

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Jiří Skuhrovec
Advisor:	Mgr. Tomáš Holub, PhD.
Title of the thesis:	Inflation of Virtual Currencies

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

The thesis analyzes price level formation and its dynamics in the game „World of Warcraft“, which is presented as an example of a virtual economy. The choice of the subject is one of the strong points of the paper – it is original, it is interesting and it shows the potential of similar games to serve as large scale economic experiments. Another strong point to be mentioned is the data gathering system developed by the author, which has allowed him to collect information directly from the game. (He even plans to make these unique data sets accessible on his webpage.)

The argumentation in the thesis is quite rich and convincing. For example, the author introduces the connection between the virtual and the real economies and analyzes its effects, or later he explains the dynamics of the game economy from the point of view of the operator's profit maximization. The last part discusses the potential role of virtual currencies in the real economy and it also questions the „traditional“ theories on the currency with some examples. I think, that the value added of the thesis is high.

I only have several concerns about the methodology used for the analysis of the data. In general, results of a regression should be accompanied with a description of the methods which were used in the process of estimating them. Sometimes, more attention should be given to the preliminary analysis of the series. For example, the „quite strange“ results of the regression (8) could be a consequence of a spurious regression – if there was a trend in the quantity of the gold sold and if the yuan appreciated against Euro (which seems to be the case in the observed period), then the high correlation does not automatically mean that there really is a causal relation between the variables.

Concerning the manuscript form, there are some undefined biographical references (p. 6, 28), the reference [28] on the page 25 does not seem to be the right one, but these points are of a minor importance...

Finally, I would have one question (which most probably only shows my total unfamiliarity with the game): On the p. 13-14, the author writes, that goods can be sold to „Vendors“, who offer prices equal to 1/100 of their Auction House price. Later, when explaining the equilibrating mechanism (p. 17) he states that „*players sell less goods to Vendors*“ when „*the AH offers relatively better prices than usual*“. But what is the economic motivation of the players to sell to Vendors at all, if their prices are so much lower?

In general, the presented paper is of a high quality and it certainly meets the requirements expected from a Master diploma thesis. I recommend **“výborně” (excellent, 1)**.

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Jiří Skuhrovec
Advisor:	Mgr. Tomáš Holub, PhD.
Title of the thesis:	Inflation of Virtual Currencies

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	23
Contribution (max. 30 points)	30
Manuscript Form (max. 20 points)	17
TOTAL POINTS (max. 100 points)	90
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Ondřej Strecker

DATE OF EVALUATION: 17/06/2009



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong Average Weak
30 15 0

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong Average Weak
30 15 0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě