

1.10 Why Should You Care?

We have covered a few things in this chapter. We talked about markets, stock exchanges and valuations. We then moved on to fantasy sports, gambling, and sports betting. We outlined arguments for and against both gambling and sports betting. In the final piece, we discussed how and why the SEC was formed following the Great Depression of 1929, the Wire Act (1961) and the Unlawful Internet Gambling Enforcement Act (2006).

Why does this all matter? As a participant of markets, it is your responsibility to separate investment from speculation from gambling. Your hard-earned money should be used wisely and make YOUR life better, not someone else's. You should be able to separate the good and well-intentioned from the bad and the crook. Ignorance is not an excuse; you should know the relevant laws.

"Occupy Wall Street", the movement against Wall Street, is popular these days. It is rightfully touching on a few key points, such as growing income inequality, executive pay, and the instability in financial markets. These efforts should be recognized for forcing these important discussions taking place. At the same time, we feel that there is some significant misinformation out there. While the issues raised are important and very real, it is not obvious what reforms are suggested. It is true that some at Wall Street used their power somewhat abusively to enrich themselves. There are a few people who broke the laws. There are some, whose behaviors are not necessarily illegal, but they may still not meet the stricter "is this ethical?" test. And then there are a lot of people who honestly do what you do, work hard and try to make a living.

The crooks make the headlines, and one is inclined to think it is all a big rip-off. It isn't, but unless you have the information to separate the good from the bad, you are at someone else's mercy. Media is not always an unbiased source of information, because there is a clash of incentives. Good vs. evil stories are good for ratings, but that doesn't mean they are accurate. Always beware of polarizing conclusions that denounce our capital markets wholesale. 99% vs. 1% is catchy and that works if the purpose is to draw attention, but be skeptical if it is not followed by thorough discussions and serious suggestions.

What to do? Information is extremely powerful. If you have it, YOU can make good decisions. Financial decisions are quite important in life. You should be informed, be skeptical when needed, and come to your OWN conclusions. This course aims to do exactly that, and we started to put the building blocks together so we can dive deeper into relevant issues. Further, recognizing the complexity of financial markets/concepts, this course packages all the information within a sports framework. This, we believe, is the only way to get back on track.

Now we understand markets, we move on to the most important concept in finance, or perhaps in life, in general: risk. What is it, who bears it and how do we manage it? The next chapter looks at these questions, and further solidifies the framework we started building.