invitation to investment and I would suggest that residents are actually transforming the opportunity for a second life into a virtual representation of their first life – while in-world they are in a synthetic world but still display ‘real’ economic behavior (Castronova 2005).

The number of hours and amount of money residents invest in Second Life reflect its level of development. For the period between 2006 and the first quarter of 2011, Linden Lab released statistical data on its in-world economy,¹¹ which allowed residents to follow the evolution of the in-world economic system. In the second quarter, 2006 users spent 10 million hours in-world. This number increased through to the second quarter of 2009 and tailed away from the third quarter from 126 to 104 million hours in the first quarter of 2011 (see Chart 1):



Chart 1: Hours spent in-world (2006–2009)

During the first three quarters of 2006, the number of users with repeated logins stood at around 58,000, while in the same period of 2009 this number had risen to approximately 731,000, before reaching 794,000 in the first quarter of 2011 (see Chart 2):

When one compares the second quarter of 2006 to the same period of 2010, we find that residents had transacted over 16 million Linden dollars between

¹¹ From the second quarter of 2010, Linden Lab stopped publishing data concerning the land auctions and transactions among residents before then ceasing the regular publication of detailed statistical data in 2011.

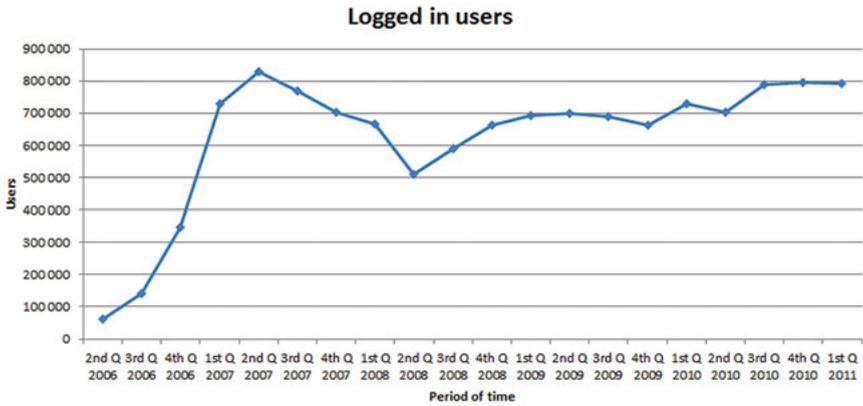


Chart 2: Average number of users with repeat logins

them, and that this number increased to over 100 million over the same period (see Chart 3).

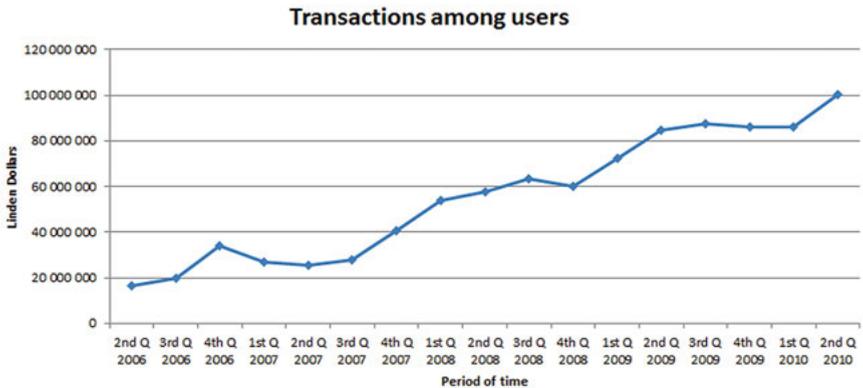


Chart 3: US\$ transacted among users

The amount of virtual currency exchanged in LindeX increased from US\$3 million in the second quarter of 2006 to US\$31.5 million in the same period of 2011 (see Chart 4); and Second Life Market sales increased from L\$28 million in 2006 (when it did not belong to Linden Lab) to L\$956 million by the end of 2010 (see Chart 5).

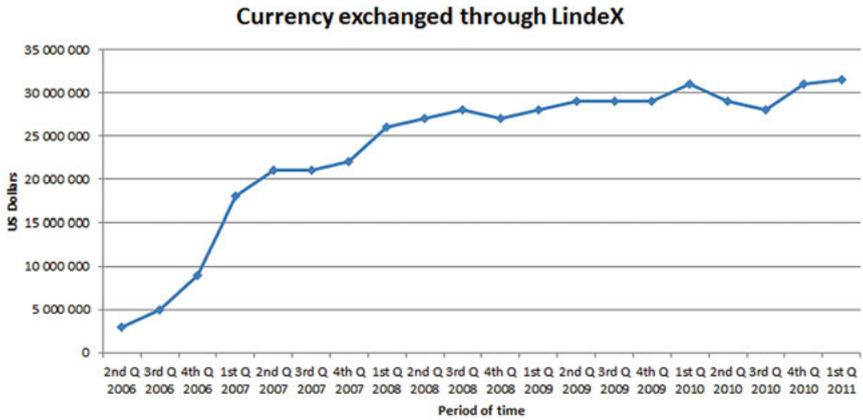


Chart 4: Volume of US\$ exchanged through LindeX (2006–2009)



