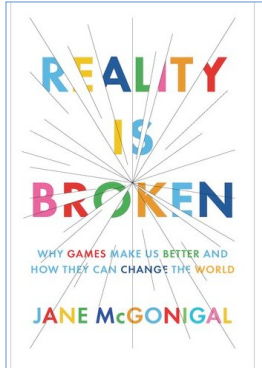


Book Review



Reality Is Broken: Why Games Make Us Better and How They Can Change the World, by Jane McGonigal, New York: The Penguin Press, 2011, 400 pp., \$26.95 (hardcover), \$12.99 (eBook)

Reviewed by Lee O'Dwyer

In *Reality Is Broken*, Jane McGonigal has distilled her PhD and a decade of work into an immensely enjoyable read that sheds a new light on the often-stereotyped world of gaming. In the past I have found myself cringing as my kids ask to play their PS3[®] or Wii[®], even when they respect our “no games on week nights” policy. I wonder: Shouldn't they be outside or engaging in something more productive? However, after reading McGonigal's thoughtful treatment of the subject, I am now more likely to play with them.

Game Theory and Investing

But why review a book about gaming in *The Journal of Environmental Investing*? Game theory has long had a place in environmental economics and investing. It has accurately described the costs and benefits of issues like cross border pollution, acid rain, and overfishing in open waters. The environmental economy frequently runs into a free-rider problem, and game theory has often been used to develop regulation designed to curb cheating and selfish acts. Of course, regulation designed to change behavior is littered with failures. Readers of Adam Smith's *The Money Game* will immediately recognize that many of the traits found in successful games appear in investing: a goal, rules that must be followed, a feedback system to improve performance, and voluntary participation through allocation of capital.

But don't get the wrong idea; McGonigal's book isn't about investing. As the subtitle suggests, it's about “why games make us better and how they can change the world.” With it, she has opened a new dimension to solving social issues, introducing ideas like “happiness engines” that might help us approach global problems, whether hunger, sickness, or climate change, in a profound new way.

The Practical Benefits of Gaming

The *reality* that the title of the book suggests is *broken* relates to our world versus the gamers' world. In fact, there is a laundry list of our reality's attributes that are negative when compared to the artificial reality created in successful games: too easy, disconnected, unrewarding, and unsustainable, to mention a few. "But in at least one crucially important way, reality is also *better*: reality is our destiny." McGonigal sets out to explore fourteen fixes (my favorite being *Fix #12: seek out more epic wins*), aimed to draw out the practical benefits of gaming. She points us toward "possibly the most primal emotional rush we can experience. . . . after we triumph over adversity"—*fiero*, "the Italian word for pride"—and goes on to describe Csikszentmihalyi's research on *flow* (*Beyond Boredom and Anxiety*, 1975). We are then drawn toward the conclusion that "we can stop reminding each other: *This isn't a game* [rather we] can actively encourage people instead: *This could be a game.*"

An Engagement Economy

McGonigal isn't directly challenging us as investors. If anything, she is articulating a challenge to the gaming community, which she first espoused at the 2008 Game Developers Conference. However, I think it is more than fair to infer from the text that if we are serious about solving environmental issues through investing, then a growing amount of our allocated capital should to be directed toward creating a collaborative solution. Do you know that "gamers have collectively spent 5.93 million years" playing *World of Warcraft*? McGonigal states "by that measure we have spent almost as much time playing *World of Warcraft* as we've spent evolving as a species." Facebook has, of course, demonstrated the power of social connectivity. By making a game of it, the UK's *Guardian* newspaper successfully recruited 20,000 Brits to review 170,000 documents in three days, exposing Members of Parliament's fraudulent expenses.

McGonigal's work makes it clear that "gamers are readily engageable citizens," but she has also exposed a broader condition that can be extended to non-gamers. The suggestion of an *Engagement Economy* providing "sustainable intrinsic rewards" is a powerful notion, which should not be viewed as some kind of utopia. Consider how Wikipedia has articulated the power of crowdsourcing: What are the implications of directing a fraction of the 1.7 billion Internet users toward your environmental goal? In fact, it is already happening: *Lost Joules* is a social participation game in development that encourages energy conservation at home by utilizing smart meters; *EVOKE* is a World Bank Institute game focusing on, among other things, sustainable energy.

Social Participation Aimed at Generating Demand

The idea of social participation is not new, but *Lost Joules* allows us to consider promoting a behavioral change that could improve our environmental condition. After all, the concept of society competing over energy savings has wide ramifications. So what is the nexus of these seemingly disparate fields, and the benefits to the environmental investing community? A brief summary of the major factors impacting environmental investing must include both the science behind climate change, and the economics. If we accept that climate change exists, we can identify the costs of doing nothing, but we also have to consider the cost of switching behaviors and adopting new technologies. Another factor is about making new discoveries, or developing technologies, that can provide solutions and offer investment opportunities.

The problems of economics and technological innovation often meet around the issue of demand. Assuming that cheap, universally applicable technologies are few and far between, we require an end demand for the products our investment dollars target. Demand drives profit and profit drives innovation. In my opinion, McGonigal's work clearly illustrates how gaming might offer a new perspective on demand and advance our thinking regarding how to generate it. Creating a natural demand through games will alleviate the free-rider problem. If we want market-based solutions to our environmental challenges, we need to mobilize our financial capital in new, innovative ways to drive a demand for solutions, including the technologies and discoveries that drive profit.

Consider how market forces created the Chicago Climate Futures Exchange. In large part, the Exchange identified the environmental balance sheet issues surrounding sulfur dioxide. If you have a SO₂ liability you can trade it for somebody's asset, but is overall SO₂ production reduced, or have we simply stopped further growth? What about the US love affair with ethanol in the last decade? Multiple IPOs, political stump speeches, and excited investors abound, but no real demand was created (I'll leave the technological feasibility discussion alone).

Empower Environmental Behavior

Remember the concept of an *engagement economy*? Marketing dollars are designed to increase brand awareness and influence demand, but the environmental investor should consider it imperative to redeploy some capital toward creating an *environmental engagement economy*. There are growing markets that illustrate the power of this idea. For example, socially responsible investing has become a way to express your views through investments. Buying a carbon credit along with your airfare is becoming increasingly popular. We have smart meters at home, treat our cell phones like a new appendage, and wear *bodybuggs* that track our health and fitness. Think again back to the example of *Lost*

Joules: Can we improve these already indispensable items to track our environmental behavior and create a global game that drives a new economic demand, such as selling personal carbon credits?

McGonigal has given us a mechanism; our challenge is to frame the discussion toward our desires and create a game that produces the required action. *Seek out more epic wins*. If it is compelling enough, we won't need to discuss whether the human race is causing climate change, we'll be creating the demand required to reverse it just by playing. Remember, "This *could* be a game."

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