

**FROM THE DESERT TO THE AMERICA'S PLAYGROUND: HOW LAS VEGAS TIPPED**

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## I. INTRODUCTION

Perhaps no other city represents the conspicuous consumption of late-20th century America more than Las Vegas, the quintessential “city of now.”<sup>1</sup> Indeed, *Time* magazine recently featured the city on its cover.<sup>2</sup> Las Vegas, perhaps better known as “Sin City,” is a sort of adult playground, a place where people go to indulge in a unique, cartoon-like fantasyland.

While many U.S. cities bear rich histories, they have generally grown in a somewhat predictable fashion. Cities arose on the East Coast and then slowly moved west as technology made traveling easier and easier. Cities originally appeared on shipping routes and spread with the development of roads. But what if a city pops up seemingly by accident? Might a set of wholly unrelated events conspire to create one of the country’s most influential cities?

Ironically, the city that revolves around luck seems to have developed through its own luck. This Paper will examine the growth and explosion of Las Vegas, Nevada. At first blush, one struggles to imagine how a thriving metropolitan city could end up, literally, in the middle of the desert, completely isolated from the rest of the country. But, as this Paper will make clear, the seemingly unrelated events that led to modern-day Las Vegas actually worked in small—and often unpredictable—ways to produce this playground in the middle of the desert. Indeed, after a close examination of the driving forces behind the explosion of Las Vegas, one struggles to imagine such a city ending up anywhere *other* than in the middle of the desert. As author David Thomson summed up succinctly, “It’s not a sensible place to build a city.”<sup>3</sup> Yet somehow it thrived.

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1. LAS VEGAS: AN UNCONVENTIONAL HISTORY (PBS Home Video 2005) [hereinafter AN UNCONVENTIONAL HISTORY].

2. See <http://www.time.com/time/covers/0,16641,20040726,00.html>.

3. AN UNCONVENTIONAL HISTORY, *supra* note 1.

## II. FRAMEWORK FOR ANALYSIS

To examine the development of Las Vegas in a straightforward manner would be to miss the point. It would fail to explore the fascinating forces that came together in the strangest of ways to create modern-day Las Vegas. Instead of recounting the history of Las Vegas's development through a timeline-based approach, this Paper will look at various forces around the country and determine how those forces contributed to the development of Las Vegas.

### *A. Systems Theory: Underlying the World As A Whole*

This approach of looking at various forces for their impact on Las Vegas comes from systems theory, which says that everything in the universe can be evaluated as a discrete system that operates under a defined set of rules. Even though the systems are distinct, the behavior of each system is extremely similar. Under systems theory, all systems display two kinds of behavior: (1) complex; and (2) chaotic. Generally, systems strive to develop higher levels of order and thus become more complex. However, systems striving to become more complex are often interrupted by forces of chaos. When complexity and chaos collide, the system is at its most active. It is during such periods of instability and development that the most innovation occurs.

This is exactly what occurred in Las Vegas. It seems Las Vegas spent some sixty or more years perfectly balanced at the collision of complexity and chaos. In a time when the city was continually striving to develop a higher level of order and establish itself, various unrelated events around the world created forces of chaos that affected this development. And without that chaos, modern-day Las Vegas might look very different.

## B. *Increasing>Returns Economics*

Not only does this Paper employ systems theory in looking at the development of Las Vegas, but also it turns to another relatively new theory to explain much of the incredible growth of the city. This relatively new theory, the economic theory of increasing returns, has replaced much of neo-classical economic theory.

One unique aspect of increasing returns is that there is a tendency for that which is ahead to get further ahead and for that which is behind to get further behind.<sup>4</sup> Once a competitor gains an advantage, the theory of increasing returns suggests that this competitor's advantage will be magnified and further increased.<sup>5</sup> This positive-feedback loop often results in exponential-growth characteristics.

This particular aspect of increasing-returns economics explains why the growth of Las Vegas was so explosive. The city found itself inadvertently caught in a positive-feedback loop where as more people visited the city, it grew larger and larger, thus attracting still more people.

A second unique aspect of a system of increasing returns is that it is often very sensitive to the initial conditions that exist at the time when the increasing-returns effects take hold of the system. A small variation in the initial conditions of a system may produce drastic variations in the long-term behavior of a system.<sup>6</sup>

Again, this aspect of increasing-returns economics helps explain why modern-day Las Vegas turned out the way it did. The city was initially hit by two strong forces that forever shaped the way it would develop. This Paper will explore those forces.

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4. W. BRIAN ARTHUR, *INCREASING RETURNS AND THE TWO WORLDS OF BUSINESS 2* (1996).

5. *Id.*

6. *See, e.g.*, The Lorenz Butterfly, <http://www.exploratorium.edu/complexity/java/lorenz.html> (illustrating the concept of "sensitive dependence upon initial conditions").

Interestingly, increasing-returns economics has been traditionally only applied to knowledge-based industries, such as the technology sector. But does increasing-returns economics have broader applicability? To the development of cities, perhaps?

