

# Chapter 1

## The Myth - Gambling is a Low Life Addictive Behavior and Sin

### The Truth - We Are All Gamblers

*“Everything in life is a gamble but most people just don't know it. Is it any wonder then that so many are so very bad at it?”*

I was always lucky in the order of things. I encountered the right people and the right knowledge at the right times in my life. I was lucky enough to retire from the corporate rat race when comparatively young. Many of my counterparts were not quite as lucky and today too many of my Medicare eligible friends still have lives filled with what they “have” to do, not what they want to do.

My friends and corporate buddies had experiences like mine. We all attended the same things, in the same classes, at the same companies. Unfortunately, most of the attendees didn't know something I did. You see, they simply didn't know how to gamble. In other words, they didn't see the information being taught or imparted in the same way I did. It was just interesting or even cosmic information to them. To me, it could be used to predict the future and allow me to take risks by placing “action wagers”.

Of course, gambling is definitionally sanitized throughout the world. It is called many things including risk taking, decision making, purchasing, investing and even underwriting in the insurance business world I engaged in. In truth, all those things are gambling. People are gambling all the time, though many do not know it because they do not realize they are gambling, or they want to deny the fact that they are gambling. Their denial allows them to preserve a false concept of moral integrity, but it prevents them from learning the real “gambling rules” of the games they are playing.

From company board rooms, to blue collar machine operators, to athletic teams, to spiritual organizations, to the death and disease that results from nutritional myths, to casinos, to sports books and to the backsides of the nation's racetracks, **the ability to translate data into an understanding of variation can result in a series of successful risk based decisions.** You may have spent much of your life gambling against a handful of people who understood variation. If you have, did you know that they understood truths that you were never aware of?

For my old corporate executive friends, whose educational arrogance will likely make my gambling concept trite, you have something to learn. Yes, you high ranking executive animals who pound away at corporate profits, deal with the arrogant ignorance of corporate board members and moronic Wall Street analysts, and even damage your health thinking nothing of 60-hour work weeks, trust me; my gambling definition is anything but trite. More importantly, for my hard-working blue-collar friends who may still be pounding away at work in your fifties and sixties, my gambling definition may serve as some inspiration to learn a little more about a body of knowledge that can improve your lives, in the same way a financial planning class could.

It doesn't matter how high your IQ is, whether you are articulate or not, or if you have educational degrees that would make most people's head spin, if you don't know you are gambling every minute of every day, you will never gain the street smarts and insight to gamble at a highly successful level.

I know my gambling definition may sound evil to some, including some spiritual leaders I respect. That's okay with me because I know it does not have to be an addiction. I've studied addiction, and addiction can be extraordinarily destructive. The truth is that gambling is not some terrible low life addiction distinct from all other socially accepted addictions that damage lives every day.

I've seen football addicts who think nothing of buying season tickets every year, yet ask youth booster groups to pay for their kid's sports programs because they can't afford them. I know tobacco addicts that destroyed their health, and affected the mental and physical health of their families. I've seen alcohol addicts abuse those around them and live their lives thinking they must be buzzed to find have fun. I've seen technology addicts with new phones, new cars, computers, video games and televisions never have the time to read Green Eggs and Ham to their kids. And lastly, I've known stock market analysts unable to control their investment addiction, going bankrupt destroying their family's future.

Uncontrollable addiction, in any form, can be terribly destructive and cause untold despair! Gambling is no different than other addictions but the word gambling is a problem. To me, gambling is the common process of daily decision making, conscious risk taking, purchasing, investing, underwriting or even electing to enjoy thrilling entertainment. Yes, even investing in an action-packed movie, a play or sporting event is a gamble. If it helps you sensitive souls replace the word gambling in this book with investing or risk taking. Better yet, think of this book as a treatise associated with fiscal management. That may make you feel better but make no mistake, I'm going to tell you how to be a better gambler.

If by the end of this book you still do not believe you and everyone you meet is a gambler, or that at least that by acknowledging my “gambler view” of the world you can gain advantages, I will be shocked. Why? Because I know I am a gambler, I have spent my whole life gambling, and so have you!

## Gambling Defined

If you own a car or a house, how did you decide to purchase them? Do you have a mortgage? Do you have loans? Do you have a job? Did you spend money to go to college? Do you smoke? Do you consume animal fat? Do you have children? Do you sky dive? Have you ever decided to take one job over another? Do you want a promotion? Do you live within your means, or have you taken the risks necessary to improve your means to live? Everything is a gamble and everyone is a gambler so just for fun, let's consult a dictionary. The common definition of a gambler is:

**"One who bets on uncertain outcomes and plays a game of chance by taking risks in the hope of gaining an advantage or a benefit."**

This sounds like everyday life to me and I will use this definition to prove you are gambling at this very moment. Are you spending time reading this book? Are you essentially betting your time and or money to read this book? Couldn't you be investing your time or money elsewhere? So, why are you reading this?

