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Broken Crypto and NFT Dreams

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The world of cryptocurrencies would seem to be in trouble along with stock markets around the world. Bitcoin did not live up to expectations of being a hedge against inflation or store of value during tough economic times. Since its November 2021 peak of \$67,582 the dominant cryptocurrency has fallen to \$20,554 in June of 2022. Anyone who got in near the peak has taken a huge loss. Nevertheless, the world of cryptocurrency is not going away. The task at hand is finding the [right crypto investments](#) going forward. Unfortunately, not all crypto ideas turn into success stories. Here is one example of broken crypto and NFT dreams as a cautionary tale for would be investors.

How a Play to Earn Video Game Goes Bust

Many people love to play online games. It is even better if you can turn your interest into a way to make money and perhaps even replace your day job! This was the allure that attracted many to play and invest in Axie Infinity. *Bloomberg* recounts the rise and fall of this [crypto gaming](#) venture. The online game features three-player teams that fight to the death in games that last about five minutes. Winners are rewarded with SLP (Smooth Love Potion) tokens in regular games and AXS (Axie Infinity Shards) in tournaments. When this game began online part of the promotion was that cryptocurrencies would only go up in value over time. So, you could play to earn a cryptocurrency that, in turn, would appreciate over time. Not only have cryptocurrencies taken a hit this year but fatal design flaws and hacking spelled the project's downfall.

Player Intentions and Game Design at Cross Purposes

Axie Infinity offered people two ways to earn crypto tokens. One was by playing and the other was by creating or "breeding" Axies. The Axie is an NFT that the creator owns and can either sell or rent out for other players to use. The *Bloomberg* article compares this to sharecropping while the game refers to the renters as scholars. The game was designed to have a stable amount of tokens as they would be used up in the game as well as generated. However, since people were attracted to the game by the prospect of making money, they "cashed out" to either hold their tokens outside of the games or sell them. When the game started out it functioned like a pyramid scheme with new players buying in and creating profits for those who got in before.

The issue with people cashing out resulted in more and more tokens but no more value. That is similar to today's economic situation where there is too much money which causes inflation. When the system was less profitable the pyramid began to collapse.

Hackers Steal Tokens

The last nail in the coffin of this project was when hackers stole what at the time equaled more than \$600 million in cryptocurrencies. The value of the SLP token fell from more than 30 cents to less than one cent and

the company deleted any reference to play to earn from its advertising. It does not appear that anyone has come up with the money to replace hacked tokens. The moral of this story is probably the old Roman adage, let the buyer beware. If a scheme looks too good to be true it probably is just that. In our article about choosing crypto investments, we noted that the crypto world will likely settle into a price range supported by the ability of its various uses to generate profits. The poorly-designed play to earn setup was not one of those.

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