

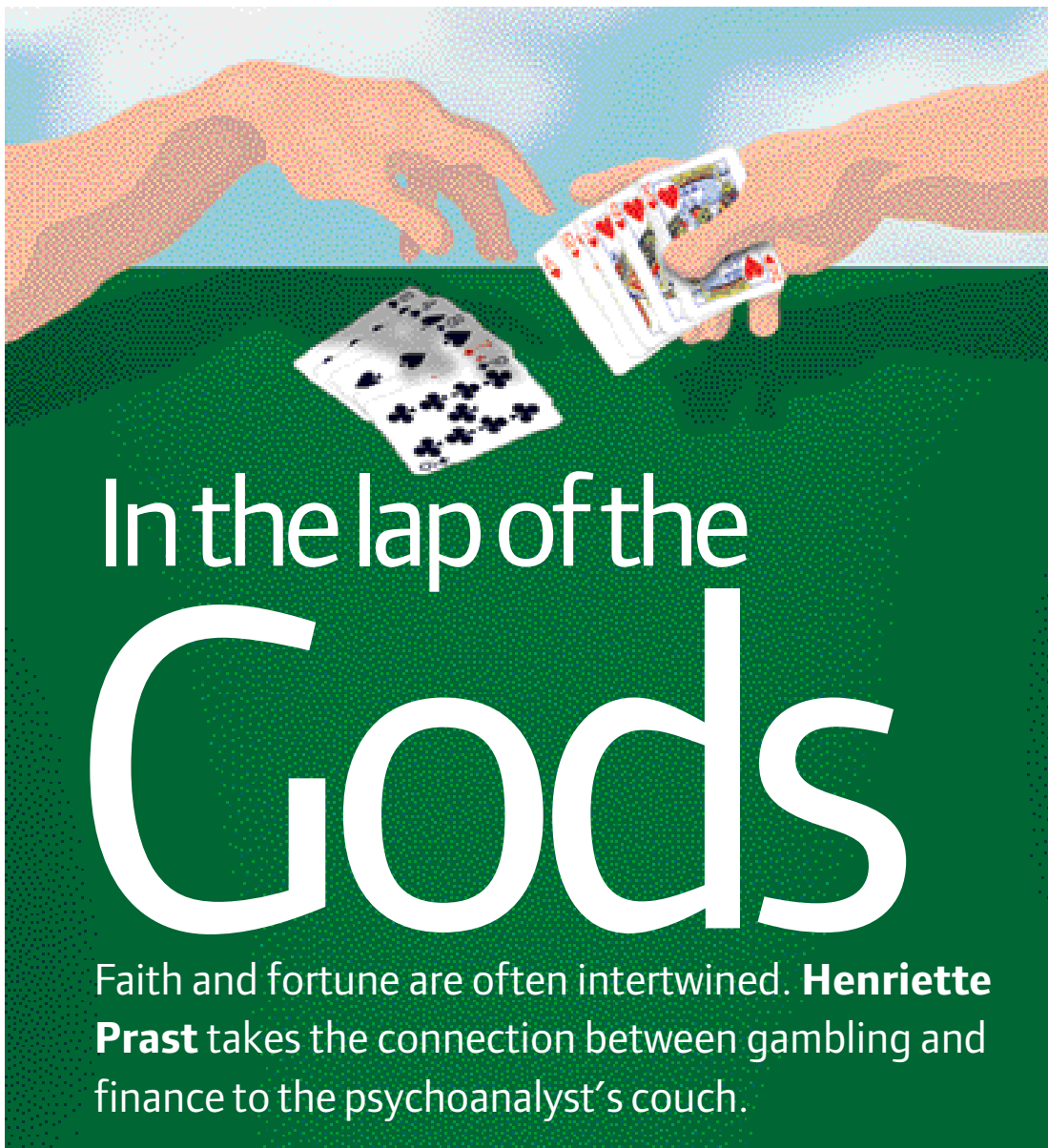


Henriette Prast

The 17th-century mathematician and theologian Blaise Pascal became fascinated by gambling as a phenomenon after being approached for help by a gambling addict who had got himself into financial difficulties. Tradition has it that this meeting caused Mr Pascal to retreat to a monastery, where, ironically, he invented the roulette wheel. Pascal's philosophising about gambling also produced a rational explanation for the Christian faith. If God exists, the religious have gambled well and won themselves a place in heaven; if there is no God, nothing is lost. Pagans, on the other hand, will end up in Hell, if God turns out to exist after all. According to Pascal, this makes opting for the faith a rational bet.

A recognized syndrome, gambling as an addiction has inspired captivating stories, such as Arthur Schnitzler's *Spiel im Morgengrauen* and Dostoevsky's *The Gambler*. One important characteristic that distinguishes compulsive gambling from other addictions is that it does not involve physical dependence. It is all in the head.

Psychoanalysis retraces the cause of a gambling addiction to the victim's childhood years, with an emphasis on the Oedipus complex. The son's wish to be the mother's object of love goes hand in hand with the desire to kill the father. Naturally, this makes for feelings of guilt and an ambivalent (love-hate) relationship with the father. In psychoanalytical terms, fate is a surrogate for the father. The idea of fate or destination being masculine and happiness feminine (Lady Luck), for that matter, is at least as old as ancient mythology. Gambling is a means to challenge fate and give vent to the said feelings of ambivalence. No matter what, the outcome is never satisfactory. If the gambler wins, it is as if he has killed his father. He feels almighty, but despite this sensation, or for this very reason, also quite guilty. If he loses, he finds himself stuck with a financial debt. Psychoanalysts conclude from this that deep down gambling addicts prefer to lose. Indeed, it is less dramatic to incur large debts than it is to be rich but go through life weighed down by guilt without ever having to do penance. Freud applies his views to a concrete case by find-



ing a connection between the patricide in the *Brothers Karamazov* and Dostoevsky's own gambling addiction as described in *The Gambler*.

