

## GUEST ESSAY

# Gambling. Investing. Gaming. There's No Difference Anymore.

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**By Jonathan D. Cohen and Isaac Rose-Berman**

Mr. Cohen is the author of “Losing Big: America’s Reckless Bet on Sports Gambling.” Mr. Rose-Berman is a fellow at the American Institute for Boys and Men.

If it feels as if gambling is everywhere, that’s because it is. But today’s gamblers aren’t just retirees at poker tables. They’re young men on smartphones. And thanks to a series of quasi-legal innovations by the online wagering industry, Americans can now bet on virtually anything from their investment accounts.

In recent years, this industry has been gamifying the investing experience; on brightly colored smartphone apps, risking your money is as easy and attractive as playing Candy Crush. On the app of the investment brokerage Robinhood, users can now buy stocks on one tab, “bet” on Oscars outcomes on another, and trade crypto on a third.

Given a recent explosion in unsafe gambling and growing evidence of severe financial harm, one might ask whether the government should be permitting 18-year-olds to effectively bet on the Dallas Cowboys with the same accounts they can

use to invest in Coca-Cola. Under President Trump, who has a son serving as an adviser to two entrants in the sports prediction marketplace, the answer appears to be a firm yes.

For large swaths of American history, gambling has been heavily restricted as a dangerous vice. In 2018, the Supreme Court removed a major roadblock by allowing states to legalize sports gambling. Then the pandemic — combined with the ease of online gambling via smartphones — turbocharged the industry. Many Americans, primarily young men, also began gambling on the stock market, their wagers enabled by platforms offering unlimited day trades. Next came prediction markets, which allow users to bet on anything — from Taylor Swift album sales to the weather — while avoiding the regulations that inhibit licensed gambling companies.

Now the fast-growing industry is coming for the biggest money pot out there: retirement accounts. In March, a leading prediction market, Kalshi, announced a partnership with Robinhood that allows investors to place wagers via the same app they use to manage stocks and retirement savings.

The result will inevitably be financial pain. What already makes online gambling so dangerous is its lack of friction. Rather than travel to Las Vegas, withdraw cash from an A.T.M., and go to the tables, gamblers can simply pull out their phones and start betting. And now bettors can start wagering without having to transfer money from their bank accounts into gambling apps.

Before the 2024 election, numerous agencies were keeping a close eye on the companies offering new ways to bet. In 2021, the Financial Industry Regulatory Authority fined Robinhood a record \$70 million for providing false or misleading information to users, among other infractions. The Commodity Futures Trading Commission (C.F.T.C.) had restricted prediction market bets on election outcomes, dubbing such contracts a form of gambling.

That scrutiny has all but vanished. Following the same playbook it used for cryptocurrencies, another popular gambling vehicle, Mr. Trump's family is cashing in on the very business his administration oversees. In January, Kalshi hired

Donald Trump Jr., Mr. Trump's son, as a paid strategic adviser. And the venture capital firm where Mr. Trump Jr. serves as a partner made a multimillion-dollar investment into Kalshi's rival Polymarket, where he has also joined the advisory board.

The administration has gutted oversight of prediction markets and online gambling. Since Mr. Trump's inauguration, the C.F.T.C. has cut staff by 15 percent and dropped a third of its open investigations. Four of the five commissioners have resigned, with the latest warning in her farewell address that there were "too few guardrails" on prediction markets. Today, one top contender to lead the C.F.T.C. is Josh Sterling, a lawyer for Kalshi and a former C.F.T.C. official.

"People are adults, and they're allowed to spend their money however they want it, and if they lose their shirt, that's on them," Mr. Sterling argued at a conference in July.

Kalshi is taking full advantage of this regulatory vacuum. Under President Joe Biden, the company argued that prediction markets are investment platforms and should not allow sports gambling. Today, around 90 percent of trades on Kalshi are on sports, and the company has advertised itself as a platform for sports betting in some states.

"There should be a line of separation," Alexander Hamilton wrote in 1792, "between respectable stockholders ... and mere unprincipled Gamblers." These days, that line has all but disappeared. The solution is not necessarily to outlaw speculation. But at the very least, financial companies should be transparent with users about risks, and platforms built for investing should not be turned into casinos.

When the American marketplace opened up for sports betting, it did so without enough guardrails. The Trump administration is now dismantling what little oversight remains.

The stakes extend beyond individual losses. Already, 46 percent of Americans have no savings in retirement accounts. For those who set money aside, integrating gambling into investment platforms puts decades of savings at risk. Robinhood

claims its mission is to “democratize finance for all.” But democratized finance should mean a fair chance to build wealth, not more ways to find out that the house always wins.

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