C. *The Tipping Point: Putting It All Together*

Finally, this Paper will look at the development of Las Vegas through the perspective of *The Tipping Point*, in which best-selling author Malcolm Gladwell studies societal trends and epidemics in a revolutionary way. Gladwell argues that small, seemingly unrelated events can often lead to results that otherwise defy explanation. Gladwell's major premise is that it takes three separate forces for a trend to reach its *Tipping Point*: (1) *The Law of the Few*; (2) *The Power of Context*; and (3) *Stickiness*. Gladwell's intriguing analysis focuses on trends that appear in all aspects of daily life, but can his analysis explain the explosion of a major U.S. city? This Paper will identify these separate forces at work throughout the development of the city of Las Vegas and show that they did, in fact, operate to launch a city and even make it an epidemic.

### III. ORIGINS OF LAS VEGAS

With this basic framework for analysis in mind, we first turn to the origins of Las Vegas. In 1890, the state of Nevada had the lowest population of any state in the Union: It was home to fewer people than could fit in Fenway Park in Boston.<sup>7</sup> Today, Nevada is home to nearly 2 million people and the 28th most populated city in the United States: Las Vegas.<sup>8</sup>

Even by American standards, Las Vegas is a young city. Established just over 100 years ago, in 1905 as a tiny railroad town,<sup>9</sup> Las Vegas has earned the distinction of the fastest-growing

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7. AN UNCONVENTIONAL HISTORY, *supra* note 1.

8. *Id.*

9. *Id.*

city of the 20th century.<sup>10</sup> It was a stopping point on the main line of the San Pedro, Los Angeles & Salt Lake Railroad, which connected southern California and Salt Lake City.<sup>11</sup> This spot, which came to be known as Las Vegas, was a natural division point because it was a good place to stop for water. As a layover point, early Las Vegas prospered for about a decade, building a local economy that catered to passengers on layover for the night.<sup>12</sup> In addition, because of its location, Las Vegas served as a staging area for supplying mining camps both to the north and the south.<sup>13</sup> These two forces came together to help create a foothold for the fledgling city. Las Vegas officially became a city on March 16, 1911.<sup>14</sup> Here for the first time, Las Vegas was operating the way that should be expected: it was growing like any normal city, or, in the parlance of systems theory, it striving for higher levels of complexity.

But then, as we see time and time again throughout the development of Las Vegas, chaos strikes. The Great Railroad Strike of 1922 idled the line through the town for a month, and the railroad moved its repair shops out of Las Vegas and laid off hundreds of people.<sup>15</sup> Many local businesses went belly up.<sup>16</sup> As quickly as it had appeared, Las Vegas seemed destined to disappear. To make matters worse, the stock market crashed just seven years later, on October 29, 1929, a day of infamy that became known as Black Tuesday.<sup>17</sup> With the country thrown into the Great Depression, it seemed as if Las Vegas may never recover.

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10. *Id.*

11. *Id.*

12. *Id.*

13. AN UNCONVENTIONAL HISTORY, *supra* note 1.

14. History (Official City of Las Vegas Web Site), <http://www.lasvegasnevada.gov/FactsStatistics/history.htm> (last visited May 1, 2009).

15. AN UNCONVENTIONAL HISTORY, *supra* note 1.

16. *Id.*

17. NYSE, New York Stock Exchange > About Us > History > Timeline, [http://www.nyse.com/about/history/timeline\\_trading.html](http://www.nyse.com/about/history/timeline_trading.html) (last visited May 1, 2009).

#### IV. INITIAL CONDITIONS

As mentioned above, systems experiencing increasing returns are often quite sensitive to the initial conditions that existed when the effects of increasing returns began to operate. In the 1930s, the face of Las Vegas as we know it was carved out by a set of initial conditions that were created by the collision of two unrelated forces: (1) the liberalization of laws; and (2) the construction of the Hoover Dam. The influence of these two forces cannot be overstated; they brought people into the city, provided sources of revenue during the Great Depression, and helped shape the atmosphere of this unique city.<sup>18</sup>

##### A. *Liberalization of the Laws*

Nevada's liberalization of its laws was the first of the two forces that originally set the tone for what Las Vegas would ultimately become. In a two-year period during the early 1930s, the state legislature adopted laws that legalized gambling, legalized the sale and consumption of alcohol, and reduced the state's residency requirements for divorces.<sup>19</sup>

##### 1. Gambling

Gambling had been outlawed in Nevada since October 10, 1910.<sup>20</sup> Despite this ban, however, gambling prospered behind closed doors across the state, particularly in Las Vegas.<sup>21</sup> As the effects of the Great Depression set in, Nevada's two main industries—mining and agriculture—plummeted.<sup>22</sup> Without these markets, the Nevada legislature searched for alternative sources of income and jobs for its residents.

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18. JEFF BURBANK, LICENSE TO STEAL: NEVADA'S GAMING CONTROL SYSTEM IN THE MEGARESORT AGE 5 (2005).

19. *Id.* at 5-6.

20. *Id.*

21. *Id.*

22. *Id.*



One such alternative industry the Nevada legislature embraced was gambling. Members of the legislature believed that the legalization of gambling would enhance tourism and thus improve the state's economic position.<sup>23</sup> For many, the adoption of this bill meant that the gambling that had taken place since 1910 no longer had to be hidden behind closed doors.<sup>24</sup> For others, the legalization of gambling introduced them to a new sport.

