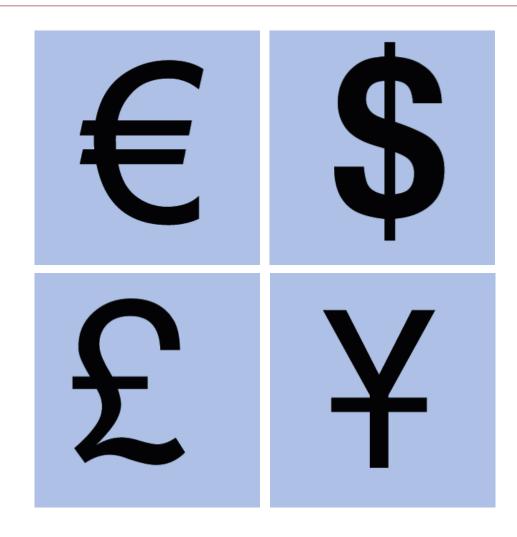
VIRTUAL ECONOMIES

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Persistent Virtual Rewards

VIRTUAL GOODS

Tradable/ Redeemable Points

VIRTUAL CURRENCY

In-game transactions/ markets

VIRTUAL ECONOMY





Worldwide virtual asset market:

- \$7 billion in 2010 (In-Stat)
- Nearly \$13 billion in 2016 (Strategy Analytics).

 Loyalty programs as virtual currency

Balance



Economics still works

- Dynamics driven by <u>scarcity</u>, not money
- Castranova on virtual worlds

Faucets & Drains

– Remember "passing Go" in Monopoly?



Danger!

- Real money costs real money
- Remember the hedonic treadmill and crowding-out effect
- Intrinsic value from rarity and surprise