

## ***Gordon Brown's Poker Lesson***

**Hello Mr Brown, Gordon if I may. You don't know me even though I am fairly notorious in certain circles, but today I'm writing to you about a subject which although dear to my heart need not taint you with guilt by association: poker. I am going to teach you how a poker tournament, and how a poker game works, and how you could have, should have, applied this to other matters. Precisely what these other matters were will become clear in due course, but for the purposes of this lesson I am going to assume that you are *au fait* with the basics of the game, the ranking of the hands, and so on. I have a feeling this is indeed the case although as the son of a church minister you will not have actually played the game, at least not to the same extent as many American Presidents past and present.**

**Broadly speaking there are two ways to play poker: the tournament format and the cash game. What I want to do is explain the tournament format, and then explain what happens when that format is used for a cash game. At the beginning of a poker tournament, the players receive a certain number of chips for their buy-in; it may be a thousand, for a big tournament it may be considerably more. The number and designated value of the chips is not important because they are not real money. Typically a £10 tournament will cost £11 to buy-in. The extra pound is for the house; this is its fee for hosting the game. A club has staff and other overheads to pay, so this is only fair. Most poker is now played on-line, and when one considers all the overheads associated with running a gaming website, not the least of which is the complexity of its software, and highly paid programmers, a £1 house fee is again very reasonable.**

**There are many different types of poker tournaments but at the end of the day they are all freezeouts. As the tournament progresses, the stakes are raised; this ensures that all but one of the players will eventually be eliminated, and the last man standing has all the chips and is pronounced the winner. Again, there are variations, some tournaments, qualifiers in particular, may finish without an outright winner, but this changes nothing. The purpose of a poker tournament is to eliminate players progressively, and when it finishes, the prize pool is split with the winner receiving the largest percentage, runner up the second largest, and so on.**

**A sit and go tournament is a popular format; the name derives from the fact that unlike a regular tournament which has a specific starting time, or date, an on-line sit and go can start at any time. Players add their names to a waiting list, their buy-ins are deducted – this is the sitting – and when the tournament is full up, they go.**

**I'm looking at a sit and go waiting list as I write these words: it is Mixed Omaha Hi Lo, with a \$1.20 buy-in. There are, or will be, nine runners, and the money is divided up like this. The house receives 20c from every player, the remaining \$9 goes into the prize**

pool with the outright winner receiving \$4.50, the runner up winning \$2.70, and the third player winning \$1.80.

This is micro-stakes, and though there are three winners, in a sense there are no losers, because if you are playing at this level, and having fun, it is cheap entertainment, certainly cheaper than driving into town and getting wheel clamped, or having a few drinks after the show.

Cash games when played on-line are very different because here you are playing with real money. If you sit down with a hundred pounds in front of you, and you get involved in a big pot being badly outdrawn, you may lose the lot. That is a very different proposition. When you buy into a cash game your hundred pounds (or whatever) is worth that. There is no house fee, instead the poker site's profit comes out of the pot, what is known as the rake.

On most sites, cash games are played in dollars, and the pots are raked at 5%. This sounds a lot, but the rake is capped at \$3 per pot, so playing nano-stakes – where I play mostly – there is hardly any rake at all. At higher stakes, if you win a \$60 pot, you will receive only \$57, but if you win a \$600 pot, you will win \$597. On some sites, people play cash games for very high stakes, and pots of several thousand or even tens of thousands of dollars are not uncommon. Many players play multiple tables. I can safely manage four, but some play eight, ten or twelve tables regularly, every day, some all day long. That adds up to a lot of rake, and a lot of money. Perhaps many of these players are bankers or stockbrokers, because nobody else seems to have any money nowadays.

Now, what I would like to ask you is this, I want you to apply a tournament format to a cash game. For the sake of argument, ten players sit down at a poker table on-line, each has a thousand dollars. They are playing for relatively small stakes, and the rake taken out of each pot is \$1; the game is continuous, and one hand is dealt per minute. Assuming no one leaves the game or augments his stack, and assuming the players are all of about the same skill, and this is a fixed limit game in which no one goes bust on a single hand as opposed to pot limit or no limit. Assuming all this, how long will it be before everybody goes broke?