The initial impact of the legalization of gambling was significant in restoring the economy of Las Vegas, but by no means extensive. Although the economic impact of the legalization of gambling in the 1930s was not substantial, it—perhaps more importantly—laid the foundation for the subsequent development of the industry.<sup>25</sup>

## 2. Alcohol

Just two years later, the Nevada legislature further liberalized its laws by repealing the ban on the sale and consumption of alcohol.<sup>26</sup> Consequently, “[c]asino gambling, drinking, and other forms of entertainment had merged for the first time in decades in Nevada.”<sup>27</sup> Nowhere else in America was a person offered this combination of morally questionable behaviors, giving Nevada a unique product to offer its visitors and residents alike.

## 3. Divorce

In addition to the legalization of gambling and alcohol, the liberalization of Nevada's divorce laws in 1931 forever impacted the development of Las Vegas. Even before the 1930s, Nevada was known as an easy location to obtain a divorce.<sup>28</sup> An individual was eligible to obtain a divorce in Nevada after residing in the state for only three months.<sup>29</sup> This was especially

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23. *Id.*

24. RUSSELL R. ELLIOTT, *THE HISTORY OF NEVADA* 279 (1987).

25. *Id.*

26. BURBANK, *supra* note 18, at 12.

27. *Id.*

28. ELLIOTT, *supra* note 24, at 284.

29. *Id.*

appealing to individuals directly to the west because California required that its citizens wait a full year before the final divorce decree would be entered.<sup>30</sup> Nevada captured the American public's attention as prominent Americans moved to Nevada to exploit its liberal divorce laws.<sup>31</sup>

But in the late 1920s, Nevada's hold on the divorce business was threatened. In 1927, Idaho and Arkansas matched Nevada's three-month residency requirement for a divorce,<sup>32</sup> leading the state to further decrease the residency period from three months down to a mere six weeks.<sup>33</sup>

The liberalization of the law in these three areas worked together to create an atmosphere in Nevada in which people were free to do as they pleased. In fact, this ideal flew in the face of the temperance movement that was so prevalent in the rest of the country at the time. Nevada openly encouraged three things that were generally considered morally repugnant. It was exactly this *laissez faire* attitude created in the 1930s that would forever influence the future development of Las Vegas.

#### *B. The Hoover Dam*

While the Nevada legislature was liberalizing its laws in an attempt to fight the effects of the Great Depression, Americans all over the country were likewise feeling it hitting home. Americans needed jobs. Any jobs.

Meanwhile, plans were being made to build a dam that would harness the power of the mighty Colorado River to supply power to the southwestern states. And the perfect spot for such a dam—which would come to be known as the Hoover Dam—just happened to be in Black Canyon, located 30 miles to the southeast of Las Vegas. In addition to supplying needed power

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30. *Id.*

31. *See id.* (noting that Mrs. Corey, wife of the president of United States Steel Corporation, moved to Reno in order to sue her husband for divorce).

32. *Id.* at 285.

33. *Id.*

to numerous states, the Hoover Dam project offered something else that was desperately needed during the Great Depression: the promise of a job. Thus, in 1930, over the course of just six months, some 42,000 men descended on Black Canyon, all desperate to land one of the 5,000 spots as a worker on the Hoover Dam.<sup>34</sup> Construction began just months later, in 1931.

These men labored all day and returned at night to Boulder City, a federal reservation with “few of the comforts of home, and all of the same hometown rules: no gambling, no prostitution, and absolutely no liquor.”<sup>35</sup> Come payday, these men headed straight for Las Vegas. In contrast to Boulder City, Las Vegas offered everything they could want during Prohibition America: gambling dens, prostitution houses, and saloons as far as the eye could see.

In 1932, some 100,000 tourists traveled to Las Vegas to marvel at the Hoover Dam, which some called the “Eighth Wonder of the World.”<sup>36</sup> While there, they stopped over to indulge in Las Vegas, taking advantage of Nevada’s newly liberalized gambling and drinking laws. Thus, from the chaos from the Great Depression arose Las Vegas’s newest industry: tourism.

## V. INCREASING RETURNS TAKE HOLD

With gambling and drinking firmly rooted in the Las Vegas culture, the future of the city was beginning to take shape. The effects created by the liberal Nevada laws and the massive Hoover Dam construction project locked the fate of Las Vegas onto a course from which it would never veer, a course leading Las Vegas into the city we know—and love—today.

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34. AN UNCONVENTIONAL HISTORY, *supra* note 1.

35. *Id.*

36. *Id.*

Amazingly, only a couple decades after workers came to the town seeking work on the Hoover Dam, Las Vegas was exploding.<sup>37</sup> By 1955, Las Vegas was getting an estimated seven million visitors per year,<sup>38</sup> which was more than the Washington Monument, Mount Rushmore, Yellowstone National Park, and the Grand Canyon, *combined*.<sup>39</sup> It had become “Hollywood’s playground,” a place to which tourists and celebrities alike flocked to see and be seen.

What had begun as a few gambling parlors and saloons on Fremont Street had become, in just twenty short years, a collection of enormous hotel-casinos on the Strip. Increasing-returns economics helps explain this explosion of tourism. The real money came from gambling, and casinos were willing to do whatever it took to get visitors sitting at their tables. As each casino one-upped the other by offering more entertainment options, this attracted more visitors from across the U.S., creating still more of an incentive to further up the ante. As more people flocked to Las Vegas, more casinos began to open, thus bringing still more people. This truly was a positive-feedback loop. By the end of the 1950s, Las Vegas had a population of more than 127,000.<sup>40</sup> For a city in the middle of the desert in the 1950s, that was quite an accomplishment.

