

The World of Warcraft Economy

The Study Of A Virtual Economy And Its Potential
Implications On A Real World Economy

James Prestridge

6/3/2008

The World of Warcraft is a Massively Multiplayer Online Role Playing Game created and published by Blizzard Entertainment. The last time Blizzard reported subscriber numbers for the World of Warcraft, it was just over 10 million individual accounts. That essentially means that the World of Warcraft boasts the same population as a small Country, such as Belgium, Belarus, the Czech Republic, Tunisia or Hungary. It is slightly smaller than Cuba, for a better comparison.

The game population is broken up into multiple factions who cannot interact with each other, and further separated by 'Realms', copies of the world that cannot interact with each other.

Within the World of Warcraft, players can buy and sell items, goods and services from other players (PC's) or Non-Player Characters (NPC's). The accepted form of currency with in the World of Warcraft is coins of Gold, Silver and Copper. Players attain currency through either performing tasks for NPC's (Questing), killing NPC Monsters, or through trade with other players.

There is virtually no limit to the number of NPC Monsters within the World of Warcraft that a character can kill, or quests that they can complete. Because of this, the amount of currency within the World of Warcraft is growing without any sort of restriction on it. To translate it in to real world terms, every person would be able to earn an unlimited amount of money based on the amount of time they were willing to commit to doing so.

June 3, 2008

I would like to look at the effects this factor has on an economy. As there are no real world economies that operate as such, I will be discussing the effects of an unlimited supply of currency within the virtual economy of the World of Warcraft.

When the World of Warcraft was released, all of the players were on a level playing field financially. Every player enters the world as a weak character with no coin in their pockets. Through completing quests and killing monsters the players both acquire coin and get stronger allowing them to complete more difficult quests and kill tougher monsters, resulting in a larger financial reward. Early in the game's history, items and services would be sold by players for an amount reasonably obtainable by another player of appropriate strength for the item.

At some point in the game's history, things changed. Players continued to amass currency on their powerful characters, but ran out of items and services to spend their coin on. Currency basically left the category of a scarce resource for any player with a powerful character leading to dramatic inflation within the game's economy. Players with a virtually unlimited amount of coin were willing to pay more for items they may have not needed, but would purchase for other reasons (to make a friend or alternate less powerful character more powerful and give them a comparative in-game advantage, for example), causing an upward price shift on all goods and services in the economy.

The inflation problem compounds itself as the average power level of characters in the world raises, as well as the total population of characters in the world. This fact is evident by researching the economy / market of different realms within the World of Warcraft. The population and average power level of each realm is not static, and there is a dramatic

difference in the price levels of similar items from one realm to the next, scaling appropriately with the average power level and total population of each realm.

Blizzard has attempted to combat this problem within the economy through many methods; for example one short term solution was to add new realms for players to transfer their more powerful characters to, but as the game grew in popularity and new players grew more powerful, the problem returned. Blizzard's latest attempt at getting control of the economy has been to add activities for players to sink money into without returning them with a good or service that can be placed back into the economy. Whether this method will prove successful or not remains to be seen, Blizzard has just started to implement such activities into the game.

Seeing the effects of an unlimited amount of currency placed into the market makes me wonder about the sustainability of an economy in which the currency is printed based on the demand for it. Unchecked such a system can spiral out of control, causing the price of actual scarce resources to skyrocket based on the availability of currency. In such a situation, there is not an obvious win / win situation to reduce the inflation. Once the currency has entered the market, it would be extremely more difficult to remove it in a real economy than a virtual economy in a video game such as the World of Warcraft as people are not as willing to part with their actual money as they are virtual money without receiving some goods or service of appropriate value.

In an open market economy, it is the responsibility of the consumer as well as any governing body to keep the prices at a fair and reasonable level. The consumers must correct

June 3, 2008

inflated priced by refusing to pay unreasonable prices because of their desire for a good or service, and the governing body must ensure that there is not a gap in the supply of necessary goods and services due to a price conflict between the consumers and suppliers.