Although I was one of the best mathematicians in my class and was briefly the best, it is a long time since I left school, but with the aid of my trusty *WordStar 6* calculator I have come up with the following. A dollar a minute is \$1,440 a day; \$10,000 divided by 1,440 is approximately 6.94. There are 10,080 minutes in one week. In other words, in a shade under one week, the house will have taken the lot at a mere dollar per minute.

In the real world of course, a handful of players win very big, some lose the lot, some win fair sums, some lose big, while most win some/lose some. The poker rooms don't care who wins the money, indeed big winners are good advertisements, but there can be no winners unless fresh money is constantly injected into the system, or the house will eventually take everything.

Now let us imagine that the entire economy is one big poker game, and everybody: every taxpayer, every entrepreneur, every business, every multinational corporation, and every government, is paying the rake. It may take longer, but eventually the economy of every nation will run down, because the poker site will have bled us all dry.

And then when no one has any money left, and no one can afford to play the game anymore, the poker site will itself go bust. This is what has happened in large part to the world economy, except that the poker site is called the banking system. So how do we solve this problem? Before your tenure as The Great Leader you spent ten years as head honcho of the Treasury, so most people would expect you to know. I am not most people – as you’ve probably sussed by now – and I don’t expect you to know, in fact I’m absolutely certain you don’t have a clue. Neither does Call Me Dave or his gang, because part of their solution is to cut, cut, cut, hoping that saving money will enable them to stimulate the economy, where all they are really doing is feeding the rake, as poker players call it.

An alternative would be to ask the banks to lend us some money, on the same terms as before, ie at interest. But again, this is simply feeding the rake. What is necessary is for the Government – for all governments – to stop feeding the rake, especially as the banks are not the house – they are merely its book-keepers and its strong room. The house Mr Brown, is you, or should I say was you? It is the government – of Britain and of the world’s sovereign nations – that operate the machinery: the infrastructure, the local authorities, the administrations, the criminal justice systems and so on. As such it is the government that should be taking the rake, not paying its book-keeper for simply minding the nation’s accounts and providing a strong room for its gold – what gold you haven’t sold off, that is.

In order to ensure that everyone does not go broke, it is the duty of the government to create sufficient funding to keep all the productive players at the table; those who are not productive due to infirmity, disability, notoriety, untrustworthiness or who simply cannot find seats should also receive a share – albeit a smaller share - of the nation’s bounty. With the increase in leisure time for all which has been brought about inevitably by the Third and soon the Fourth Industrial Revolution, the real problem is not to find make-work jobs for such people, but to ensure that dividends are distributed to all equitably, and that means regardless of income or social status as much as their ability or non-ability to contribute to society in any capacity.

We often hear much nonsense that the government cannot create its own credit because to do so would be to devalue that of the credit already in circulation – what is generally referred to as inflation. Clearly this is nonsense, because while there are goods and services that cannot be distributed and willing hands to provide more, there cannot be too much credit in circulation. Any time there is a sign of this happening, all the government has to do is increase the rake.

One thing you may have noticed about the rake at the poker table is that it appears to fall disproportionately on the great mass of players, ie those who play for moderate or medium stakes. Some people – socialists - would argue that it is unjust for a rake of \$3 to be levied on a \$6,000 pot while the winner of a \$60 pot pays the same rake. These socialists say the rake should be increased on the high rollers. The problem with that is that when that happens, either the high rollers move to other sites or they stop playing. Far better to let them keep their mega-bucks to invest as they will, in other businesses.

Also, players who stay with nano-stakes and occasional free tournaments (freerolls) – like me – get a free ride, or more or less a free ride. I have a personal reason for playing only at this level, but that is neither here nor there. The great mass of players often believe that between the high rollers paying no more than them and the free riders at the bottom paying nothing at all, they are oppressed. This unpleasant fiction is often perpetuated by those who would like to force the free riders out of the game. To do so – as the government does in the case of the supposed workshy through job clubs and such – is unfair, because most of these people cannot move up to higher stakes, either there are not enough seats at the table, or they are disbarred for various reasons from occupying them. The free riders are not the problem, in any case, most people only raise such concerns when it is other people who are getting the free ride. The fact is that most of us get free rides everyday: emergency medical treatment is free, and rightly so; other emergency services are free; many people have free Internet accounts for E-Mail, social networking and even websites. The free riders need not be a burden, but only if the defects in the financial system are remedied.