Chart 5: Volume of Xstreet sales (Linden Dollars) (2006–2009)

The investment in virtual land (see Chart 6), on the other hand, increased through to the third quarter of 2007 but fell away after the gambling prohibition. From the end of 2008 until the beginning of 2010, the acres of land auctioned remain stable but at lower rates. I consider that the decrease derives from the reduction of land plots made available by Linden Lab and as the acres auctioned decreased, land sales among residents increased – increasing from near 192 million square meters in the second quarter of 2006 to 366 million square meters in

the same period of 2010. Land seems to represent a stable market among residents and may be a profitable business. However, in spite of being lucrative for residents, this still remains advantageous to Linden Lab as residents must upgrade their accounts to paid ones – known as Premium accounts – to be able to buy land.

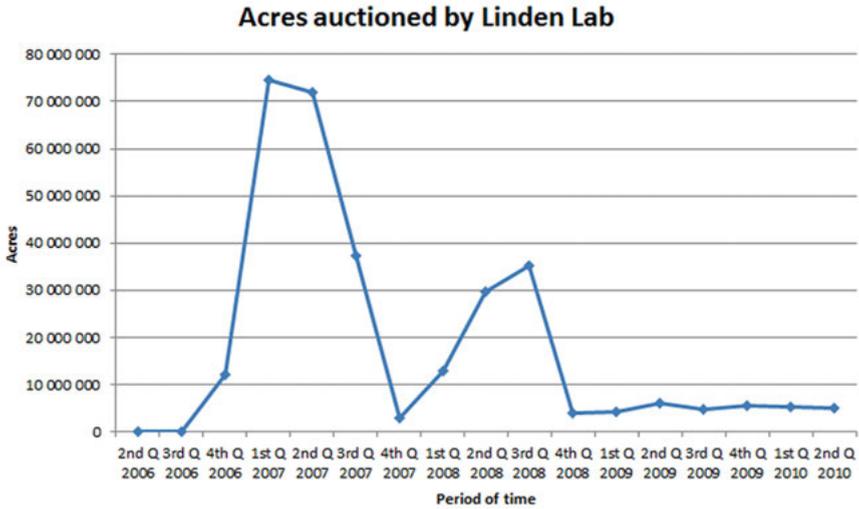


Chart 6: Land area owned by residents (m²) (2007–2009)^{a)} For the analysis of the land area owned by residents we focused on data from 2007 to 2009 because this information is not available for 2006.

These data show that Second Life continues to grow but at a much slower pace than between 2006 and 2007. I propose that there are two main influences for this slow down: the 2008 financial crisis – still affecting the world economy, and the growth of social networking sites, particularly Twitter and Facebook, which provide different characteristics but are certainly easier to use – users do not have to learn to manage an avatar and these networks interconnect users mainly with people they already know from face-to-face interaction.¹² In fact, the stability of Second Life’s economy since 2008 may be understood as re-

¹² Another difference is the fact that these social networking sites do not contribute as much to connections between unknown people; while in Second Life people from all over the world get connected and interact for different reasons – whether just to socialize or to carry out common projects. In virtual worlds, there is a deeper sense of ownership and habitation.

sulting from the engagement of users with this digital environment. In fact, Second Life seems increasingly perceived as an alternative space for engaging in economic activities as it has none of the contingencies of first life and puts forward a new set of opportunities.¹³

Conclusion

Second Life's prominent economic development across different dimensions bears consequences at two levels of the economy: in-world and "out-world," meaning the second- and first-life economies, respectively. In terms of the in-world economy, an increase in monetary investment is observed, residents are exchanging more "real-value" money for virtual money, and thus stimulating transactions among them, which ends up influencing the *produsage* of digital content and services. On the other hand, at the level of the first life economy, residents are exchanging more Linden Dollars for currencies that have a "real" market value. This means that there is a higher volume of virtually produced money entering the "actual" economy and understanding the impact that this new economic dimension holds contains significant relevance. I would like to suggest that the economic capital produced inside virtual worlds results from the emergence of an alternative social dimension. People are cultivating new and existing social networks in cyberspace generating the rise of a new social-economic dimension constituting a "virtual mediascape."

Second Life's importance as a new moneyscape is growing and, despite the world economic crisis, residents and first life companies continue to invest in-world and to exchange significant amounts of first-life currencies for Linden dollars, and vice versa. This phenomenon might be understood as the growth of a parallel economic dimension running its own micro-currency and consequently its own economic system.

Despite the level of uncertainty still associated with virtual worlds, Second Life's economic data demonstrates how the level of trust in this alternative dimension is still growing. Hence, while this platform may not itself be the future of virtual moneyscapes, Second Life does help to understand what the future of the world economy might hold alongside the cultural life of de-materialized money.

¹³ There are research findings showing how tridimensional virtual social spaces are now used as alternative economic spheres (see Castronova 2002 and 2006, Dibbell 2007, Malaby 2006).

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