

Crypto gaming is sold with promise of convenience and riches. In practice, it's deeply exploitative

May 31 2022, by Ben Egliston



Credit: AI-generated image ([disclaimer](#))

Video games are increasingly incorporating blockchains, the decentralized databases that underpin cryptocurrencies, as well as NFTs and other "digital assets." New games are emerging expressly to support blockchain technology, while traditional games are being updated to

incorporate blockchains.

As of October 2021, "crypto gaming" accounted for more than half of the [blockchain](#) activity over that [quarter](#). At the same time, a [treasury inquiry](#) has led to consumer groups calling for regulation in the crypto market.

Crypto evangelists say [blockchains are the future of gaming](#), and crypto gaming is ushering in "Web3"—the so-called next iteration of the internet built on [blockchain technology](#). How true are these promises?

How video games use blockchains

The advent of crypto gaming roughly coincides with the rise of the Ethereum blockchain, launched in 2015.

Ethereum emerged as a platform for building and hosting of decentralized apps (applications designed to run on a blockchain, rather than a singularly owned computer network), as well as ownership over digital assets within those apps.

Video games have a history of sophisticated [virtual economies](#). Games such as World of Warcraft and EVE Online—where items are bought and sold for virtual currencies—became a popular test case for these Ethereum features.

The promise of 'retaining value'

A common model in crypto games is to include two types of crypto tokens. One is a governance token, which generally allows players a say in the governance of a [game](#), and in some instances a share in its revenue. The other is a utility token, which is used to perform certain

actions within the game.

Game assets (such as a sword or an e-sports trading card) can also take the form of non-fungible tokens (NFTs), with each unique token represented on the blockchain.

It's common for NFTs and governance tokens to double as speculative assets that can be bought and sold across crypto or NFT exchanges. But it's questionable whether they have any fundamental value. Many gaming tokens are at best [volatile](#) and at worst worthless.

Yet proponents of crypto gaming try to sell it as the future. Take crypto venture capitalist and Reddit cofounder Alexis Ohanian, who [says](#) crypto gaming will allow players to "actually earn value" through accruing assets that have some value in traditional or "fiat" money.

In essence, he says people would no longer need to "waste time" gaming for leisure. Crypto gaming advocates often don't understand why one might play games for no reason other than to have fun or unwind (or myriad other [motivations](#)).

In the crypto gaming vision, play becomes the act of seeking "valuable" tokens, and extending the game into a 24/7 market that pressures players to constantly seek profit. This marketisation of all activity is the very thing that has turned so many off of crypto gaming, and [crypto more broadly](#).

The notion of retaining value is also framed in terms of developers and audiences being better remunerated for making and playing games. On game-distribution platforms such as [Phantasma](#), developers deposit a given amount of the platform's cryptocurrency in exchange for having their game hosted.

But it's difficult to see how this differs from the current model, in which distributors charge a flat fee. In fact, hosting in exchange for cryptocurrency is arguably more problematic when you consider that token prices are subject to volatility.

Some people, including Web3 advocate Greg Isenberg, believe blockchain-enabled games might redistribute some of the revenue generated by game companies to players.

Players create value for these companies through practices such as "[modding](#)" (which refers to modifications, and other in-game activities), and even by contributing to a game's [culture](#).

Isenberg and others claim blockchains would provide a reliable record of players' contributions, and therefore help set up a base for remuneration.

Activision Blizzard sold for \$70b today and the community is going to see \$0 from this

Play-to-earn couldn't come sooner.

— GREG ISENBERG (@gregisenberg) [January 18, 2022](#)

Playing to earn

An increasingly common pitch from blockchain game projects is "if tokens are valuable, then play itself can become a form of work." Players can "play to earn" (commonly referred to as "P2E").

The best known example is Axie Infinity, a Pokémon-style game where playing yields tokens that ([at least at some point](#)) had a high monetary value.

In one [podcast](#) on P2E games (hosted by the venture capital fund Andreessen Horowitz, which has invested heavily in them), Gabby Dizon, the co-founder of a P2E gaming guild, claimed P2E was a "way to escape ... economic hardship."

Like the gig economy, P2E promises convenience, flexibility and prosperity at a time of widespread immiseration. Also like the gig economy, it's deeply exploitative in practice.

As [recently reported](#), Axie and other companies like it have a setup in which players must buy an expensive NFT before they can even start playing and participating in the P2E model.

A popular business tactic among some wealthy investors is to lease out their Axies (which are linked to NFTs) and take a cut of any money made by players, many of whom are from developing countries such as the Philippines. The result? All but the best players end up earning [below minimum wage](#).

Responses from industry

Some traditional game developers have embraced blockchains. Last year, French gaming giant Ubisoft launched its own crypto gaming platform called [Quartz](#).

Others have been reluctant. Big distributors including [Valve](#) have rejected blockchains, whereas Epic Games has embraced them under [strict conditions](#).

Many indie game developers have [pushed back](#), saying blockchains (and particularly NFTs) are scams that have a disastrous environmental impact, and which exacerbate the negative effects of capitalism.

sigh pic.twitter.com/I4PIQB6o1H

— AGGRO CRAB (@AggroCrabGames) [January 31, 2022](#)

A crash in the crypto market [earlier this month](#) has seen most [crypto gaming tokens](#) lose value. Yet this hasn't deterred [fervent investment](#).

More importantly, ups and downs in the crypto market don't affect the fundamental problems in the value proposition of [crypto](#) gaming.

While blockchains and Web3 [are](#) viewed as an investment opportunity by large tech companies and investment funds, ordinary people continue to get [scammed](#) out of their money.

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