An objection I met from the Treasury when I suggested the aforementioned simple alteration to the mechanism of credit creation was that this is now proscribed by the Maastricht Treaty. In view of your church upbringing Mr Brown, I would like to drag in a couple of Biblical allusions: the Conservative Government – in particular the Foreign Secretary Douglas Hurd – signed this perfidious treaty, and in effect signed away the rights of both British citizens and the British Government for a mess of pottage.

The other is that of a certain King Herod, who of course demanded that women surrender him their firstborn sons. If you were living under Herod, would you have done such a thing? Obviously not, and neither would Call Me Dave, who like you has been on the receiving end of family tragedy. In case you miss the point, what I am saying is that a law that is so flagrantly unjust must be unconstitutional. I'm not talking about something we could debate endlessly like the legalisation of recreational drugs, of prostitution, of consenting homosexual acts (in some countries) and so on; I'm talking about a law that makes Britain subservient to Europe and our elected leaders subservient to international bankers who jet round the world, staying at five star hotels, and look down at the common people from their palatial city offices warning us that we must tighten our belts so that we may avoid a world recession or a depression, oh and that we must continue to pay them interest in real money for the use of credit they create out of nothing by writing figures in a book, and can we please bail them out by

underwriting these mythical debts with more taxpayers' money? That is how absurd it all is.

It is even more absurd that after spending ten years in charge of the nation's purse strings you fell for this con, and as The Great Leader announced that you had saved the world by *recapitalising* the con men who initiated it. Early on in this so-called crisis I was watching an international report in which an ordinary American, apparently a blue collar worker, said that rather than bail out the banks, the government should give everybody a million dollars. Would that have caused inflation? It would certainly not have caused more debt!

In the months leading up to the end of your tenure, we saw a manufactured scandal over MPs' expenses, yet for all the righteous indignation of the press and public, the sum involved was nowhere near even seven figures. The banks ripped off billions. In the United States, when Congressman Alan Grayson asked the Inspector-General of the Federal Reserve where nine trillion dollars in assets had gone, she couldn't answer. Nine trillion dollars – the biggest rip off in history. And you were in a position to do something about it, but instead of saving the world, you elected to save the banks.

I could go on, but much as I would like to introduce you to my friends Major Douglas and Professor Albus, I fear you wouldn't have a clue what they were talking about, so instead I will refer you to *Government Debt And Credit Creation* by the Economic Research Council which you may download from here:

[http://www.ercouncil.org/historical\\_publications.php](http://www.ercouncil.org/historical_publications.php)

And to *The Money Trick*, which you may download from my site, here:

[http://www.financialreform.info/f\\_r\\_money\\_trick.html](http://www.financialreform.info/f_r_money_trick.html)

It has often been said that the love of money is the root of all evil. While we are both long enough in the tooth to realise that this is certainly not the case, you must also realise as much as myself and my colleagues in the financial reform movement that there are few evils in this world that are not either directly or indirectly caused by the lack of money, or that could not be alleviated considerably by the simple but necessary financial reforms we propose. These evils include poverty, starvation, environmental despoliation, international terrorism, prostitution, child prostitution, and all manner of anti-social, evil and violent crimes. It is in effect *the* biggest issue in the history of the world bar none. Forget all the others, all the injustices real and imagined that are ongoing – take back the power the private banking cartel has usurped by the instigation of the Bank of England, the Federal Reserve System and now the European Central Bank, and place the power to create necessary credit in the hands of the Crown – in Britain – and in the hands of the respective bodies elsewhere – and the solutions to every other social injustice and all the other problems Mankind faces will follow.

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**The text above the dotted line was mailed second class on Friday, May 28, 2010; I have made two very minor corrections: “firstborn son” has been altered to “firstborn sons”. And “The *Money Trick*” has been altered to “*The Money Trick*”. As I’ve said before, proof reading is a pastime that is best conducted with two pairs of eyes!**