

Gambling for Dummies

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POITOU, FRANCE – We spent the weekend in our favorite place: the workshop.

In the foreground is an old altar; we are preparing it for our tiny chapel.



Bill's workshop at his home in the French countryside



The family chapel in Poitou

One of our sons is working in China. He called Sunday with this report:

This morning, I went over to the Irish pub, Paddy's Place, here in Beijing. I wanted to see the fight between Conor McGregor and Floyd Mayweather.

It was interesting because Mayweather has never lost a boxing match... and McGregor has never won one. He's a martial arts champion, but this was his first professional boxing match.

I guess the promoters thought it would be a big moneymaker. And it probably was. When I got to Paddy's, the place was mobbed... with a big crowd out in the street. They were mostly English and Irish, with a small group of Americans, too.

Every was rooting for McGregor. There were Irish flags flying. People were drinking tankards of Guinness and singing "Too-Ra-Loo-Ra-Loo-Ral." And this was at 9:30 on Sunday morning. It was amazing.

But McGregor was really no match for Mayweather. He put up a good fight. He even won the early rounds. But Mayweather paced him... let him wear himself out like Ali used to do with his "rope-a-dope" technique.

Then, in about the fifth round, Mayweather took charge. Finally, they had to stop the fight in the 10th round because McGregor was taking such a beating, the refs were worried about him.

Russian Roulette

The odds against McGregor were running at about 5 to 1.

Still, since he was the popular favorite, the bookmakers were heavily exposed. If he had won, they would have had to pay out a lot of money.

"The race is not to the swift, nor the battle to the strong," saith Ecclesiastes.

"But that's the best way to bet," say the professional gamblers.

"Not exactly," we add. What really matters is the likelihood of an event times the potential gain or loss.

You might put a bullet in the pistol, spin the chamber, and have only a 1 in 6 chance of blowing your brains out. But the odds are in your favor, the potential consequences make it a bad bet.

Back here in America, a long-odds flood has drenched South Texas. Not in 50 years, say commentators, has Houston seen such a storm.

And in France, a late-summer heat wave is scorching fields and wilting flowers. On the Chesapeake littoral, summer temperatures of 90 degrees are as ordinary as shorts and cayenne pepper. But here, with little air conditioning, the frogs are suffering.

Preserving the System

"You know, every wants to badmouth Trump," said a cool fund manager on a hot Friday night.

"We French are proud that our man, Macron, is better educated, more polite, more sophisticated... and even more handsome. But it is all nonsense.

"The problems are much the same. Like Trump's, Macron's job approval rating is slipping. But there's still a good deal of support for him. Macron is young. Dynamic. He's smart. And he knows we need to reform the system or it will go broke.

"But his idea of reforming the system is changing it just enough so that the ruling elite will have something to rule over.

doesn't really want to change the system. He wants to preserve it... protect it... allow it to survive. I don't think it can be

"In America, it is much the same thing. You've got a different kind of president. Where Macron is careful to say the right things, Trump is reckless and says whatever comes to his mind.

"And where Macron has studied the issues – he used to be the finance minister – Trump doesn't seem to know much about how the government works or what problems it faces.

"Another important thing is that you've got an empire to maintain. We've just got an expensive welfare state.

"And while Macron has large parts of the elite... the intelligentsia... and the press behind him, your Trump has put himself at odds with them.

"But in the end, the problems are more or less the same. Everyone was riding high during the growth years – I'd say up to the end of the last century. So we programmed our spending for a world where GDP growth continued at about the same pace.

"And politicians being politicians... their promises went way beyond even what we could. Now, we have obligations and expectations that can't be met.

"The French are getting older... consuming more resources... producing less... and contributing less to the tax revenue.

"The rate of economic growth in France has fallen to levels we haven't seen since the Napoleonic era. France has still not fully recovered from the setback of 2008–2009. The U.S. has come back, but barely."

Bad Bet

"The elites are making it worse, adding more and more restrictions and requirements to help their crony friends and protect their pet projects," continued our guest.

"So it's harder to do business... and harder to make money.

"That's why small businesses are disappearing in France. The people who started them – in the 1970s and 1980s – are retiring. And young people don't take them up.

"It's too hard... too complicated... and there's too much paperwork. A young person can live almost as well on social welfare programs as he can on a starting wage. So he never learns to do anything.

"And when you call a local plumber or cabinet maker, you find he's retired. And you can't find anyone else who knows how to do the work.

"That's true in farming, too. This is an agricultural area. But all the farmers around me are in their 50s and 60s... and their children have moved to Paris. I don't know what's going to happen when this generation retires.

"As you've pointed out – yes, I am a reader of your *Diary* – new technology doesn't seem to pay off the way it used to. Amazon can make it faster and cheaper to shop. But it doesn't make much profit.

"So there's no real increase in capital. Its customers aren't getting richer, either. And when people spend hours a day on iPads and iPhones, it is essentially time wasted – a drain on real output.

"Except for the technology issue, all these problems were imposed by the elite. They and they alone benefit from them. They control the government in both France and America. So they're not about to change the system that rewards them.

"And now we live in a low-growth world with high-growth debt. We'd like to bet on Trump or Macron fixing the problem.

"We'd like to believe we could buy stocks and sit tight for the next 30 years. And maybe the next 30 years will turn out like

last 30... with a 2,000% gain.

"But stocks, too, are priced for a world that has existed for the last 20 years.

"I'm still buying stocks because my clients want me to. But it looks like a bad bet."

Regards,

Bill