For the first time, Las Vegas began to represent more than just gambling. Casinos offered beautiful golf courses, gourmet buffets, and access to major celebrities.<sup>41</sup> The Sands was the first to hire an entertainment manager.<sup>42</sup> As the casinos created more of an entertainment venue, they attracted the major performance talent—more talent, in fact, than was on Broadway.<sup>43</sup> Performers received \$50,000 for a one-week stand.<sup>44</sup> But the entertainment was never more than a sidelight to bring in patrons to gamble, which is how the casinos made their

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37. *Id.*

38. *Id.*

39. *Id.*

40. AN UNCONVENTIONAL HISTORY, *supra* note 1.

41. *Id.*

42. *Id.*

43. *Id.*

44. *Id.*

real money. One famous actress of the time, Tallulah Bankhead, said, “We’re just the highest-paid shills in history.”<sup>45</sup> All casino owners had to do was get people in the door—and then watch the gambling revenue roll in.

To some extent, this positive-feedback loop that fed the growth of Las Vegas has continued—and even magnified—over the past decade. It seems that the hotel-casinos on the Strip have gotten bigger, gaudier, and more extravagant.

For example, the Las Vegas Sands Corp., in 1999, opened The Venetian, which features over 4,000 luxury suites, on the spot where the original Sands Hotel stood.<sup>46</sup> Extending the Venetian’s size is the recently constructed Palazzo. Opened in 2008, The Palazzo offers an additional 3,000 luxury suites and, when combined with The Venetian, the two make up the world’s largest hotel and resort.<sup>47</sup>

Steve Wynn, Las Vegas icon and hotel-casino developer, opened the ultra-luxury, \$2.7 billion-dollar Wynn Las Vegas in 2005 and its add-on tower, the \$2.1 billion-dollar Encore Las Vegas, in December 2008.<sup>48</sup> The Wynn features a Ferrari-Maserati dealership, three ultra-posh nightclubs, and numerous high-end restaurants.<sup>49</sup> Each new development offers more luxury and more entertainment options than the previous one.

The largest, and most recent, example of the positive-feedback loop fueling Las Vegas’s growth is MGM Mirage’s latest project, the \$8.5 billion-dollar CityCenter.<sup>50</sup> Slated to open in late 2009, CityCenter currently holds the distinction of being the world’s largest construction

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45. *Id.*

46. Frommer’s: The Venetian, <http://www.frommers.com/destinations/lasvegas/H24967.html> (last visited May 10, 2009).

47. Jeff Simpson, *What Went Right, Wrong and What’s Still Incomplete at the New Palazzo*, LAS VEGAS SUN, May 10, 2009, available at <http://www.lasvegassun.com/news/2008/jan/21/jeff-simpson-what-went-right-wrong-and-whats-still/>.

48. Wynn Las Vegas Description, <http://www.vegas.com/resorts/wynn/> (last visited May 10, 2009).

49. *Id.*

50. City Center Fact Sheet, [http://www.citycenter.com/press\\_room/press\\_room\\_items.aspx?ID=602](http://www.citycenter.com/press_room/press_room_items.aspx?ID=602) (last visited May 10, 2009).

project.<sup>51</sup> Once completed, CityCenter will dwarf the Venetian/Palazzo and set a new standard of size and elegance for MGM Mirage's competitors to beat.<sup>52</sup>

## VI. *THE TIPPING POINT*: THE POWER OF CONTEXT

For an epidemic to really explode, Gladwell argues, it must occur in the right context. In the case of Las Vegas, it took more than just lots of bright lights and the promise of gambling. Indeed, "epidemics are sensitive to the conditions and circumstances of the times and places in which they occur,"<sup>53</sup> and the context in which Las Vegas came into the national conscious likely played as large of a role as anything. In many ways, Las Vegas was simply a product of the conditions and circumstances that dominated the U.S. at the time. Those conditions and circumstances are explored below.

### A. *The Mob*

With gambling established as a part of life in Nevada, and specifically Las Vegas, it was only a matter of time until the Mob arrived in the city to get in on the action. This inevitable arrival of the mob began in late 1938, when the new mayor of Los Angeles, Fletcher Bowron, in an attempt to combat the rampant corruption for which the previous administration became known, ran much of the underworld out of the city.<sup>54</sup> Located just a few hours away, Las Vegas, with its liberal gambling laws, was their natural relocation spot. These shady characters had experience running underground gambling joints, a highly marketable skill in the growing city of Las Vegas. Gambling had always been the Mob's bread and butter, and with it being legal in Las Vegas, it was just too tempting to pass up. Crime families from across the U.S. took note of

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51. *Id.*

52. *Id.*

53. MALCOLM GLADWELL, *THE TIPPING POINT* 129 (2000).

54. ELLIOTT, *supra* note 24, at 284.

the possibilities in Las Vegas, and it was their presence that further fostered the anything-goes attitude for which Las Vegas was famous.

