

Legitimacy in the Metaverse:
The case of Decentraland

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Extended Abstract

The internet has long inspired visions of fostering new shared sociality, enabling people to communicate, play, learn, assemble and engage with one another beyond borders, physical limitations or material boundaries. The metaverse, a term coined by Neal Stephenson in his 1992 science fiction novel, *Snow Crash*, represents an expansive form of such visions. Nowadays, the metaverse broadly refers to an immersive, persistent, three-dimensional virtual space in which users are embodied through avatars, and interact with their environment and each other in a wide variety of social and economic activities. Yet, as these new ‘virtual worlds’ are being developed by Big Tech companies such as Meta (formerly Facebook, which re-branded itself as a ‘metaverse company’ in 2021),¹ concerns are growing that the metaverse will exacerbate issues currently faced in other digital social spaces such as on social media or in online games. Here, users see themselves subjected to unilateral decision making from platform operators without access to meaningful recourse (the many changes made to the social media platform X following its acquisition by Elon Musk in 2022, serve as an evocative example).² They have limited control over their online profiles and associated virtual assets and data (e.g., when a user decides to exit a social media platform or online game, they lose their data, followers or in-game loot).³ In short, the legitimacy of large technology companies operating proprietary metaverses is called into question. In this context, we define legitimacy as “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definition”⁴.

In response to such concerns, various projects and companies have begun building open-source metaverses, underpinned by blockchain technology and which give users governance rights concerning the policies and future development of the metaverse.⁵ Blockchain technology, a distributed append-only ledger maintained by a decentralised network of nodes, enables users to have full control of their avatars and assets. Building open-source enables users to propose technical extensions to the metaverse or fork, i.e. copy the codebase and implement their own version without the permission of the original developers. Coupled with the use of various online forums and decision-making processes (e.g., committees), users are encouraged to become actively involved in policy making for their metaverse and its future direction.

While such approaches promise to overcome the legitimacy concerns raised in centrally-owned and -governed metaverses, in this paper we argue that paradoxically, the ability to seamlessly fork a project brings the question of legitimacy to the forefront in different ways. We situate forking in the context of Hirschman’s⁶ framework of exit, voice and loyalty to show that, in the context of open and decentralised platforms which can be forked at virtually no cost, the ‘exit and loss’ logic that is characteristic of traditional centralised platforms becomes less relevant. However, with low exit costs, any degree of dissatisfaction with the governance of an

¹ Alex Heath, ‘Mark Zuckerberg on Why Facebook Is Rebranding to Meta’ (The Verge, 28 October 2021) <<https://www.theverge.com/22749919/mark-zuckerberg-facebook-meta-company-rebrand>>.

² Nolan, B. (2023, March 7). “Can’t even see my own tweets”: Twitter users despair over Elon Musk’s decision to limit views. Business Insider. <https://www.businessinsider.com/elon-musk-twitter-limit-views-users-angry-2023-7>

³ Fei, L., & Bo, X. (2014). Do I Switch? Understanding Users’ Intention to Switch between Social Network Sites. *2014 47th Hawaii International Conference on System Sciences*, 551–560. <https://doi.org/10.1109/HICSS.2014.76>

⁴ Mark C Suchman, ‘Managing Legitimacy: Strategic and Institutional Approaches’ (1995) *20 The Academy of Management Review* 571, 574.

⁵ Vergne, Jean-Philippe, *The Future of Trust will be Dystopian or Decentralized: Escaping the Metaverse* (September 17, 2021). Forthcoming in special issue of *Revista de Occidente* on *The Future of Trust*, Available at SSRN: <https://ssrn.com/abstract=3925635> or <http://dx.doi.org/10.2139/ssrn.3925635>

⁶ Albert O Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Harvard University Press 1970)

online platform could lead to an exodus of the user base towards alternative platforms, including through the creation of forked platforms. Consequently, we hypothesise that legitimacy serves as an important precondition for the adoption and maintenance of open, distributed metaverses over time.

We explore this hypothesis by focusing on the case of Decentraland, a blockchain based metaverse where no single operator can impose any decision upon the user base. Everyone is free to join and contribute to the platform if they wish to do so or to create an alternative platform that is a perfect replica of Decentraland—usually with a separate governance structure and a few technical modifications. Decentraland has several businesses and non-profits operating within its ecosystem, who depend on users purchasing or using their services. In other words, as with other platforms, Decentraland needs to generate network effects. Thus, to grow and maintain a sizable user base, Decentraland requires its current governance structures to be perceived as being legitimate both endogenously by its users and exogenously by external stakeholders such as regulators. Drawing on ethnographic research conducted through participant observation, gathering publicly available material concerning the governance of Decentraland (in documentation, governance forums and public chat groups) as well as three focus groups with Decentraland participants, we show how the Decentraland Foundation, the Decentraland DAO and Decentraland's Security Advisory Board—three centres of decision making among Decentraland's polycentric governance structure—are grappling to establish endogenous legitimacy. Furthermore, we identify the emergence of new social institutions such as Decentraland's Wearables Curation Committee, as a means to establish and maintain Decentraland's legitimacy externally, for instance to avoid copyright infringement claims by third parties.

Overall we find that legitimacy and the continuous bottom-up review and improvement of governance mechanisms is crucial in the future of these platforms. This requires the development of various legitimate social institutions and off-chain governance mechanisms which extend the affordances provided by blockchain based, open source technical infrastructures underpinning decentralised metaverses. Nevertheless, practices such as collusion among key actors, and the external disputes of actors within this metaverse with third parties reveal the ongoing challenges of building endogenous and exogenous legitimacy in these open virtual worlds.