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## The Burger King Revolution: How Las Vegas Bounced Back, 1983–1989

David G. Schwartz

MOST WHO HAVE CONSIDERED Las Vegas history have concluded that not much happened in Las Vegas gaming between the openings of the original MGM Grand (1973) and Mirage (1989). In fact, several structural changes during the 1980s had already reversed a declining appeal. Responding to three crises—competition from Atlantic City, a national economic downturn, and the MGM Grand fire—Las Vegas casino operators began to draw more extensively on a middle-class mass market. Capitalizing on the “Burger King Revolution,” Strip casinos drew more gamblers who, on average, played less, and slot machines displaced table games as the industry’s leading revenue producer. This successful strategy broadened the city’s visitor pool and created a base for later expansion.

With a 5% national revenue decline in 2008, the bloom finally came off the casino industry rose.<sup>1</sup> For nearly 30 years, the gaming industry had been touted as “recession-proof.” But, as the economic downturn intensified and the national gambling spend declined, it became clear that consumer demand for casino gambling was indeed sensitive to larger economic fluctuations. In Las Vegas, the drop-off in both visitor arrivals and gaming revenue was heralded as particularly surprising. Though the city had faced adversity as recently as 2001–2003, this was seen as an unprecedented decline that augured a grim, uncertain future.

The 2008 downturn, however, was not exceptional. In the early 1980s, the city suffered the triple-whammy of competition from Atlantic City, the 1978–1982 national economic downturn, and the MGM Grand fire, which was a both a tragedy and

major public relations nightmare for the city’s newest, largest resort. Some thought that Las Vegas had seen its best days. But after three years of decline, the tide turned, as casino operators began to draw more extensively on a demographic segment described as “low roller” and “middle market.” Described as the “Burger King Revolution,” this shift allowed Las Vegas casinos to benefit from mass marketing and a larger pool of potential visitors. Though the new guests spent, on average, less than the old, there were more of them, and with their patronage Las Vegas quickly recovered. Yet the very success of the Burger King Revolution set into motion a reaction: the perception that Las Vegas was neglecting the upper end of the market paved the way for the Mirage era of massive, luxury-oriented casino resorts, which came to dominate the Strip in the 1990s and after. As a result, in 2009, many long-time Las Vegas visitors lamented that there were few options for “traditional” budget travelers.

Existing histories of Las Vegas and gambling largely neglect the 1980s; it is a lost decade, sandwiched between the corporate advance of the 1970s and the mega-resort era of the 1990s. The appearance of the Mirage in 1989, with supernova-like luminosity, has blinded most subsequent writers to the deep changes that took place in the previous decade. Awash in a sea of schmaltz, Las Vegas only moved ahead, most say, by reinventing itself as an upscale vacation destination that just happened to have gambling. Without the new paradigm presented by the opening of the Mirage, Las Vegas may have continued its supposed decline. Eugene Moehring devotes an epilogue in the second edition of his *Las Vegas*

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<sup>1</sup> STATE OF THE STATES 2009: THE AGA SURVEY OF CASINO ENTERTAINMENT 2 (2009).

history *Resort City in the Sunbelt* to the changes in Las Vegas from 1970 to 2000. In it, he mentions some of the trends sparked by the Burger King Revolution, such as RV parks on the Strip, but does not devote any attention to the crisis that sparked the phenomenon. In fact, he located the shift towards a family-friendly marketing approach in the 1990s, declaring that, “even though casino executives realize that high rollers and upper- and middle-income gamblers will always be the town’s preferred clientele, Las Vegas in the 1990s marketed itself as a family vacation center.”<sup>2</sup> Though he acknowledges that casinos had made efforts to cater to families in earlier years, he misses the significance of the early-1980s trauma or the reaction to it.

Geoff Schumacher, in his *Sun, Sin, and Suburbia: An Essential History of Modern Las Vegas*, acknowledges the shock of the early-1980s recession, but considers it to have been erased only by the opening of the Mirage in 1989 and the building boom that followed.<sup>3</sup> Schumacher largely follows William Thompson’s analysis from a chapter of *The Maverick Spirit: Building the New Nevada*. There, Thompson describes how “massive shock waves rippled through a stunned Nevada political and economic leadership” after the crises of the 1980s, stating that “the future looked problematical at best.” Rather than searching for the institutional reactions to such a cataclysm, however, Thompson finds a simple, millennial transformation as “a single man emerged who provided the charismatic leadership that led to a stunning turnaround of Las Vegas’ fortunes.”<sup>4</sup> That man was Steve Wynn, whose Mirage hotel’s debut was certainly a watershed moment, but nevertheless one that followed—and was made possible by—the success of operators reversing a decline several years earlier.