You are reading this, taking a small risk of time or money, hoping you will gain some benefit. The benefit may be just a laugh or two, or just something to satisfy your interest. Then again, you may want to see if there might be some larger benefit to be gained from reading a book written by an old man who may just have figured out how to put order to certain things others could not. Your risk may be small and your benefit unknown, but guess what? You meet the dictionary definition of a gambler at this very moment!

I will include lessons and debunk certain myths in this book, but the first step for you is to develop the critical thinking required to become more proficient in taking risks by realizing you are gambling far more often than you think. You see, the best thing about knowing you are a gambler is that 95% of the people you are playing against don't! With most of the population unaware they are playing a game of chance every time they decide or take a risk, "intelligent gambling" is the exception in this world, not the rule. For example, do you really know the “truthful” rules of the games you are playing right now?

Let's say you are a blue-collar worker operating a machine in a plastics plant, like I once did. Do you really think that running that machine quickly will ever help you become the shop foreman? If you are a teacher, do you really think that being a good teacher and securing an administrative certification will allow you to be awarded a higher earning principal's salary? Do you believe in the myth that doing your current job well qualifies you for a higher-level position?

Without understanding the written and unwritten rules associated with "the games" you are playing, winning is very difficult over the long haul. Gamblers, look for those rules, the edges, the key indicators that help predict future results, and learn how to win the games they are playing.

Of course, many people think the concepts of hidden rules are unfair. They spend their lives playing the victim, thinking the world is stacked up against them, while wondering why their luck is so bad. If that's you, let me tip you off. Every moment you waste playing the victim or complaining about the unfairness of the "game" you are in, you regress in your own delusion. This book is about how to progress, so "knock it off and wake up"! Cheating people of the truth is not kind, supportive or considerate, and the truth is, you may need to change the way you are gambling. Fix your criteria for making decisions and seek out the truth to find inner peace.

Some people think that successful gambling is hard because the real rules of the games they are playing are so complicated. I personally believe that most people can improve and gain advantages in any endeavor, if they take the time to develop their "predictive" skills, and eliminate foolish myths from their belief system. They need to learn how to predict properly, not perfectly.

If I predict properly, I can predict a "range of winning probabilities" for any given event. If I get an even money bet, (betting a dollar to win a dollar), on a football team winning and I confidently predict a 60% or higher chance of a team winning, I will bet a reasonable amount on that team. Many people will not make a bet. Why? Because the prediction is not perfect! In fact, even if they are confident a team has a 60% chance of a team winning in the prior scenario, they also then know they could lose 40 times out of every 100 games bet. That seems crazy to them, though they probably buy something like a Grande, Iced, Sugar-Free, Vanilla Latte with Soy Milk for \$6 every day, and therefore spend \$2,190 annually and think nothing of it!

For people who do not understand gambling, losing 40 times out of 100 is a very scary proposition, and it's also why some very smart people who may understand probability theory still never take personal risks. They are risk adverse and afraid of

losing. They look for completely safe gambles never realizing that perfection is an excuse to never take risks. This is why you often see smart people never moving beyond a mediocre “economic” status. They think gamblers are idiots because they observe they may lose 40 times out of 100. How very wrong they are because they simply do not know how to gamble.

