



Christian Reflection

A Series in Faith and Ethics

Focus Article:

📖 Investment vs. Gambling
(*The Gambling Culture*,
pp. 37-44)

What do you think?

Was this study guide useful for your personal or group study? Please send your suggestions to Christian_Reflection@baylor.edu.

Christian Reflection

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Investing versus Gambling

Investing in securities that trade on financial markets is very different from gambling in important ways. Yet these activities share a common thread of risk. How can investors avoid the imprudence associated with inordinate risk-bearing that can make capital markets seem more like casinos?

Responsive Prayer

We journey through this life not gambling that God exists, but knowing God's abiding presence.

We journey through this life not betting that God is good, but living in God's abundant blessing.

We journey through this life not playing the odds that God loves us, but resting in God's constant care.

We stand secure, and in standing we can live lives of winsome love, offering ourselves in the sure and certain hope that God is able to do even more that we might ask or think.

Thanks be to God. Amen.

Scripture Reading: Hebrews 13:5-6

Reflection

"Western capital markets have been compared to a large casino, and the investment in the securities that trade on such markets to gambling," Michael Stegemoller notes. Indeed, the increasing frequency of "irrational, speculative behavior" by financial advisors and investors "makes such a comparison between gambling and participation in financial markets not entirely unwarranted."

Because the protection of people's savings and the welfare of their communities and businesses depend more and more on the proper functioning of capital markets, he thinks it is important to keep the gambling culture out of them. This will require constant vigilance and much discipline, and a good place to start is with our own investing. He gives the following advice.

- ▶ *Carefully distinguish investing from gambling.* Investing involves "giving money to a business manager in exchange for, at minimum, a claim on some of the future cash flows of the business," writes Stegemoller. This differs from gambling in three ways. First, "Knowledge matters in investment, though it by no means assures monetary gain, nor does it preclude either party from being wasteful or foolish." The outcome in gambling depends only on chance. Second, "an asset is purchased in an investment," but "there is no underlying product or service exchanged in a gamble." Finally, "the intention of the investment is for both the businessperson and the investor to gain from the transaction," whereas the gambler is certain to lose over time because the odds always favor the "house," the organizers of the game.
- ▶ *Understand investment risk and manage it wisely.* Investing, like gambling, involves some risk. The risk in investment is the uncertainty about how an asset will change in value over time. Higher expected returns on investment usually involve greater risk. "Speculation" technically refers to purchasing an asset that is very risky, but it also connotes the investor is ignorant about the asset being purchased. Making extremely risky investments



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in the market without knowledge is practically indistinguishable from gambling. Stegemoller warns that “capital markets not only do not restrict speculation, the businesses built around the capital markets often encourage the assumption of risk without the prerequisite of knowledge of any sort.”

Most people invest in many businesses through mutual funds and cannot know much about where their investment dollars go or about the firms that benefit from their investment. This makes it all the more important to choose financial advisers wisely. Ultimately they must trust the business managers, mutual fund managers, and market regulators involved in their investments.

- ▶ *Avoid tricks and temptations.* “First, a significant proportion of books on ‘investment’ are merely stock trading tips and tricks that probably belong in a casino as much as they belong in finance,” he warns. “In addition to the Siren song of investment tricks, investors should beware of the encouragement to speculate about the market, individual firms, financial instruments, or commodities.”

“While investing can essentially be rational behavior (as opposed to the irrationality of gambling), it has the potential to become idolatrous and thus irrational as well. The safeguard for our hearts is to root ourselves in what we know to be true about the good life which God intends, and to resist the barrage of messages that are put before us with regard to money and investing,” Stegemoller concludes. “The first question we should ask ourselves as investors is: Am I content with what I have? The answer to this question is important because it will inform how we respond to the marketing of discontentment.”

Study Questions

1. According to Michael Stegemoller, what are the essential differences between investing and gambling in the market?
2. What does Stegemoller mean by “the marketing of discontentment?” What defense does he suggest to such marketing of investment products?
3. The culture of gambling has influenced some investment practices. What investment tricks does Stegemoller warn against? Have you noticed other tricks and temptations?
4. Are there good reasons for Christians to invest a portion of their resources in financial markets? Or would it be better to avoid financial investments altogether?
5. How can congregations help members invest their resources wisely?

Departing Hymn: “O God, Who Won Our Hearts in Love”

O God, who won our hearts in love
by sending grace down from above,
help us in joys, secure and true,
to risk our lives to worship you.

David G. Miller (2011)

Tune: O WALY, WALY

Investing versus Gambling

Lesson Plans

Abridged Plan	Standard Plan
Responsive Prayer	Responsive Prayer
Scripture Reading	Scripture Reading
Reflection (skim all)	Reflection (all sections)
Questions 1 and 2	Questions (selected)
Departing Hymn	Departing Hymn

Teaching Goals

1. To clearly distinguish investing in capital markets from gambling.
2. To consider how the practice of investment in capital markets has become distorted in the culture of gambling.
3. To discuss how Christians should approach investing in capital markets.