Hal Rothman, in *Neon Metropolis: How Las Vegas Started the Twenty-First Century*, gives Wynn an equally epochal role. “The city’s lowest point came in the 1980s,” he writes, “before Wynn conceived of the Mirage. The corporations had plenty of cash, but they lacked verve and flair. They weren’t entertainers and they felt uncomfortable with the excess and eccentricities built into the fabric of gaming.”<sup>5</sup> Rothman may be right from an aesthetic point of view, but without the restructuring of the mid-1980s, it is unlikely that the gaming industry in Las Vegas would have been financially healthy enough to attract the investment capital needed to build the Mirage.

In an analysis more tightly focused on the casino industry, *Suburban Xanadu: The Casino Resort on the Las Vegas Strip and Beyond*, the current is similarly pre-occupied with explaining the transformation of the Strip in the 1990s along theme-park lines, though he acknowledges that “the idea that Las Vegas was on the verge of becoming a full-fledged family resort was a minor trope in the city’s promotional literature since the early 1950s.”<sup>6</sup> But in neglecting the changes that preceded the 1990s hyper-theming, the author’s vision is obscured, at least in part, by the same resort-building excesses that “have mesmerized architectural critics and casual tourists alike, often to the detriment of good analysis.”<sup>7</sup>

The lone historian to capture Las Vegas post-recession but pre-Mirage, John Findlay, acknowledged the importance of the early-1980s slowdown and correctly assessed the industry’s counter-stroke. In *People of Chance*, his 1986 survey of American gambling “from Jamestown to Las Vegas,” Findlay, writing in the midst of the Burger King Revolution, noted that “the financial troubles faced by several hotels and casinos” in the wake of declining visitation “suggested that Las Vegans needed to come to terms with the reality of slower growth.” Broadening the city’s appeal by adding family attractions, Findlay wrote, “indicated that the community was responding to the new conditions.”<sup>8</sup>

#### “IF THEY THINK IT’S A DEVASTATED AREA NOW . . .”

New Jersey voters approved casino gambling for Atlantic City in 1976, and the first dice rolled in 1978. In its first half-year of operation, a lone casino, Resorts International, earned more than

<sup>2</sup> EUGENE MOEHRING, *RESORT CITY IN THE SUNBELT: LAS VEGAS 1930–2000*, 271 (2000).

<sup>3</sup> GEOFF SCHUMACHER, *SUN, SIN, AND SUBURBIA: AN ESSENTIAL HISTORY OF MODERN LAS VEGAS* 74–7 (2004).

<sup>4</sup> Bill Thompson, *Steve Wynn: “I Got the Message,”* in *THE MAVERICK SPIRIT: BUILDING THE NEW NEVADA* 196 (Richard O. Davies, ed., 1999).

<sup>5</sup> HAL ROTHMAN, *NEON METROPOLIS: HOW LAS VEGAS STARTED THE TWENTY-FIRST CENTURY* 29 (2002).

<sup>6</sup> DAVID G. SCHWARTZ, *SUBURBAN XANADU: THE CASINO RESORT ON THE LAS VEGAS STRIP AND BEYOND* 202 (2003).

<sup>7</sup> *Id.*

<sup>8</sup> JOHN FINDLAY, *PEOPLE OF CHANCE: GAMBLING IN AMERICAN SOCIETY FROM JAMESTOWN TO LAS VEGAS* 204 (1986).

\$134 million in revenues.<sup>9</sup> This vindicated Resorts chairman James Crosby, who boasted before the casino even opened that it would out-earn the MGM Grand, one of Las Vegas' most profitable casinos, which made about \$100 million annually.<sup>10</sup> Despite its nearly fifty-year head start as a casino monopoly, Nevada was suddenly challenged by a powerful upstart.