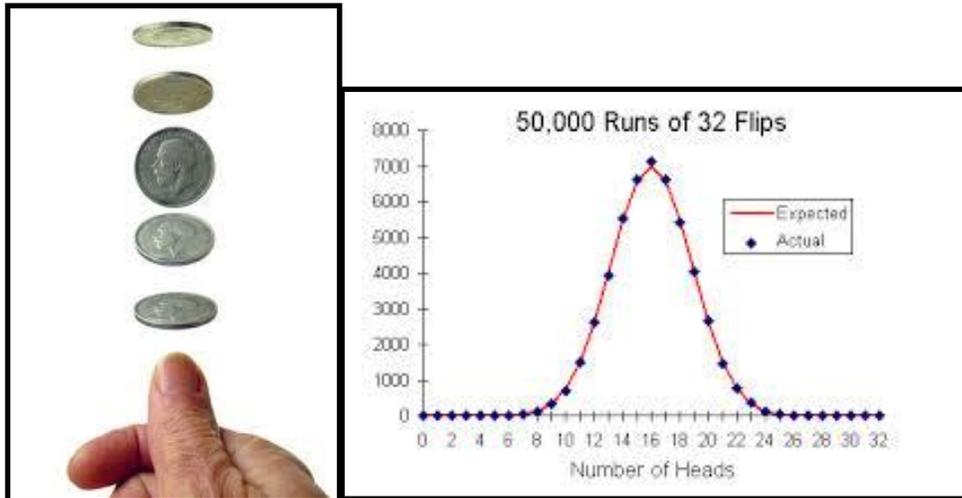
Understanding the context of gambling is important. In the prior paragraph I said, “I will bet a reasonable amount on that team”. I didn’t say bet your children’s college tuition, or next month’s mortgage payment, or take out a high interest loan. You see, successful gamblers know how to define reasonable wagers based upon their understanding of variation, and how variation relates to their overall bankroll. “Reasonable” for a wealthy known gambler like Michael Jordan might be \$10,000. “Reasonable” for the elementary school teacher might be \$50.

My previous football betting scenario can be replaced with anything. What is the reasonable amount to risk related to investing your time and money worshipping a selected religious deity, or getting a master’s degree, or getting a promotion, or selecting one fund over another for your 401k, or buying a fixer upper for your primary residence, or trying that a new place for lunch, or spending 3 hours seeing a movie, or buying a new car? Do you define the risk of your decisions and then relate them to the probability of success? Successful gamblers do just that!

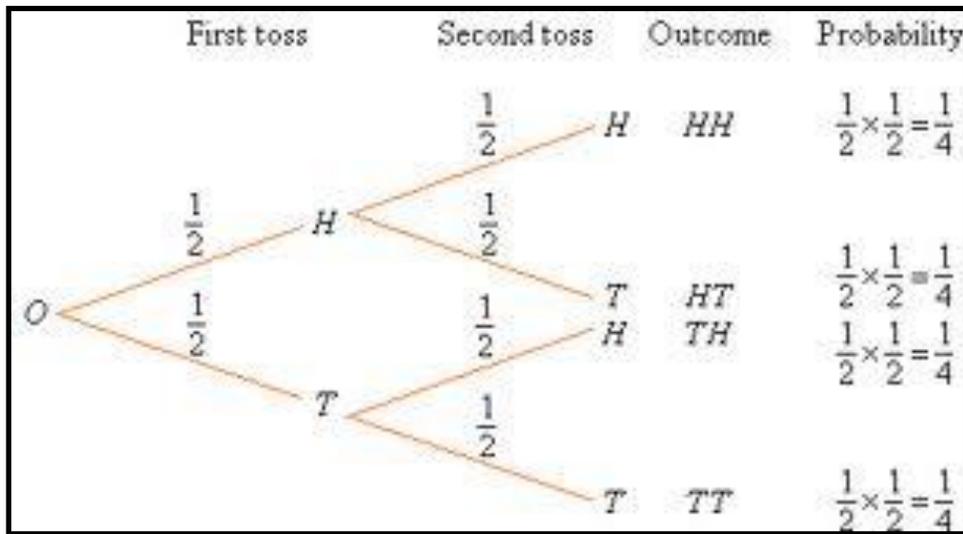
## **Random Events, Myths and Variation**

Whether you are buying property, purchasing a horse, coaching an athletic team, eating animal fat at every meal, betting with points on football games, securing stock options, taking a new job, changing churches or even sticking with a bad job or relationship, predictive skills are the key to success. While history is interesting, insight into the variables that will reasonably predict future events are much more valuable. This is where the statistical science of understanding variation becomes critical.

It is also important to understand that some events cannot be effectively predicted. For example, I will never be a better predictor of something like a coin flip than you. Why? Because winning a coin flip is entirely random. A known 50% probability exists that either heads or tails will come up but for the sake of discussing myths, let’s just say that I think that wearing my shirt inside out improves my probability of flipping heads on a coin. I then turn my shirt inside out and flip 3 straights heads. Wow! My belief, or myth, has appeared to be verified, right?



I am not going to bore you to death with a bucket load of coin flip probability theory. Instead, I am going to keep things simple and practical, but even something as simple as a 50/50-coin flip can involve probability calculations and theory.



For fun, and to understand myths, let's just think about where my crazy inside out shirt coin flipping myth may have come from? Who knows? It might have been from some stupid thing I heard once upon a time. It might have emanated from something I saw on the internet. Maybe an expert coin flipper told a bunch of novice coin flippers it worked. Maybe it was reported on television. Possibly some dummy

like me wrote a book on it. Maybe I once won a couple thousand bucks by doing it. All I know is that it worked, and once I validated my belief I am good to go. Right?

