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Phishing for Phools (Editorial)

Gerold Permoser



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In their book “Phishing for Phools”, the two Nobel Prize laureates in economic sciences, George Akerlof and Robert Shiller, talk about the fact that the slot machine was developed towards the end of the 19th century. As early as in 1890, a large selection of products was sold that way against coins that were inserted into the slot: sweets, cigarettes, chocolate, opera binoculars, and even a look into the white pages.

In 1893, the kind of slot machine was created that we know today, and whose German name is rather telling: *einarmiger Bandit* (“one-armed bandit”). The slot machine took off immediately after its invention, as a result of which the Los Angeles Times wrote this in 1899: “In almost every saloon may be found from one to half a dozen of these machines, which are surrounded by a crowd of players from morning to night…. Once the habit is acquired it becomes almost a mania. Young men may be seen working these machines for hours at a time. They are sure to be the losers in the end.“

Soon thereafter, politicians reacted by banning slot machines. While these machines have largely disappeared from the public sphere in the USA, they still dominate our mental image if we think about “one-armed bandits”: Las Vegas, Sin City. A city of millions that mushroomed into existence in the middle of the desert. A place that owes its existence mainly to the loose gambling laws of Nevada and the vision of one member of the mob.

In their book, the authors argue that the free market is not only very good at creating things that we want, but also at creating those that we do not want. We are in the latter camp, and have excluded gambling from our sustainable investment universe. The reason for this is the same as the one 100 years ago, when slot machines turned into one-armed bandits and were banned soon after: compulsive gambling.

In free societies, bans and restrictions are justified by societal consensus. I think that the vivid discussion about putting a ban on low-stake gambling in Vienna shows that there is a consensus about the fact that certain kinds of gambling should not be freely accessible anymore. We therefore believe that the exclusion of gambling from our sustainable funds is a decision that echoes the view of the broad mainstream of society.

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