

Virtual value - decoupling physical reality from economic value



By [Bronwyn Williams](#)

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One of the big business trends of the past decade was how software "ate the world". Just 10 years ago, the world's most valuable companies were predominantly in the business of trading physical resources or goods of one kind or another, think Shell, ExxonMobil and Walmart. Fast forward to today, and the world's most valuable companies are predominately made up of the global tech giants, the likes of Amazon, Alibaba, Alphabet, Facebook, Microsoft and Tencent, that hold their value in data, bits and bytes rather than tangible assets.



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However, the shift in value from the tangible to the intangible has only just begun. Value and profits are slowly being completely decoupled from physical reality.

From Modern Monetary Theory (MMT), and its (as yet untested) hypothesis that printing fiat money, backed by nothing more than a government's reputation need not have any real adverse effects on a nation's economy; to the increasing prevalence of virtual reality in everyday life, nothing is quite what it seems anymore.

Virtual real estate and virtual couture

Virtual, mixed and augmented reality is no longer a fringe concept. As of November 2018, one in every 850 humans on planet Earth were simultaneously logged into the popular online game, Fortnite - and that's just one game. And, as we become more comfortable with virtual worlds, we are also beginning to attach real value to our virtual lives. Indeed, many teenagers in South Africa and across the world are now spending more money on custom skins for their gaming avatars than they are on apparel for their living, breathing human bodies.

It's not just children who are placing a premium on their virtual lives either. In 2019, a virtual garment designed by [The Fabricant](#) sold, on auction for an astounding \$9,500. The garment is not made of any physical fabric, rather it exists as a piece of code, a filter if you will, that the owner can "wear" digitally in selfies, photographs and videos. Ownership of the prized possession is secured on a blockchain to make sure no-one else will be able to steal the outfit for use in their own selfies, thereby creating digital scarcity and real-world value out of thin air.

All told, the virtual and augmented reality industry is projected to be worth [\\$162bn by 2020](#).

Even more serious-minded investors are being tempted by imaginary property. One virtual real estate company, Decentraland, is selling “1,1000 foot” empty plots in its virtual development, Genesis City, for up to [\\$200,000](#). So, although estate agents here on the real Earth might tell you to invest in real estate because “land is the one thing they are not making more of”, that old adage is no longer quite true. The amount of virtual property is only limited by our imaginations, or, at least, our willingness to believe in its value. Then again, when you think about it, so is the entire conventional global economic and monetary system. Ultimately, cash and credit is only worth what it is *because we believe it is worth what it is* and so does everyone else.

Limitless growth?

As value and economic growth sever more and more of their ties with physical, resources; limits to growth, tied to energy production, pollution costs, and scarce minerals, water and land seem to fall away. As long as we are prepared to suspend our disbelief and believe in the value of intangible assets the same way that we currently believe in the value of tangible assets, we can, perhaps, have our planet (without destroying it), and our economic growth too.

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