As stupid as this inside out shirt myth sounds, it is perfectly indicative of the thousands of myths we are surrounded with today. I see people believe in many things that are just as ridiculous. For example, a few years ago people believed consuming the protein in red meats and bovine secretions (cow's milk) were healthy. Oh, wait a minute, my mind just fast forwarded a decade to what will become known. Sorry. Okay, let's get back to 2018.

People once believed that Bill Cosby, Jared Fogle and all priests were wonderful caring human beings. Were they? What does the factual evidence point to now? Do you believe that dropping a penny off the Empire State building can kill someone? That Poinsettias are lethal? That lightning never strikes twice in the same place? That Donald Trump could never get elected President? You see, myths exist due to delusion associated with random observations. Those random observations, also known as anecdotes, wrongly verify myths and are often reported as truth by the media.

Flipping 3 straight heads with a coin is not enough to validate anything, much less increase your chances of winning a coin flip by wearing your shirt inside out. All three flips are statistical anecdotes. Nevertheless, it's almost impossible to explain random variation to people who do not want to learn and have spent their whole lives thinking their anecdotal observations dictate truth.

If you do not understand random variation and probabilities, myths and emotions will always infect your intelligence. Yes, I do mean infect. People have been infected by incredibly stupid anecdotes, often highlighted by the media or charlatans. Many accepted beliefs are nothing more than unproven myths. For example, people think sticking with your current job represents stability, and it is the best way to get ahead. In truth, the data show, that people will increase their income more in one month by taking a new job than they can in 3 years staying put! Of course, a job change involves a gamble, doesn't it? So, take a few moments and think about the next 3 years you are about to economically waste staying put in your safe current job.

In horse racing, there is something called "lone speed". It is a common handicapping theory and it means that there is a horse in a race that has such obvious early race speed that it should get to the lead in a race all by itself. Often, quick breaking horses don't get away from the rest of the horse by themselves. If a horse does get away by itself, without other horses pushing it, the theory is that the horse out front can relax, set a comfortable pace, save energy, and run near the rail so it does

not have to run a longer distance due to the circumference of the half circles represented by the turns. The “lone speed” theory simply says such a horse has a great chance of winning and if such a lone speed horse can be identified based on past performances, that horse is a great bet.

This theory has been around for many years. So, the question I asked was, is “lone speed” a key to winning or has it never really been studied? I guessed the theory existed because people **OBSERVED** horses with speed get away from the pack early, and win races. That observation is very real, and I have personally observed lone speed horses win many times over my 50 some years of watching races.

If you do not understand variation you ask a simple question. Does lone speed win? If the answer is yes, and I would answer yes, you accept the lone speed myth. Here are the two questions critical thinkers who understand variation ask.

1. How many times has lone speed, “which was identified in past performances before the race was run”, won and not won, when other factors are normalized?
2. How do statistically credible answers from question 1 winning and losing percentages compare to random probabilities of winning and losing?

Do you see how these are very different questions than, “Does lone speed win”? If you do not understand the difference, you are wasting your time and should stop reading now!

I studied the lone speed myth many years ago. Of course, I had to study 100’s of races, and 1000’s of past performances to learn whether lone speed was a myth or not. I also had to normalize the data. For example, did lone speed win but always on a wet/off track? Did jockey or post position matter? Did distance matter? Did tracks with faster times generally, thus harder racing surfaces, affect the results? I also wondered if a “lone closer” was just as good as a lone speed horse.

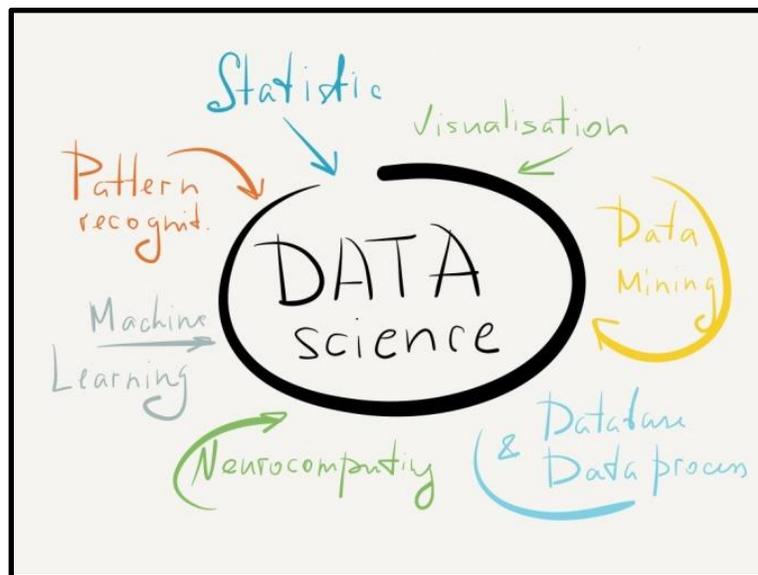
Observing that horses with early speed get away and win is an anecdotal observation. Observing that horses with early speed get away and don’t win is also anecdotal. These observations are no different than turning my shirt inside out and having heads come up on a coin three straight times. On the other hand, identifying 100’s of apparent lone speed horses “before their races”, and then securing the results of those races, normalizing the results and then determining if the probability of lone speed horses winning was higher than would randomly be expected, is entirely different.