### *B. Cuban Revolution*

Las Vegas, however, was not the Mob's ideal location to build their sinner's paradise. The Mob originally dreamed of making Havana, Cuba, the headquarters of their empire. To the Mob, "establishing Cuba as a base of operations was to be the next big scheme in their master plan of creating a multinational crime organization."<sup>55</sup> This idea first came about in the 1920s. Mobsters were already familiar with the island because they used it as a transshipment point for the bootlegging of rum during Prohibition.<sup>56</sup> Even then, Havana was gaining a reputation as a "smuggler's paradise, a hotbed of black market commerce and international intrigue."<sup>57</sup> Just as Prohibition was making everything boring in the U.S., Cuba offered a haven for the Mob. Mobsters were safe from the reach of U.S. laws in Cuba. And the political scene was likewise perfect, which is to say it was completely corrupt. The Mob secured their position of influence by forming strong ties with Fulgencio Batista, the then leader of Cuba.<sup>58</sup> They had the Cuban government in their pocket. Everything was set.

What the Mob did not count on was a young student at Havana University named Fidel Castro.<sup>59</sup> Castro saw the corruption in the government and railed against it.<sup>60</sup> He began a movement that would ultimately lead to the Cuban Revolution.<sup>61</sup> With Batista in power, Cuba was perfect for the Mob. When Castro's army overthrew the Batista regime in early 1959, the

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55. T.J. ENGLISH, HAVANA NOCTURNE 10 (2007).

56. *Id.* at 11.

57. *Id.*

58. *Id.* at 66-67.

59. *Id.* at 117-120.

60. *Id.*

61. *Id.* at 162, 309-311.

Mob's dreams of their criminal empire in Havana crumpled along with the city.<sup>62</sup> Through events out of its control, the Mob was forced to focus its attention on Las Vegas.

### C. *Post-War Consumerism*

Meanwhile, as the Cuban Revolution was brewing in the Caribbean, America, fresh out of World War II, was experiencing the rise of what historians have called “post-war consumerism.”<sup>63</sup> After long sacrifices during World War II, the American public was ready to get out and spend money. And not only did Americans want to go spend money, but they *needed* to go spend money. It was their duty. “Mass consumption in postwar America would not be a personal indulgence, but rather a civic responsibility designed to provide ‘full employment and improved living standards for the rest of the nation.’”<sup>64</sup> This post-war consumerist mentality provided a whole new context for Americans at exactly the time the growing city of Las Vegas needed it. Indeed, without this shift in national thinking, it is quite possible Las Vegas would not have ended up as we know it today. Americans finally had permission to freely spend their money, and what better place to do so than Las Vegas?

### D. *Cold War Anti-Communist Mentality*

As Americans experienced a collective shift in thinking about how they should spend their money, they found themselves facing another national concern: the Cold War. With World War II behind it, America was caught in a nuclear-arms race with Russia, and the United States needed a place to test various nuclear bomb designs.<sup>65</sup> And what better place than in the middle of the unpopulated desert? Thus, in 1951, the federal government established the Nevada Test

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62. *See id.* at 315 (“It didn’t take Lanksy long to realize that business prospects for the mobsters in Cuba were dead.”).

63. *See* LIZABETH COHEN, A CONSUMERS’ REPUBLIC: THE POLITICS OF MASS CONSUMPTION IN POST-WAR AMERICA 113 (2003).

64. *Id.*

65. AN UNCONVENTIONAL HISTORY, *supra* note 1.



Site, which was the testing grounds for newly developed atomic bombs and, conveniently, located just 65 miles northwest of Las Vegas.<sup>66</sup>

Because the Nevada Test Site was so close to Las Vegas, the atomic explosions could be heard and the mushroom clouds could be clearly seen from the Strip.<sup>67</sup> This atomic testing ground became an unexpected tourist attraction. Visitors came from all over the United States to witness an atomic bomb being set off. Casinos offered day trips out to the Nevada Test Site for a front-row seat from a “safe” distance of just a couple miles.<sup>68</sup> In true Las Vegas fashion, they exploited the attraction of the nuclear bombs inside casino doors as well; waitresses wore outfits that resembled the mushroom cloud and bartenders concocted special neon-green drinks named after the bomb.<sup>69</sup>

Not only was watching the explosions fun, but the state of Nevada finally felt important. For the first time, Nevada had some legitimacy; no longer was it the rogue state of the union. Now it was directly contributing to the Cold War effort. Atomic testing made people of Las Vegas feel as if they were helping to win the Cold War.<sup>70</sup> Unfortunately—or fortunately, depending on how you look at it—the test site was shut down in 1962.<sup>71</sup>

It is truly difficult to imagine the viewing of atomic bombs being set off as a tourist attraction anywhere else in the country other than Las Vegas. In some odd way, it seems to fit perfectly with everything Las Vegas represents. Gambling is all about risk, and in another way, so was watching a nuclear bomb go off.

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66. *Id.*

67. *Id.*

68. *Id.*

69. *Id.*

70. *Id.*

71. AN UNCONVENTIONAL HISTORY, *supra* note 1.

## VII. *THE TIPPING POINT: THE LAW OF THE FEW*

According to Gladwell, “The success of any kind of social epidemic is heavily dependent on the involvement of people with a particular and rare set of social skills.”<sup>72</sup> This, as he calls it, is *The Law of the Few*.<sup>73</sup> Of the types of people with the rare set of social skills necessary to push a social epidemic to its tipping point, perhaps the most important is the *Connector*. *Connectors* are “the kinds of people who know everyone,” people “with a special gift for bringing the world together.”<sup>74</sup> It is hard to imagine that the city of Las Vegas grew as quickly as it did without the help of at least one *Connector* along the way. Luckily, it had three.

