

# Welcome to the metaverse

Published 3 November 2021

## WisdomTree

Contributor

The idea of a metaverse is not new. What is new is the point the extent to which the lines between physical and virtual worlds have now blurred. This change in the way people live their lives holds immense opportunities – as indicated by the news of Facebook, one of the world’s largest companies, rebranding to Meta. Digital assets are a big major part of these opportunities.

### An idea decades in the making

The term ‘metaverse’ was coined by Neal Stephenson in his 1992 book ‘Snowcrash’. A staple of any geek’s library, the book revolves around a post-apocalyptic future where hyperinflation has sapped the value of the US dollar to the extent that people instead use alternative currencies such as yen or “Kongbucks”. To escape from this dystopian nightmare people retreat into a virtual reality world – the metaverse – and interact with one another using avatars<sup>1</sup>. If this sounds familiar it is because similar ideas have also been explored in The Matrix movies and more recently in Ready Player One.

There are plenty of metaverses already in existence. Video gamers understand this. Second Life was one of the more successful attempts at creating what is now called a metaverse. It had its own floating currency, Linden Dollars, which were convertible with US dollars at an average rate of around 250 to one<sup>2</sup>. These virtual worlds have their own gross domestic products, as people produce and do things in the game that can be assigned a monetary value. In 2015, the GDP (Gross domestic product) of Second Life economy was estimated to be approximately \$500 million dollars<sup>3</sup>.

The advent of digital assets and currencies, like bitcoin, ushered in a new phase in this process of technological change. One example is the Sandbox (think Runescape meets Minecraft) where the native crypto token (SAND) has a current market capitalisation of around USD2 billion equivalent<sup>4</sup>. Another virtual world, Decentraland, has a token (MANA) that is valued at USD4.4 billion in market capitalisation terms<sup>5</sup>.

In the past, people tended to think, at a conceptual level, as there being a physical reality (‘meat space’) and there being a virtual reality. People used to refer to the internet as the ‘information superhighway’ and the interactions that people had via the internet as ‘cyberspace’. All these terms are indicative of people’s differing attempts to grapple with new technologies and how they change the way people live their lives. The use of terms like these wanes as new technologies, in this case the internet, becomes part of ‘the furniture in the room<sup>6</sup>’ and people do more and more things in an internet-mediated way. For instance, people do not call buying stuff on Amazon ‘e-commerce’ anymore... it is just ‘shopping’.

The lines between meat space and virtual spaces have been blurring for some time now. You have been in the metaverse(s) for a long time – even if you didn't notice it. I called this process 'the virtualisation of the world'<sup>7</sup> around a decade ago. It is important to note something major that has changed in the intervening decade. It is only in the last few years, in industrialised countries, that the majority (i.e. >50%) of people do not remember what life was like before the internet. This demographic change will keep shifting – especially in countries where smartphones are ubiquitous and the population skews younger.

### **Bringing this back to Meta**

An obvious question is: what will the currency be in Mark Zuckerberg's metaverse? For years Facebook has been trying to develop and launch their own digital currency – then called 'Libra' and now called 'Diem'<sup>8</sup>. One way to spur the adoption of this digital currency might be to make it a reserve currency in Meta. If physical and virtuality realities are blurring then that means Diem can more quickly enter everyday use – and in this way becomes accessible and usable alongside other existing currencies (e.g. USD, JPY, EUR, etc).

If this vision of a monolithic Mark Zuckerberg metaverse makes you feel uneasy, the good news is that it is unlikely that one single corporation will be able to build, maintain and subsume or exclude all other virtual worlds. The more likely outcome is a set of different metaverses that make use of interoperable protocols and open source software. Jack Dorsey's Twitter has realised this – and is integrating open source bitcoin 'wallets' into users' profiles<sup>9</sup>. Amazon is looking for a director to help customers at senior levels, "transform the way they transact digital assets... from price discovery to execution, settlement and custody"<sup>10</sup>. This role indicates that more Fortune 500 companies will follow this trend.

### **There is more to science fiction than dystopia**

The lines between physical and virtual realities have been blurring and will continue to do so over the coming decade. Shedding the dystopian, science fiction context in which popular culture tends to treat this shift helps to identify where the opportunities lie in the future. Meta has made a big bet with their rebrand – but the opportunities lie well beyond what Meta will do in this space. Metaverses are not new – what is new is the amount of investment going into the space and a growing acceptance of digital assets amongst a growing cohort of digitally native people.

1 [https://it.wikipedia.org/wiki/Snow\\_Crash](https://it.wikipedia.org/wiki/Snow_Crash)

2 <https://www.investopedia.com/terms/l/linden-dollar.asp>

3 <https://www.hypergridbusiness.com/2015/11/second-life-gdp-totals-500-million/>

4 <https://www.coingecko.com/en/coins/the-sandbox>

5 <https://www.coingecko.com/en/coins/decentraland>

6 <https://www.collinsdictionary.com/dictionary/english/part-of-the-furniture>

7 <https://bennydean.com/post/96921781828/the-virtualisation-of-the-world-advertising-and-the>

8 [https://it.wikipedia.org/wiki/Diem\\_\(criptovaluta\)](https://it.wikipedia.org/wiki/Diem_(criptovaluta))

9 [https://blog.twitter.com/en\\_us/topics/product/2021/bringing-tips-to-everyone](https://blog.twitter.com/en_us/topics/product/2021/bringing-tips-to-everyone)

10 <https://coingape.com/amazon-looking-for-digital-assets-specialist-at-aws-is-crypto-integration-coming/>

### **Related blogs**

+ [Different digital assets different monetary policies](#)

+ [A Solana blackout uptime and digital assets](#)

## Important Risks Related to this Article

### Important Information

**Marketing communications issued in the European Economic Area (“EEA”):** This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

**Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

**For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.**

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.