

# WHEN THE VIRTUAL BECOMES real

Time spent online playing computer games may seem like a frivolous activity, but research into online interactions via games, social media and on mobile phones is part of a growing academic discipline dubbed “virtual economics”. Here, **Danny O’Connor** interviews a leading figure in the field, Dr Vili Lehdonvirta, a visiting fellow in the LSE Asia Research Centre and associate director of the LSE Innovation Co-Creation Lab (ICCLab) in the Department of Management.

## When did your interest for all things “virtual” start?

**VL:** When I was younger I was a computer enthusiast and would spend my spare time making my own computer programs and games.

This interest continued into my time at university, but by this point I had also developed an interest in social issues. This is partly why I pursued a multidisciplinary master’s at Helsinki University of Technology which combined computer science with business and sociology. It was the early 2000s and some friends and I became interested in a funny phenomenon of people selling virtual items from computer games, such as castles or gold coins, for real money on eBay.

This type of person-to-person trading became increasingly popular during the subsequent years and even gave birth to a professional class of gamers who would supply a secondary market with gold coins, or even players for hire – so-called “playbourers”.

The question which interested me, and which I would get asked again and again, was why do people do things like pay “real” money for virtual goods?

## So, why do people buy virtual goods?

**VL:** People spend money on virtual goods for the same reasons they buy physical consumer goods – social status, identity, norm, emotional comfort and aesthetic pleasures.

As people spend increasing time in digital environments and they become part of everyday life, it’s quite natural that consumption should move online.

## Why did you go for a career in academia rather than a career in computing?

**VL:** It was during my master’s that I realised that I wanted to have a career in academia rather than in the games industry, to critically engage with the societal aspect of digital technology.

This, in part led on to my PhD in economic sociology at the University of Turku in Finland, and then my subsequent job there as an adjunct professor. I have also held visiting positions at the Waseda University and at the University of Tokyo, looking at the use of technology and computer games.

I should add that I have not totally eschewed the business world. A few years ago a colleague and I set up a successful consultancy, Virtual Economists, which advises publishers on setting up economies within their games and phone apps.

But my main passion is still research.



Vili Lehdonvirta “avatar” – from an original photo by Tommi Lätti

“I BECAME INTERESTED IN A FUNNY PHENOMENON OF PEOPLE SELLING VIRTUAL ITEMS FROM COMPUTER GAMES, SUCH AS CASTLES OR GOLD COINS, FOR REAL MONEY ON EBAY”

**You mentioned that you studied in Japan. This must be the ideal place for studying behaviour related to computer games?**

**VL:** My reason for going to Japan was, in part, the computer game culture, but it was also exciting for me as a fan of Japanese movies and martial arts.

What makes Japan a particularly interesting place is the youth culture. Even though the economic bubble burst in the '90s, today's Japanese youth are relatively affluent compared with the period of post-war reconstruction. While they cannot afford property they do have disposable income to spend elsewhere.

There are also high expectations but few opportunities. This makes it a fertile ground for developing escapist game culture – there are lots of single-player games which link into an online community. It is social interaction but not in the traditional sense.

**Is Japan the home of virtual economics?**

**VL:** East Asian games cultures generally are a rich source for virtual economics – not only Japan but also China and especially South Korea. South Korea is the world's leading country for online games culture. So much so that they have a significant number of professional gamers, who play computer game competitions on live television – known as “eSports”.

There is also more policing of online activities and trading in South Korea. As the markets for virtual items have been around for a longer time, the police have more experience in the criminal activity which has sprung up: for example, stealing player accounts in computer games and selling them on. There is even a dedicated virtual crime unit and specialist judges (I have a friend who is a gamer district court judge!).

We have started to see similar cases in Europe, as courts in Finland and the Netherlands have had to give judgments in cases of virtual theft.

**How did you come to LSE?**

**VL:** I was attracted to LSE for a number of reasons – it has an amazing brand, a lot of inter-disciplinary work going on and a strong focus on the social impact of research.

I managed to get funding and affiliation with the Asia Research Centre. I now also work alongside Professor Harry Barkema as an associate director in the ICCLab [featured in the summer 2012 issue]. The ICCLab works

with social entrepreneurs and companies on ways to reduce poverty through business innovations.

**Can virtual economics help reduce poverty?**

**VL:** A couple of years ago a colleague and I were selected by the World Bank's infoDev programme to produce a report on the “playbourers” in developing countries like China, who were earning a real income from playing games and selling virtual goods to the West. We found that this type of activity was worth approximately \$3 billion and created 100,000 full-time-equivalent jobs.

This kind of work has diminished dramatically as game publishers have begun to sell virtual goods directly to their customers, but there are other areas of digital work which are genuinely value creating – so-called microwork.

This is digital blue-collar labour for business problems where the addition of a little bit of human intelligence into a computing system increases productivity and efficiency: for example, categorising goods in online stores like Amazon or transcribing handwritten forms into databases.

It is a very unusual job, as people can work for 100 different employers in as many minutes. There is no physical attachment to a workplace or country. Workers are managed by computer algorithms which keep track of the amount of work done.

At the moment a lot of people want to do this type of digital microwork, so the wages are low. Nonetheless, its role in job creation could be very important.

**Who would you like to work with at LSE?**

**VL:** The wonderful people of the ICCLab and Asia Research Centre, of course. Other great inspirations are Richard Layard's work on the nature of happiness, Don Slater on consumer culture and Nicholas Stern on the economics of climate change. If we cannot eliminate wasteful consumption, could we at least virtualise it? ■

Vili Lehdonvirta's book *Virtual Economies* will be published by MIT Press in 2013.



**Danny O'Connor** is a press officer at LSE.

## ALUMNI VIEWPOINT

### Paulina Bozek on the modern gamer



Games aren't what they used to be. Once upon a time video games were considered toys for boys played in dark bedrooms, but the modern “gamer” is just as likely to be your mum, girlfriend or teacher. The games

industry was built on top of dedicated games systems – the Atari, the PlayStation and Nintendo – but today the most popular games machine – the mobile phone – fits into a pocket and the possibilities for game-like experiences are everywhere.

Video games have become much more accessible for everyone to enjoy and the addressable market has grown immensely. This ubiquity of games has given rise to the popularity of virtual goods and the existence of virtual economies. Games engage players with goals, rewards and special events, and dedicated players spend real money to enhance their in-game experience or to customise the look of their online avatar.

What may seem unusual and surprising, namely “why would anyone pay real money for something that doesn't actually exist”, actually mirrors the rituals of our normal lives. One famous example is players spending millions of pounds to buy virtual Christmas trees to decorate their virtual homes in the Facebook game Pet Society. As we spend more and more time online we develop online identities complete with digital accessories. In our hyper-connected world, the word “social” is now used more often to describe online interactions than being together in a physical space. We share, form relationships and communicate online and virtual goods embody emotional gestures like sending a virtual bouquet or a special song for someone's birthday.

Game mechanics are increasingly being used beyond entertainment in industries like health and business operations to engage employees and customers. As our lifestyles become ever more digital, we do not yet know how far virtual economies may scale.

**Paulina Bozek** (MSc Media and Communications 2002) is a BAFTA-award-winning game executive and CEO of Inensu, a social and mobile design and development studio in London.