### A. *Bugsy Siegel*

This is where Benjamin “Bugsy” Siegel enters the picture.<sup>75</sup> He was among the underworld characters who left Los Angeles in the late 1930s to seek greener pastures in Las Vegas. Bugsy Siegel was a key player in a national crime organization known as the Syndicate, with strong ties to crime bosses Meyer Lansky, Charles “Lucky” Luciano, and Frank Costello.<sup>76</sup> Siegel had originally been sent to Los Angeles to establish ties with some of the major West Coast mobsters and develop new gambling rackets.<sup>77</sup> While in Los Angeles, Siegel became friends with many movie stars and Hollywood executives of the time.<sup>78</sup> And with the undeniable appeal of Las Vegas calling to him, mob boss Meyer Lansky sent Siegel to Las Vegas to take over the horse-racing action, which was legal only in Nevada.<sup>79</sup>

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72. GLADWELL, *supra* note 53, at 33.

73. *Id.*

74. *Id.* at 38.

75. DENNIS N. GRIFFIN, *THE BATTLE FOR LAS VEGAS: THE LAW VS. THE MOB* 7 (Huntington Press 2006).

76. *Id.*

77. *Id.*

78. AN UNCONVENTIONAL HISTORY, *supra* note 1.

79. *Id.*

Siegel's arrival in Las Vegas solidified ties between west coast and east coast organized-crime families.<sup>80</sup> Where Las Vegas was, up until that point, run by small-time gangsters, it was now tied to mob bosses across the country.

Bugsy Siegel took another important—and, at the time, seemingly inconsequential—step in the development of the city as we know it today. Siegel opened the Flamingo three miles away from Fremont Street on a road that was outside the official Las Vegas city limits—a road that would ultimately become what we know today as The Strip.<sup>81</sup> With the Flamingo, Siegel offered visitors a completely different Las Vegas experience: an urban, Miami-beach hotel in the middle of the desert.<sup>82</sup> The casino staff wore tuxedos.<sup>83</sup> It was sexy. It was glamorous. And it was a favorite hotspot for the Hollywood crowd. Bugsy Siegel knew just the right people from the time he had spent in Los Angeles.

#### *B. Moe Dalitz*

Siegel was no doubt an influential force in the development of the city, but perhaps no other person played the role of *Connector* more effectively than a much less known character of the underworld: Moe Dalitz, the one-time king of the Mayfield Road Gang.<sup>84</sup> Born in Boston, Massachusetts, around the turn of the 20th century,<sup>85</sup> Dalitz began making ties at a young age and came of age right around the time when the developing Las Vegas needed of a person who was plugged in to various facets of society: Las Vegas needed a *Connector*. Dalitz's father ran a laundry in Ann Arbor, Michigan, which afforded Dalitz the opportunity to develop relationships

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80. See Las Vegas, People & Events, Benjamin Siegel (1906 – 1947), [http://www.pbs.org/wgbh/amex/lasvegas/peopleevents/p\\_siegel.html](http://www.pbs.org/wgbh/amex/lasvegas/peopleevents/p_siegel.html) (last visited May 10, 2009) (noting that Siegel's business associates spanned the country and were located in various cities, including Chicago, Los Angeles, New York, and Philadelphia).

81. See STEVE FISCHER, WHEN THE MOB RAN VEGAS 11-28 (Berkeley Press 2007).

82. GRIFFIN, *supra* note 75, at 8.

83. AN UNCONVENTIONAL HISTORY, *supra* note 1.

84. GRIFFIN, *supra* note 75, at 13.

85. *Id.*

with numerous Michigan students as well as associates of Detroit's notorious Purple Gang.<sup>86</sup> Later, Moe got involved in bootlegging in Cleveland, which led to him meeting with and cutting deals with members of New York mob.<sup>87</sup> He operated gambling clubs outside Cincinnati, learning the crucial mobster skills necessary to survive in Las Vegas.<sup>88</sup> Moe Dalitz was exactly the type of person Las Vegas needed. But Las Vegas almost did not get him. Like many other members of organized crime, Dalitz ended up in Las Vegas after Fidel Castro's kicked the mob out of Cuba.<sup>89</sup>

In addition to Dalitz's underworld dealings, he was involved in various legitimate businesses. He had his hand in many different cookie jars. And they were big cookie jars: At the height of Dalitz's power and influence, he had the endorsement of senators and governors and was worth well in excess of \$100 million.<sup>90</sup>

In many ways, however, the Mob was ultimately responsible for the biggest growth of the city. Though legal, gambling was still viewed as so morally repugnant that no self-respecting people wanted to be affiliated with the running of the casinos. The Mob gladly accepted the responsibility.

### C. *Estes Kefauver*

A third key player in the explosive growth of Las Vegas in the 1950s was a Senator from Tennessee, Estes Kefauver. In 1950, Kefauver set out on a very public crusade against organized crime, traveling to 14 major cities and questioning major players in the Mob.<sup>91</sup> His goal was to shut down the illegal gambling, but, ironically, Kefauver was unwittingly a *Connector* who did

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86. *Id.*

87. *Id.*

88. *Id.* at 14.

