



Competitive Enterprise Institute

1899 L Street, NW • 12th Floor • Washington, DC 20036

202.331.1010 • www.cei.org

Advancing Liberty – From the Economy to Ecology

February 19, 2009

No. 150

Poker as a Game of Skill

Start with the worst hand, and it's all uphill

By Adam Ross^{*}

There's no luck in poker, not even in a single hand. All that poker is is a decision-making exercise. If you're a better decision maker than your opponents on whether to bet, raise, or fold or call, or how much you're supposed to raise, that's what it's about...If I'm better in making those decisions than you are then I'm going to win. – Annie Duke, Top Professional Poker Player¹

It's two minutes before the cards are in the air, and my heart is racing. I look around at the competition—faces I recognize from TV—and the excitement is palpable. To my left is Barry Greenstein, a world-class poker star who has won millions of dollars in tournaments and countless more in endorsements. To my right is David “The Dragon” Pham, another seasoned pro who, although less well known outside the poker world than Greenstein, is perhaps the most successful tournament player of the past two years. Other top pros at my table include Nam Le, Allen Kessler, and Anna Wroblewski.

This is day two of the Legends of Poker No-Limit Challenge at the Bicycle Casino in Southern California. Of the original 100 entrants—mostly top pros, but also a few amateurs like me—27 players remain. With \$55,000 in chips after day one, I'm in second place. I'm playing extremely well, and at this point, anything less than a top-10 finish will be a disappointment.

We're about an hour into day two, and I'm treading water. I haven't played many pots, but I've managed to steal a few blinds here and there. We're down to about 20 people.

It's my turn to bet, and I'm first to act. I look down at a pair of eights—not a strong hand, especially with so many people yet to respond. But I want to mix it up a little bit. So I raise. Barry Greenstein calls. Everybody else folds, and I'm heads-up against a guy I've seen on TV

^{*} Adam Ross is the founder and CEO of Goldcrest Investments, a diversified investment fund based in Dallas, Texas.

hundreds of times. On the outside, I'm trying to play it cool. On the inside, my stomach is doing summersaults.

The dealer shows the first three cards, collectively known as "the flop": Queen of Hearts, Jack of Clubs, Jack of Diamonds. Not a good flop for me—not only did I get no help for my pair of eights, but all three cards are higher than what I'm holding. If Barry has a queen or jack, I'm way behind. Undaunted, I put out a bet anyway. Maybe I can make Barry fold; after all, he doesn't know how weak I really am. Barry immediately calls.

Darn, I think to myself, I'm beat. So unless the next card is an eight, I'm done with the hand—I gave it a shot, and it's time to retreat and live to fight another hand. The next card is Four of Spades. Again, no help to me. So I check. Barry puts out a medium-sized bet. Before folding, I at least pretend to think about it. The term on TV is "Hollywood-ing" it. I stare at Barry for a little bit and act like I'm trying to "read" him. Of course, Barry has a textbook poker face—he's a statue from whom I glean absolutely nothing.

At this point, with a pretty good pot developing, I see out of the corner of my eye that TV crews are starting to gather and film the hand. My adrenaline is going faster and faster. As I start thinking about the hand, something occurs to me: How many times on TV have I seen Barry call a bet after the flop (first three community cards) with a bad hand just to steal the pot after the turn (the card after the flop)? Maybe he's trying that move on me. If I can bully him out of the pot, I'll not only build my stack, but I'll also show these pros that I can play back at them. This is how you win tournaments, outplaying your opponents when you have inferior hands—famously known as bluffing.

So, against my earlier instincts, I don't fold. Instead, I put in a big raise. There's a gasp at the table among the players and the media folks—this is not what people were expecting, especially from an unknown amateur.

Barry thinks for a minute or two. "Please fold, please fold," I'm silently pleading. Barry looks at me and finally exclaims, "All in." I'm sick to my stomach. At this point, I don't even Hollywood it. I quickly fold, exposed as an incompetent bluffer, and I'm now crippled with a small stack. A few minutes later, I get knocked out in 16th place.

Why couldn't I have been more disciplined and simply folded that hand against Barry? Or, to the extent that I decided to bluff, why didn't it work? These questions haunted me for several months after the tournament.

So What Was I Doing? No-Limit Texas Hold 'Em is known as the "Cadillac" of poker games. The game is played as follows: Each player is dealt two cards face down, known as "hole cards," which belong to that player and that player alone. Then five community cards are dealt—the first three are called "the flop," the next one is called the "the turn," and the final one is called "the river." Players use their two hole cards and the five community cards to come up with the best five-card hand.

Rankings of the hands in No-Limit Hold 'Em are just like those in other poker games. In descending order, they are:

1. **Straight Flush.** Five consecutive cards of the same suit—for example, Five of Hearts, Six of Hearts, Seven of Hearts, Eight of Hearts, and Nine of Hearts. The highest straight flush is 10, Jack, Queen, King, and Ace of the same suit, which is known as a Royal Flush.
2. **Four of a Kind.** Four cards of the same number—for example, four Kings.
3. **Full House.** Three of a kind and two of a kind—for example, Eight of Clubs, Eight of Diamonds, Eight of Hearts, Five of Hearts, and Five of Spades.
4. **Flush.** Five cards of the same suit—for example, Two of Hearts, Five of Hearts, Seven of Hearts, Jack of Hearts, and King of Hearts.
5. **Straight.** Five consecutively numbered cards—for example, six, seven, eight, nine, and 10 of any suit or combination of suits.
6. **Three of a Kind.** Three of the same numbered card—for example, Eight of Clubs, Eight of Diamonds, and Eight of Hearts.
7. **Two Pair.** A pair of two separately-numbered cards—for example, Eight of Clubs, Eight of Diamonds, 10 of Hearts and 10 of Clubs.
8. **One Pair.** Two cards of the same number—for example, Eight of Clubs, and Eight of Diamonds.
9. **High Card.** The highest numbered card in the game—for example, Ace high.

