

Metaverse Money: The Economy in a Digital World

Picture yourself lounging on a yacht in the Mediterranean, sipping on the finest wine the world has to offer. You could choose to fly your fighter jet through the ravines of the beautiful Grand Canyon, fend off a zombie apocalypse in the ruins that used to be New York City, or hold a meeting with your friends in Buckingham Palace. The world is your oyster, and you can be whoever you want to be.

I couldn't help but fantasize as I sat in a dark theater watching the movie adaptation of the hit novel, "Ready Player One." I was in complete awe watching people live out their wildest fantasies in a digital realm called the OASIS. In the OASIS, one could have an embarrassment of riches while actually living in a depressing, poverty-stricken trailer park. While the book and the subsequent movie adaptation felt so tangible, at the end of the day, this was all just science fiction. Well, that is, until October 28th, 2021, when Mark Zuckerberg, the CEO of Facebook, announced that Meta, the parent company of Facebook, would launch a virtual reality world centered on interpersonal interaction called the "Metaverse." Online users were quick to compare the Metaverse's potential to that of the OASIS. However, much of the Metaverse remains shrouded in mystery. Will people be living their lives through a VR headset? How will big corporations adapt to life in the digital universe? Given that the Metaverse is still in its infancy, it can be difficult to tell what its economy will look like. The idea that the Metaverse will materialize as a passing fad is naive, so it is worth examining the economic aspects of this virtual realm.

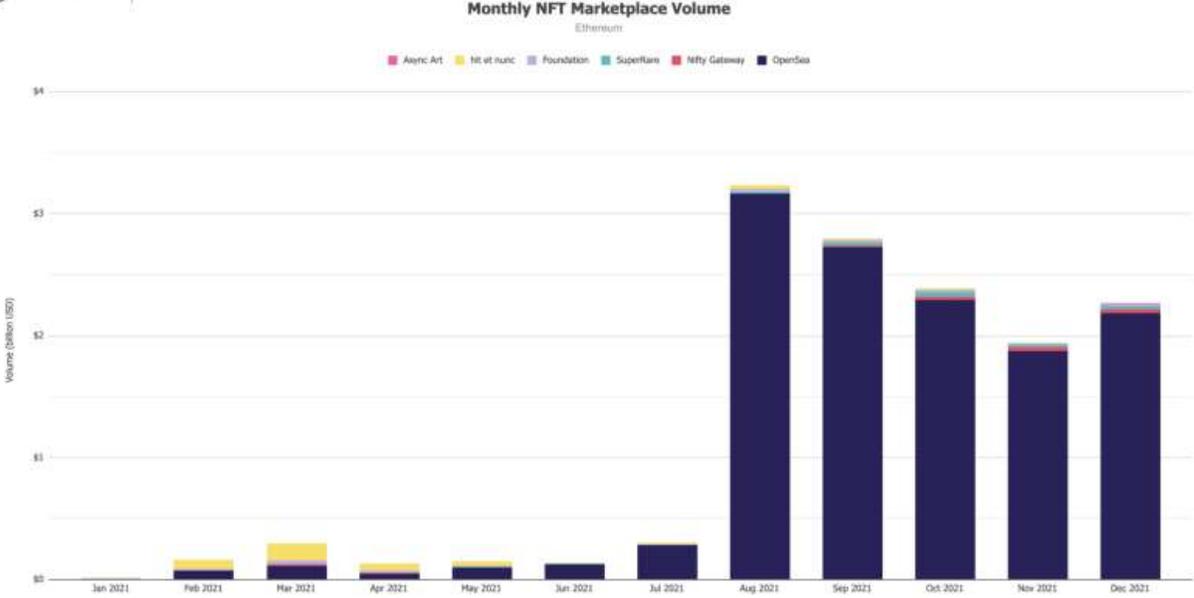
With millions of eyes on this new world, the Metaverse could potentially yield an abundance of untapped advertising space for big companies to pounce on. To better understand the role advertising will play in the Metaverse, we can take a look at the earliest version of it:

attention increases, companies like Atari and Gemini accrue returns on their large initial investments each day that their audience grows. Now, it seems like it's only a matter of time before bigger companies start pouring money into the Metaverse as well.

In the Metaverse, non-fungible tokens (NFTs) have become the new currency. Non-fungible tokens are digital assets that are unique and indivisible. Two twenty-dollar bills have the same value because you and I could exchange them and neither of us would benefit or suffer. However, no two NFTs can be equally traded in this sense because they are all different and hold subjective value. Everything in the Metaverse ranging from parcels of land, to clothing, to buildings, to the avatars themselves are NFTs, and they often come with special experiences. For example, with an NFT avatar, a user could receive virtual membership to a vast variety of social experiences in both the Metaverse and the real world (Weston, 2021). Coinciding with the rise of The Sandbox and the Metaverse, NFT sales have exploded, with \$13 billion in trading volume in 2021 (Khatri, 2021). As seen in Figure 2, this phenomenon began with the massive leap taken by NFT sales between July and August 2021. As the Metaverse ages, we can only expect these numbers to continue rising.

Figure 2

Monthly Breakdown of NFT Volume in 2021 (Khatri, 2021)



The Metaverse has opened a whole new world of possibilities. By generating prime advertising space for large companies and fueling the mass trading of NFTs, the Metaverse is forming a fascinating new economy.

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