While indemonstrable, the Oedipus theory is supported by the fact that the incidence of gambling addiction is highest among men. Experimental research by behavioral psychologists has demonstrated that most casino frequenters refrain from following strategies that

minimize expected loss. The conduct of the 18th-century British aristocrat Charles Fox is a case in point. A wizard at whist, a game of skill, Fox eventually elected to specialize in hazard, a game of pure chance, which lost him £140,000 within a year.

There are more indications suggesting that gambling addicts unconsciously go for losing. This very trait makes them terrific opponents for

those not burdened by an Oedipus complex. But if a trader senses an opportunity to rake in money, he had better undergo psychoanalysis before tempting fate.

The market for magic and hope

Not all gamblers are addicted and suffering from an Oedipus complex. In fact, people have gambled since time immemorial, and even the venerable game of chess once began as a game of chance where dice determined the moves. The explanation psychologists adduce for man's natural propensity to gamble consists of two elements.

First, man is always in need of stimuli. Hence, the price of a lottery ticket should partially be regarded as the amount someone is willing to fork out for the rush of excitement he feels at the moment of the draw. That is why Adam Smith was mistaken in arguing that a lottery is nothing but a tax on all the fools in creation. Smith posited this theorem in response to the habit of the British Kings George I and George II to fill their coffers by setting up lotteries.

Second, man needs a magic world offering an escape from the limitations of daily life whenever he feels like it. Just as the adoration of a film star, pop idol or fairytale-like princess, gambling presents a way out of reality to a dream world. Fantasizing about what one might do if one had ten million to spend affords much more satisfaction than calculating what is left for luxury purchases after the daily shopping. The fact that the aristocracy and lowest social class alike have a more than average proclivity to gamble fits this theory. The first category is bored and in dire need of a stimulus, while the latter, having no prospect of moving up in society, is eager for a glimmer of hope.

