

THE INVISIBLE HAND IN VIRTUAL WORLDS

Video games are not merely casual entertainment: they are the heart of one of the fastest-growing media industries in the world, and a cultural phenomenon in their own right. In the past 50 years, gaming has evolved from a niche pastime relegated to the back rooms of arcades into a global business that rivals film and television. In the process, games have created new art forms and social arenas—as well as their fair share of political controversy—and become the subject of endless public debate. This book shows that games also provide a unique space in which to study economic behavior. Games, more than any other form of media, demonstrate the power and creative potential of human choice—an idea that is also the foundation of economic thinking. Whether it is developing trade relations, or the use of money, or even complex legal institutions, virtual worlds provide a captivating and entertaining arena for studying economic behavior in its most dynamic forms.

The chapters in this book combine theory with gaming practice to create an original story about the economics of virtual worlds and about the game industry. Various economic themes are represented, from long-established ideas about the benefits of the division of labor and trade to new work on the evolution of social institutions and governance. The contributors explore these ideas within the virtual worlds of games to show how economic behavior evolves over time to resolve conflict and promote social cooperation. The overarching theme of the volume is the economic order that governs virtual worlds and the many ways individuals work together, often without knowing it, to govern their social relations in digital space. The chapters also offer a wide range of practical implications for both gaming and economics, implications that span research, teaching, and public policy.

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The Economic Order of Video Games

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