89. *See infra* Part VI. B. Cuban Revolution.

90. Moe Dalitz, Racket Boss Reborn, [http://www.reviewjournal.com/lvrj\\_home/2005/Aug-28-Sun-2005/news/26985900.html](http://www.reviewjournal.com/lvrj_home/2005/Aug-28-Sun-2005/news/26985900.html) (last visited May 10, 2009).

91. FISCHER, *supra* note 81, at 2.

more to promote the city that actually shut it down. During his Senate hearings, he brought the famous mobsters to the national stage and made them even more of celebrities than they already were.<sup>92</sup> Thanks to Kefauver, Americans saw the sexiness that was the gangster lifestyle, and no place offered that sexiness like Las Vegas.

#### VIII. *THE TIPPING POINT: STICKINESS*

The timing of these unrelated events was perfect. Shifts in national attitudes, the Communist Revolution brewing in Cuba, and impact of *Connectors* like Siegel, Dalitz, and Kefauver all seemed to point towards the development of Las Vegas. Despite the city's enormous growth and development to this point, it still faced one final challenge: Las Vegas needed to become *sticky*. It needed to stick in the public's mind in order cement its position as America's escape from reality. It needed to be more than a fad.

This is where Las Vegas created its own future. If all the other factors that led to the development of Las Vegas were out of control of the owners of the casinos, this particular one was within their power. The trick was to make sure Americans would always think of Las Vegas when planning a vacation.

As discussed above, the casinos started competing with one another in the late 1950s and early 1960s to see who have get the best entertainment or the most elaborate decor. Not only was this an example of increasing returns, but this competition helped make the city—and the idea—of Las Vegas *sticky*, thus allowing it to finally tip. Unrelated events around the world created the perfect atmosphere for a place like Las Vegas. Well-connected people established ties to Las Vegas. Finally, the remaining piece fell into place.

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92. *Id.*

In 1960, the movie *Ocean's Eleven*, starring Frank Sinatra, Dean Martin, and Sammy Davis, Jr., Joey Bishop, and Peter Lawford, opened across the country. Something as seemingly inconsequential as a movie turned out to be just what it took to make the idea of Las Vegas stick in Americans' minds. Building on that success, the five guys—otherwise known as “The Rat Pack”—had a show at the Copa Room at the Sands.<sup>93</sup> Their show was bigger than anything else that had happened so far. People literally came from all over the country to see them perform. The Rat Pack perfectly embodied everything that was Las Vegas. The Rat Pack was, as Marc Cooper, an author who has often written about Las Vegas, noted, “the pinnacle of Vegas cool. No question that that really was the high-water mark of Las Vegas.”<sup>94</sup>

Las Vegas had grown from a cowboy town to a full-fledged national tourist attraction. No longer was gambling the reason people went to Las Vegas; instead, they went for the entertainment, and, much to the delight of the casino owners, just happened to do some gambling while they were there.

## IX. FUTURE PERSPECTIVE

In many ways, Las Vegas grew as a product of the Great Depression. As we are currently in the worst economic downturn since the Great Depression, one can only wonder what the effect will be on the already-established city. Throughout the late 1990s and the early 2000s, Las Vegas saw a seemingly never-ending cycle of newer, bigger, and more expensive casinos being built. It seemed as if America could not get enough. This is perfectly exemplified by the MGM Mirage's latest venture, the CityCenter. With the sheer size and expense of the CityCenter and the current economic climate, it is doubtful that any other casino will try to top

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93. AN UNCONVENTIONAL HISTORY, *supra* note 1.

94. *Id.*

it.<sup>95</sup> But who knows; if there is anything that this Paper has established, it is that the development of Las Vegas does not always make sense.

The lifeblood of Las Vegas has been its gambling revenue, but, as discussed above, gambling alone is not what ultimately made Las Vegas sticky. Instead, it was the shows and entertainment in the 1960s that brought people to the Strip. Once they had arrived on the Strip, the casinos drew visitors in and money out of their pockets, allowing the casinos to be profitable. Focusing on getting people through the front door has been a hallmark strategy for Las Vegas since the 1960s. Today, more than ever, Las Vegas must constantly tweak its attractions to remain more than just another place to gamble.

Evidence of this can be found beyond the 1960s example of the Rat Pack. From 1986 to 1992, the country's real estate and banking industry was paralyzed by the Savings and Loan Crisis. Yet during that time period Las Vegas remained profitable, as illustrated by Table 1 below.<sup>96</sup> Not only was the city prosperous, but it continued to thrive. Indeed, three large resorts were opened during this time frame creating an additional 9,679 rooms on the Las Vegas strip: The Mirage in 1989; The Excalibur in 1990; and Harrah's Las Vegas in 1992.<sup>97</sup> Perhaps even more fascinating is the company known today as MGM Mirage became a publicly traded company during the peak of the Savings and Loan Crisis—1989. MGM Mirage not only thrived during a time of economic crisis, it grew to become the largest entity in the gaming industry across the world.

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95. City Center Fact Sheet, [http://www.citycenter.com/press\\_room/press\\_room\\_items.aspx?ID=602](http://www.citycenter.com/press_room/press_room_items.aspx?ID=602) (last visited May 10, 2009).