Atlantic City casino revenues continued to soar despite a dire national economy. In 1979, the city's casinos won more than \$324 million, and in the following year nearly doubled their revenue to just under \$650 million. By 1982, annual revenues approached \$1.5 billion, and in 1985, with eleven casinos, the rapidly-maturing gaming industry broke the \$2 billion mark.<sup>11</sup>

Las Vegas casino revenues grew much more slowly. In 1985, Atlantic City's landmark year, the Las Vegas Strip's 38 major locations boasted under \$2.3 billion in revenues, up barely more than \$100 million from the year before. Atlantic City, with less than a third of the Strip's casinos, was within shouting distance of Las Vegas' crown as the world's top casino destination.<sup>12</sup> Atlantic City, nearly everyone agreed, was the city of the future.

The alarming success of Atlantic City sparked anxiety in Las Vegas. More than 3,000 new high-end hotel rooms had just come online in the desert resort, and it now seemed that gambling junkets and conventions from the East Coast might not be coming to the party in Las Vegas, but instead might play closer to home.<sup>13</sup> Gamblers were certainly arriving in the seaside city en masse. As early as 1983, only five years after the birth of the industry there, over 26 million visitors enjoyed the new casino experience of Atlantic City—more than double the 12.3 million that flew or drove to Las Vegas.<sup>14</sup>

Even before the first Atlantic City casinos opened, it was clear that the town would bring an unwonted competition to the casino game. "New Jersey, which envisions glamour and glitter returning to the depressed boardwalk town, is the first state to intrude on Nevada's gambling monopoly," the *Las Vegas Sun* announced in an above-the-fold story the day after New Jersey voters approved casino gambling in 1976.<sup>15</sup> Las Vegas news outlets generally gave coverage of Atlantic City a negative slant, betraying an underlying apprehension about the potential rival.

Though the industry's leaders maintained poker

faces—Gaming Control Board chairman Phillip Hannifin boasted that he couldn't see how Atlantic City would catch up with Las Vegas or appreciably cut into its East Coast customer base—there was an undercurrent of anxiety amid the show of optimism.<sup>16</sup> As Resorts' opening approached, the knives came out. *Las Vegas Sun* publisher Hank Green-spun, in an appearance on NBC's *Today* show hours before the casino opened, warned the organized crime would "fleece" the city. "If they think it's a devastated area now . . . just wait until those sharpies get through with it."<sup>17</sup> This was a curious threat from one of the strongest boosters of Las Vegas, a city with more than its share of organized crime scandals, including several that were still unfolding. The next week, a front page *Sun* article announced that gambling in Atlantic City just wasn't as fun as in Las Vegas: blackjack was saddled with cumbersome rules, like not allowing aces to be split, and craps was played at "an almost incredibly slow pace." The author even complained that counting cards was harder in Atlantic City, although Las Vegas casinos had long employed anti-card-counting measures.<sup>18</sup> While they professed to be unafraid, those with a stake in Nevada gaming protested too much to be entirely relaxed.

Even operators who gave Atlantic City long odds worried about the end result of competition. "God love 'em, let 'em have it," casino owner Michael Gaughan told the *Valley Times* after the momentous election. "They'll find out it's not as easy as it looks. I don't welcome it and I don't fear it. . . . [but] it might open a Pandora's box, lead to gaming in other places that could hurt us more."<sup>19</sup> Atlantic City, Las

<sup>9</sup> NEW JERSEY CASINO CONTROL COMMISSION ANN. REP. (1978).

<sup>10</sup> *Casinos in NJ Will Surpass LV*, LAS VEGAS SUN, May 22, 1978, at 1.

<sup>11</sup> NEW JERSEY CASINO CONTROL COMMISSION ANN. REP. (1979, 1980, 1982, 1985).

<sup>12</sup> NEVADA GAMING ABSTRACT (1985).

<sup>13</sup> Kim Foltz with David T. Friendly, *The Bad Luck in Las Vegas*, NEWSWEEK, Nov. 14, 1983, at 94.

<sup>14</sup> *Id.*; <[http://gaming.unlv.edu/abstract/ac\\_annual.html](http://gaming.unlv.edu/abstract/ac_annual.html)>.

<sup>15</sup> *Jersey Voters Okay Casino Gambling*, LAS VEGAS SUN, Nov. 3, 1976, at 1.