Before the Group Meeting

Distribute copies of the study guide on pp. 10-11 and ask members to read the Bible passages in the guide. Distribute copies of *The Gambling Culture (Christian Reflection)* and ask members to read the focus article before the group meeting. For the departing hymn “O God, Who Won Our Hearts in Love” locate the familiar tune O WALY, WALY in your church’s hymnal or on the Web in the Cyber Hymnal™ (www.hymntime.com/tch/).

Begin with a Story

Anyone who has watched television since 2008 is familiar with the cute baby commercials from an online stock-trading company. As the baby looks at viewers, he clicks away at his computer keyboard and self-confidently boasts (in a dubbed, mature voice) about his online trades. The message is obvious: *What’s so complicated about stock trading? It’s so easy, a baby can do it.*

Now a long overdue, comic send-up of those commercials is making the rounds on the Internet. It features the same baby, but this time his trading goes horribly wrong: with clicks of a keyboard button he purchases a series of stocks and more exotic financial instruments – asset backed securities, credit default swaps – only to see his life savings disappear immediately before his eyes. (Unfortunately, the second half of the video is pretty much a string of expletives coming, apparently, from the now-chastened baby’s mouth.) The message of this retort is equally obvious: *It’s not THAT easy!*

Michael Stegemoller distinguishes investing from the careless speculative trading (i.e., gambling) that, dare we say it, only a baby would do. But he admits that the lure of easy and large profits tempts many people to gamble in financial markets. It is another manifestation of the gambling culture in which we live.

Responsive Prayer

Invite members to share their personal celebrations and concerns with the group. Provide time for each person to pray silently. Conclude by reading the prayer printed in the study guide responsively. The leader begins and the group reads the lines in bold print.

Scripture Reading

Ask a group member to read Hebrews 13:5-6 from a modern translation.

Reflection

This study brings the Christian critique of the gambling culture uncomfortably close to home, for Michael Stegemoller explores how our investing in capital markets can become distorted into a form of gambling. He carefully distinguishes investing from gambling because he assumes Christians have good reason to invest in capital markets. Yet he warns that investing can be distorted in manner (into risky speculation) or motive (idolatrous dependence on wealth).

Study Questions

1. Michael Stegemoller identifies three important facets of investing that are absent in gambling: knowledge is relevant to the outcome, an asset is purchased, and both parties plan to benefit from the transaction.
Regarding the first difference, he explains: "Investors may be better off if they understand the business of their investment, and they certainly will be better off if the manager of the business knows what he is doing." However, whether or not a gambler (or the representative of the house) knows the odds of a slot machine outcome makes no difference to the outcome. Admittedly when betting in games of skill (e.g., holes in golf, hands in poker) the players' knowledge can affect the outcome.
Regarding the second difference, he notes that some investments (i.e., derivative securities like options and futures) involve an underlying asset. He gives the example of a wheat futures transaction between a farmer and a baker.
2. The "marketing of discontentment" is Stegemoller's term for an advertisement that "aims to create a desire where none previously existed. Many 'instructional' books on investing have the same aim, teaching us to 'learn to make millions' or 'create your new American dream.' ... The thesis of such thinking is that the good life is dreamy and loaded with cash, which is dangerously out of step with the teachings of Scripture that the good life is marked by generous contentment in the present and freedom from the servitude of wealth." Stegemoller suggests we resist such ads by asking "Is my security in God?" and reminding ourselves the good life, according to Scripture, "is a life without fear of the future, and no investment portfolio or gold stockpiling can provide such freedom."
3. Stegemoller calls "short term trading strategies based on historical stock price information" a trick because there is no evidence these strategies work consistently, but they do generate trading commissions for financial firms or brokers. Another is buying financial products one does not understand. He cites an email "from a reputable investment house" inviting stock investors to learn to buy and sell more financial instruments "that require less cash up front," but not to learn how these instruments work. A third is buying "multiple redundant mutual funds under the guise of diversification. This not only generates sales commissions for the managers, it also creates a layer of complexity that keeps their clients woefully ignorant and dependent on them for advice." A fourth is buying "actively managed mutual funds that charge high management fees ... [for they] have yet to earn their pay."
4. If investing in financial markets were all about seeking one's contentment and security in greater wealth, then Christians would do well to avoid investing. However, there seem to be many other good reasons: saving resources to care for others, building resources for charitable giving, encouraging a worthy business enterprise, saving prudently to care for oneself in order not to be an undue burden on family and friends. Social choice mutual funds (which selectively invest in businesses according to the fund's moral criteria) have been used by religious groups for years to encourage business enterprises to seek the common good.
5. Stegemoller warns that investing can become distorted in manner (into risky speculation) or motive (idolatrous dependence on wealth). Encourage group members to discuss how a congregation might address both of these distortions. We may be reshaped in our motives for investing through prayer, Bible study, and worship. How are issues of generosity and discipleship of wealth addressed in your congregation? We may be instructed in the proper manner for investing directly (through class or personal discussions of investment planning, preparing for retirement, stewardship of resources, resisting the latest investment 'come on,' etc.) and indirectly (through observing others' investing, giving of annuities, caring for their families, etc.). Who in your congregation would be a good model to observe or a wise teacher to lead a class on investing?

Departing Hymn

If you choose not to sing the hymn, you may read the text in unison or silently and meditatively as a prayer.