Sascha Vitzhum, Illinois Wesleyan University, interviewed by Jim Browne, WGLT
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Jim Browne: Sascha Vitzthum teaches digital enterprise and market classes at IWU and says there is a growing convergence between the realms of avatars and we three-dimensional mortals.

Sascha Vitzthum: If you look at Second Life, they have a fixed exchange rate with the U.S. dollar and you can exchange whatever virtual money you make in world back to U.S dollars if you choose to do so. The worlds themselves make their money with providing services but with the case of Second Life, they make a bunch as well from their transaction fees, you know, like an ATM fee, you go to an ATM, you exchange from one currency to the other, they take their little commission.

Jim Browne: But you can also buy things in Second Life to enhance your avatar's existence, right?

Sascha Vitzthum: If you think about living in any society you want to personalize your experience so you might choose to buy some clothes. You can tailor them yourself virtually but you might want to look fancy or you might want to have the look—the latest look of the latest star who walked the red carpet, so you might buy it from some entrepreneurs that literally, the day of the Oscars, would sit there and redraw whatever Sandra Bullock wore and you can wear her dress virtually a couple of days later in Second Life.

Jim Browne: That is the only place that I would wear Sandra Bullock's dress.

Sascha Vitzthum: The good thing is you can look like Sandra Bullock as well. Second Life is fairly free. You can be a fly on the wall, you can be a pink elephant, or you can look like Sandra Bullock. It's up to you, it's your second life, it's virtual.

Jim Browne: [Laughs] We should understand our actual currency is an abstract. It has no real value other than what we agree upon. Could we have a virtual economic meltdown?

Sascha Vitzthum: Looking at Second Life in particular, there were certain booms and busts. Land development—people started buying land, developing it, and selling virtual partials, virtual islands, to users or mall operators, businesses, that would just run their virtual stores there. At some point in time though, Second Life just said, "Well why don't we just double the land." Well if you double the land, the other land will be devalued and so what you see in Second Life, the rules are constantly changing and you're not always prepared, you cannot always forecast what happens, so the virtual meltdown is actually much quicker, much more compressed but also more observable in many ways, which leads, for example, the Federal Reserve Bank—we had a conference at Emory about two years ago. They were active participants there. They would rent an island, enclose space, where there could be—creating rules of commerce and they actually tried to replicate 1929 bankrupts and see what would happen there.

Jim Browne: So we have economists who are using virtual worlds to test models.

Sascha Vitzthum: Certainly, certainly, and it's not just economists. You go to sociologists, anthropologists—what happens if you live in an all female society? Do interactions differ? Do interactions differ between people that choose to have animal avatars, animal—virtual personas that look like animals—versus just people that dress like themself in second life? It's a huge playing ground for a lot of researchers and it stretches across many, many fields.

Jim Browne: It's more than a playing ground really. It's a lab, isn't it?

Sascha Vitzthum: It is, it is, it is. My colleague, Benn Kosynski, would always call it the biggest sandbox and you have all the freedom you want to create your lab. You don't have to have a lot of investment to—you know, you get a little parcel of land and then you may want to just switch off gravity and see what happens.

Jim Browne: Well…[laughs]

Sascha Vitzthum: There it is.

Jim Browne: What's next in virtual worlds?

Sascha Vitzthum: I think that providers of virtual worlds will always have to find a niche. A competitor of Second Life, There.com, which was hugely endorsed by Viacom and its subsidiary MTV, just closed their doors for good on February 1st I think. They had in some point and time close to 10 million users and—but decided it's not a viable business model anymore. We will give you back whatever you've purchased in the last month but everything else is gone. We're bankrupt, we're closing, we're closing the door, and afterward the world was gone so—

Jim Browne: The world was gone.

Sascha Vitzthum: The world was gone, yeah. It's…[laughs]…it's kind of frightening if you think about it. If you put your heart and soul as an entrepreneur in creating a space for yourself and you have a month's notice until you…[laughs]…you cease to exist, so I think that the providers of the virtual worlds have to figure out what are viable business models. The nice thing is that you can change anything in a heartbeat because it's all virtual. If you want to rezone land, if you want to, what they call in Second Life**,** terraform—just make a huge mainland into a hundred islands—you can do it at the click of the button, but at the end the business angle has to fit. There needs to be some sort of viable business model otherwise they will struggle and this is what Second Life is struggling with and I think a lot of other providers as well.

Jim Browne: Sascha Vitzthum says the next step in electronic environments could be the creation of virtual passports to allow players or residents to travel from one world to another and keep their identity. He says as these worlds or universes open up, they also open up possibilities of cross-border economic cooperation and competition. I'm Jim Browne, WGLT News.