Playing cards for money, participating in a lottery and the occasional visit to a casino are socially acceptable these days. It was not all that long ago, though, that these pastimes were viewed in quite a different light. Until well into the second half of the previous century, the church authorities used to caution believers about the curse of gambling, and card playing was looked upon as sinful in many a Protestant

family. According to psychologists specialising in the phenomenon, rather than from genuine concern about the welfare of the common people, the church fathers' stance on the matter arose from their resolve to protect the church's rationale. Gambling was a fearsome competitor of the faith because it offered hope for a better life as well as creating the impression that a state of bliss could be attained with little effort. Indeed, the Protestant church teaches that the search for God is a laborious struggle.

The growing tolerance towards gambling seen in the course of the 20th century is largely the result of the secularization of society. The renewed interest in beliefs like Feng Shui underscores man's need for magic and hope. Fortunately, those ashamed of being susceptible to so much irrationality are always welcome to try their luck at the options exchange.

Aced out

Blackjack is the only gambling game that is not determined by chance alone. The shrewd player can influence the outcome by counting the cards. The fact that most casino visitors unconsciously aim at losing (the gambling addicts) or play for the thrill creates chances for the rational gambler, the one who sits down at the blackjack table well-prepared and poised to win. Howie Rubin is a living example of this specimen. His track record, described in *Liar's Poker* by Michael Lewis, also shows the resemblance between the world of gamblers and that of investors.

Rubin was a chemist making less than twenty thousand dollars a year. Bored with his daily routine, he made up his mind after watching a television documentary on blackjack. He quit his job and left for Las Vegas with three thousand dollars, which he augmented to eighty thousand within two years' time. With this occupation, too, he grew bored, though, added to the fact that it became increasingly hard for Rubin to gain admittance to the casinos. One thing was certain in any case: Rubin had found his vocation.

After a two-year course at Harvard Business School, Rubin joined Salomon Brothers in order to gamble on Wall Street with other people's money. He did fine. In his first year he earned his

employer \$25 million, in his second year \$30 million. Rubin thought the atmosphere on the dealing floor much like that in Las Vegas. In either case, a pokerface was indispensable, and while at the casino sipping at a gin and tonic was designed to suggest nonchalance, eating a cheeseburger on the dealing floor created quite the same effect.

But the two occupations did not differ much in nature either. Just as with blackjack, a clever dealer could benefit from what had happened in the past. Rubin only took risks once he was sure that, statistically, the odds to win were sufficiently high.

Since, at \$200,000, Salomon underpaid him, Rubin took up a job with Merrill Lynch in 1985. Despite the financial progress he was to make there, one million per year plus bonus, Rubin was in tears when he handed in his resignation. At Salomon he had felt part of a family and a comparatively modest pay rise would have made him stay.

On 29 April 1987, the *Wall Street Journal* reported the gravest financial blow ever suffered on Wall Street in a single transaction. Merrill Lynch had lost \$250 million. Rubin was dismissed, but had no difficulty landing a job elsewhere.

The big question, of course, is where things went wrong. Did Rubin take too many chances and, if so, why? Was it the change of ambience that made him reckless? Apparently, Rubin was an emotional person. Or should Rubin's error be put down to hubris? After all, Rubin had been extremely successful. Had he become a full-blown gambling addict and had he wanted to lose as a consequence? Did he unconsciously begrudge Merrill Lynch a victory, because in his heart of hearts he wanted to be part of the Salomon clan? Who is to say? Any hypothesis is more interesting than the assumption that the market is unbeatable and that with hindsight Rubin might just as well have invested in the index.

The eagerness of the British Royal Family to bet on the horses is a case in point. In fact, the Duke of Edinburgh has been quoted as saying about his daughter 'If it does not fart or eat hay, Anne is not interested.' See Kitty Kelly (1997), *The Royals* (Warner Books).