A top poker player needs to recognize the absolute strength of his hand, as well as how that hand compares on a relative basis to those of his opponents. For example, if a player is dealt two aces, then he is in a very strong position—in fact, the best possible hand he can have before the flop—but things can change quickly. If the flop comes up with Five of Hearts, Six of Hearts, and Seven of Hearts, and the player with the aces does not have a heart, then he may be up against a straight or a flush, especially if there are multiple players in on the hand.

A Lifetime to Master. If the description above sounds confusing, you're not alone. Many books deal with the intricacies of the game and the myriad situations that come up along the way, and I have read most of them. I have also played tournament poker for four years—three at the highest levels with the best players in the world—and I am still regularly stumped by situations that come up. Maybe that's why they say that Hold 'Em takes a minute to learn and a lifetime to master.

In 2006, Congress passed the Unlawful Internet Gambling Enforcement Act, which prohibits “unlawful Internet gambling,” defined as placing a bet via the Internet in any location where such a bet would be prohibited under that area's state or federal laws.²

But what constitutes a game in which a bet or wager would be illegal? Under the Act, people cannot bet in any “game subject to chance.” Is No-Limit Hold 'Em a game of chance that falls under the purview of this law? Or is it a game of skill that falls outside of it? The Act fails to distinguish between games of chance and games of skill; in fact, it does not provide any examples of the latter. This omission is critical, because of the enormous skill that is required to play No-Limit Hold 'Em.

Conceptually, let's compare poker to a quintessential game of chance—roulette. On a roulette wheel, one places a wager on a number or color. Once the wager is placed, the outcome is totally based on chance—the bettor has *no control over the outcome, even if he wanted to lose*. The same could be said of a lottery—once the ticket holder has picked his numbers, there is nothing he can do to help himself win or lose.

By contrast, No-Limit Hold 'Em offers a player a great deal of control over the outcome—and complete autonomy to lose if he so chooses. For example, if I wanted to lose, I would simply call bets at various stages of the hand—i.e., before the flop, after the flop, and after the turn—and would then fold so that my opponent would not have to even show his hand.³

Of course, there is some luck involved in poker, at least in the short-term. If I go “all in” before the flop with two aces—the best pre-flop hand possible—and my opponent calls me with a pocket pair of kings, consisting of two face-down “hole” cards—or with any pocket pair for that matter, then I'm a 4.5-to-1 favorite. In other words, I'll lose nearly 20 percent of the time.

Uncertain Luck. But if luck is defined as an exogenous circumstance that impacts an event's outcome, then there is some degree of luck involved in almost every competition. In golf, for instance, if I am a long but inaccurate driver, then a rainstorm that softens the fairways may help my game. Or, if I tend to hit the ball on a low trajectory, then a windy day may give me a relative advantage over my competitors who hit the ball on a higher trajectory. Golf is certainly a game of skill, yet on any given day, weather conditions may work to the advantage of one player over another. Other card games, such as bridge, fall into the same category. In bridge, favorable cards can be helpful to players at times; in the long run, however, the more skilled player will win.

By the same token, poker players can get lucky in individual hands. But over a period of time, no one is going to be dealt better cards than his opponents. The players who succeed, therefore, are able to do three things better than their opponents:

1. Maximize winnings when their cards are better;
2. Minimize losses when their cards are worse; and
3. Deceive opponents into folding superior hands—that is, bluff successfully.

Although all of these skills are important, my experience has been that the very top players are the best at bluffing. This is such a critical element of poker because betting takes place so frequently. Throughout any given hand, there can be at least four opportunities to bet—before the flop, after the flop, after the turn, and after the river. Because there are so many potential bets to call, most players never make it to the river; they fold before then. This is the ideal way to accumulate chips, to win pots without having to show down—with no risk of losing the hand—and without having to reveal one's cards. This is a skill that requires years of practice and experience, particularly recognizing situations and reading people. But those who do it well can make a handsome living at the game.

Just as important as bluffing your opponent is the ability to *prevent* him from bluffing you. This requires a “poker face” so that others cannot “read” you, and it's why so many tournament players wear sunglasses, listen to music, chew gum, and otherwise do things to conceal their

“tells.” One top pro, Phil Laak, actually pulls a hooded sweatshirt over his entire face at times—he’s known as “The Unabomber.” I’ve never seen anyone do that at a roulette table.

This is not to say that poker is insulated from potential fraud or misconduct. Players could certainly cheat, either individually—by marking cards—or collectively—by using signals to communicate the strength of their hands to colluding players. But games such as poker are largely self-regulating—to the extent that a player keeps losing in a fixed game, he will simply stop playing in that game.

Conclusion: Back at the Tournament. After being eliminated from the Legends tournament, I went up to Barry Greenstein and asked him what he had on that fateful hand. “You must have had a Jack,” I asked him. No response. “You couldn’t have been on a draw,” I asked. Again, no response. “Would you please tell me what you had?” I pleaded. “Doesn’t really matter, does it?” he said with a smile. Of course he was right. When you can win hands with everybody else folding, the cards don’t matter.

Poker, as I’ve played it, is a game of skill that simply doesn’t fall under the broad language of UIGEA. Whether played online or around an actual table, it simply doesn’t involve much chance.

Notes

¹ “Poker: It isn’t luck, says Annie Duke,” *The Ottawa Citizen*, March 14, 2008.

² 31 U.S.C. § 5362 (2006).

³ In practice, this is how the vast majority of tournament poker hands play out—one player bets and, at one stage or another, everyone else folds. These are examples where luck is not involved; indeed, the winner does not even have to show his cards.