Guess what? Lone speed, identifiable pre-race, as a handicapping theory is an absolute myth, but I will forever love the “experts” who improve my odds by suggesting it exists.

## Observation is the Great Problem

The lone speed horse race handicapping myth is nothing compared to the 100's myths that “data science” can debunk almost every day. Data Science is different than other sciences.

Data Science is an interdisciplinary field about processes and systems to extract knowledge or insights from large volumes of data. It overarches all other sciences, and often creates truthful understanding of scientific “opinions” in various realms. In a successful risk taker's world, this science allows them to profitably predict future events.



For many years, I worked to understand the importance of data science. Frankly, data science is often misunderstood. For example, data science is as foreign to most horse racing folks as airplane travel was to the Neanderthals. In the business world, understanding of quality data science is strong in successful companies and industries. The mediocre and poor performing companies often do not have a clue.

Even the top business consulting firms only occasionally seem to understand the difference between common and special cause variation, a core and basic knowledge.

To better understand data science and myths, let's consider a healthcare science example. The most common medical treatment to cure or prevent disease was "bloodletting", for nearly 2000 years. When sick people were bled, they were observed to be more relaxed. Patients also believed they felt different or better, once they were drained of some blood. The practice began before Jesus walked the earth and persisted with some physicians into the 20<sup>th</sup> century as a common treatment. It was even included in a textbook titled, "The Principles and Practice of Medicine", published in 1923!

So, how can a 2000-year-old myth be promulgated and perpetuated by the most knowledgeable people of the time? Opinion based on observation is the answer. Though medical and statistical science eventually came to bear on treatment protocols, the best minds of the time bled the crap out of people for 2000 years, and thought nothing of it.

Science continues to dispel myths in all fields every day. From bleeding, to tonsil extractions, to the nutritional protocols today that say a healthy food tray in public school systems must contain a balance of animal fat, dairy and processed foods. Myths have and will continue to surround us. I will bet that generations from now, folks will look back and laugh at current practice idiocy because we still operate from emotion and opinion, instead of data science?

Data science can help people discover hidden truths and give those who discover them great advantages in this world. There is an old saying that if you are playing poker and you look around the table and can't find the sucker, you're it!

Who do you think are the "wise guy" gamblers you are competing with? They are the townies at the poker tables who know every card probability imaginable. They are the folks who get promoted even though they didn't do their current jobs very well. They are the investors who predict stock run ups before others do. They are the big betters at the racetrack who have those strange spreadsheets. They are the executives who negotiate for stock options rather than salary. They are the coaches who always seem to win 70% or more of their games while others think a mediocre 50% winning percentage is a major accomplishment. They might even be those crazy vegans who read every label at the grocery store or those who go to church every Sunday and have found an inner peace that eludes so many others.

As I said, we are all gamblers. It's nothing to be embarrassed about unless it has become an unintelligent addiction. Whether you are betting your favorite pony, you want a promotion, you are buying a new car, driving to work in the snow on bald tires, eating that 16 ounce perfectly marbled steak, solving that technology problem at work, or even coaching your daughter's basketball team, you can improve your chances of winning if you understand the basics of variation and predictive analysis.

Once you develop this knowledge, you may begin to understand why certain people seem so darn lucky in life; while others muddle through constantly complaining and thinking they are victims of some dark force. It's all about understanding the rules of the game, and knowing the truth about that game much better than your competitors.

Why be average when you can be great? Why be beaten when you can win? Why help no one when you can help others? Why be poor when you can be robust? Why be mediocre when you can become excellent? Why be unhappy when you can find inner peace? Teaching others to become better and better risk takers (gamblers) by understanding variation, is what it's always been about for me. Truth can be empowering and set you free.