96. See NEVADA GAMING ABSTRACT 2008, STATE GAMING CONTROL BOARD, *available at* [http://gaming.nv.gov/documents/pdf/2008\\_abstract.pdf](http://gaming.nv.gov/documents/pdf/2008_abstract.pdf).

97. See UNLV Center for Gaming Research, [http://gaming.unlv.edu/abstract/nv\\_main.html#strip](http://gaming.unlv.edu/abstract/nv_main.html#strip) (last visited May 10, 2009).

During a period of economic uncertainty people still came to Las Vegas. Why was there a need for an additional 9,679 luxury hotel rooms? And how could the gaming industry's superstar have been founded during this same period? The answer to these questions can be found by simply looking at the gambling revenues and hotel revenues from 1983 to 2008.<sup>98</sup> In 1992, Las Vegas gambling revenue decreased relative to the gambling revenues realized in 1991.<sup>99</sup> Nonetheless, the hotel room revenues for 1992 increased from 1991.<sup>100</sup> How could this be? What was attracting these tourists if it was not gambling?

The answer is simple: More tourists traveled to Las Vegas in 1992. They simply did not spend their money at the gambling tables like they had in 1991 because there was more to do in Las Vegas than gamble. The hotel-casino operators have perfected the art of remaining sticky. By offering more than just gambling, Las Vegas has established itself as a true vacation destination. It was the entertainment and the shows that made Las Vegas sticky in the 1960s, and it is the entertainment and the shows that continue to make it sticky today.

Perhaps the greatest example of Las Vegas's continued stickiness is the construction of the MGM Mirage's CityCenter, discussed above. It will have four hotels, only one of which will feature a casino. The other three hotels will take the form of a more traditional resort and spa, and even offer residences for sale. In addition, the entire complex will be surrounded by shops and shows, all of which are entertainment in and of themselves. MGM Mirage had the foresight to see that Las Vegas was more than just a place to gamble, it is a place to be entertained. For that reason, CityCenter's focus is not simply on gambling, it is on the entire entertainment experience. It is this type of foresight that has ensured Las Vegas has and will continue to remain the world's playground.

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98. *See* NEVADA GAMING ABSTRACT 2008, *supra* note 96.

99. *See id.*

100. *See id.*



Despite Las Vegas's traditional ability to weather economic storms, the current downturn poses a serious threat to Sin City. For example, one of the MGM Mirage's principle investors, Carl Icahn, has been pushing the company to restructure in bankruptcy court.<sup>101</sup> Whether this is a serious threat, or merely a negotiating technique designed to give the investor leverage over MGM Mirage, discussions of bankruptcy illustrate the impact of the economic downturn on Las Vegas. To survive this economic downturn, Las Vegas must depend on alternatives to gambling to bring in consumers, much like it has done in previous recessions. Additionally, the casino operators must find a way to keep cash flows up and keep investors like Carl Icahn happy to avoid being forced into a bankruptcy reorganization.

## X. CONCLUSION

By any standards, Las Vegas is a young city. And by any standards, it never should have survived. Nobody could have predicted the seemingly overnight appearance of America's playground in the middle of the desert. But then again, nobody could have predicted the series of independent forces that conspired to create modern-day Las Vegas. As this Paper makes clear, the growth of Las Vegas was anything but normal; in many ways, Las Vegas grew out of pure luck. We can only hope that the luck Las Vegas experienced during its formation continues and allows the city to weather this current economic storm. And that a little bit of that luck rubs off on us on our next visit.

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101. Jeffrey McCracken, *Icahn Takes on Kerkorian in Big Las Vegas Showdown*, WALL STREET JOURNAL, April 17, 2009.

**Table 1: Casino and Room Revenue By Year (1983 – 2008)**

<b>Year</b>	<b>Casino Revenue (\$)</b>	<b>Room Revenue (\$)</b>	<b>Employees for Room</b>
1983	1,122,261	302,009	N/A
1984	1,267,999,188	348,273,688	7,858
1985	1,318,567,513	380,654,362	6,193
1986	1,371,208,476	402,068,441	6,587
1987	1,587,414,023	490,046,653	7,699
1988	1,739,265,206	542,470,004	8,210
1989	2,023,619,120	571,938,967	8,856
1990	2,278,666,097	662,331,307	10,996
1991	2,616,868,246	761,203,722	11,129
1992	2,530,932,046	775,713,227	10,871
1993	2,680,865,771	821,671,207	10,447
1994	3,188,994,040	1,048,102,543	13,435
1995	3,516,053,825	1,283,252,531	13,662
1996	3,629,745,193	1,391,113,176	14,044
1997	3,650,458,259	1,535,714,914	14,781
1998	3,717,773,057	1,618,896,618	15,558
1999	4,128,143,954	1,900,913,038	17,907
2000	4,683,729,471	2,380,443,846	19,228
2001	4,615,644,944	2,648,983,961	18,901
2002	4,247,749,172	2,390,866,446	17,638
2003	4,490,623,007	2,554,812,712	18,451
2004	4,909,991,047	2,970,641,703	19,093
2005	5,283,122,106	3,367,195,538	20,788
2006	6,040,935,450	3,849,204,700	20,739
2007	6,490,880,088	4,082,315,743	19,692
2008	12,040,879,888	5,113,021,078	32,103