<sup>16</sup> Penny Levin, *LV's Unruffled by NJ Casinos*, LAS VEGAS SUN, Nov. 4, 1976, at 1.

<sup>17</sup> Wade Cavanaugh, *Mob Will Fleece Jersey: Publisher*, LAS VEGAS SUN, May 27, 1978, at 1.

<sup>18</sup> *Las Vegas' Blackjack Rules Easier on Bettor than NJ's*, LAS VEGAS SUN, May 31, 1978, at 1.

<sup>19</sup> A.D. Hopkins, *Vegans Don't Fear New Jersey*, VALLEY TIMES, Nov. 4, 1978, at A2.

Vegans agreed, might yet prove a loser; but the idea of competition would probably prove a winner in the long run. That was not good news for a state that had built its reputation around a national monopoly on legal casino gaming, and it augured poorly for Las Vegas' future prospects.

### “NOT AN ISLAND UNTO ITSELF”

Atlantic City was only one of the bugbears threatening Las Vegas. As formidable foe as the eastern resort might be, Las Vegas faced an even deadlier

enemy within: its own susceptibility to a weakening national economy. Though the 1970s were not a period of national economic growth, early in the decade Las Vegas gaming revenues seemed to defy the generally dismal economic outlook, posting double-digit gains from 1972 to 1975 (Table 1). When adjusted for inflation, these increases are not as impressive, particularly in 1974–1975, but they still represent real gains in revenue during times of widespread economic hardship and uncertainty. By the Carter years, however, the situation had changed. The economic crunch then unfolding, during which the nation charted its decline via the misery index,

TABLE 1. CLARK COUNTY ANNUAL GAMING REVENUES VS. AVERAGE ANNUAL INFLATION, 1970–2009

<i>Year</i>	<i>Gaming Revenues</i>	<i>% Increase</i>	<i>Inflation</i>	<i>Adj. % Increase</i>
1970	\$369,286,977	—	5.8%	—
1971	\$399,410,972	8.1%	4.3%	3.8%
1972	\$476,126,720	19.2%	3.3%	15.9%
1973	\$588,221,779	23.5%	6.2%	17.3%
1974	\$684,714,502	16.4%	11.0%	5.4%
1975	\$770,336,695	12.5%	9.2%	3.3%
1976	\$845,975,652	9.8%	5.8%	4.0%
1977	\$1,015,463,342	20.0%	6.5%	13.5%
1978	\$1,236,235,456	21.7%	7.6%	14.1%
1979	\$1,423,620,102	15.2%	11.6%	3.6%
1980	\$1,617,194,799	13.6%	13.6%	0.0%
1981	\$1,676,148,606	3.6%	10.4%	−6.8%
1982	\$1,751,421,394	4.5%	6.2%	−1.7%
1983	\$1,887,451,717	7.8%	3.2%	4.6%
1984	\$2,008,155,460	6.4%	4.3%	2.1%
1985	\$2,256,762,736	12.4%	3.6%	8.8%
1986	\$2,431,237,168	7.7%	1.9%	5.8%
1987	\$2,789,336,000	14.7%	3.7%	11.0%
1988	\$3,136,901,000	12.5%	4.1%	8.4%
1989	\$3,430,851,000	9.4%	4.8%	4.6%
1990	\$4,104,001,000	19.6%	5.4%	14.2%
1991	\$4,152,407,000	1.2%	4.3%	−3.1%
1992	\$4,381,710,000	5.5%	3.0%	2.5%
1993	\$4,727,424,000	7.9%	3.0%	4.9%
1994	\$5,430,651,000	14.9%	2.6%	12.3%
1995	\$5,717,567,000	5.3%	2.8%	2.5%
1996	\$5,783,735,000	1.2%	2.9%	−1.7%
1997	\$6,152,415,000	6.4%	2.3%	4.1%
1998	\$6,346,985,000	3.2%	1.6%	1.6%
1999	\$7,210,700,000	13.6%	2.2%	11.4%
2000	\$7,671,252,000	6.4%	3.4%	3.0%
2001	\$7,636,547,000	−0.5%	2.8%	−3.3%
2002	\$7,630,562,000	−.01%	1.6%	−1.7%
2003	\$7,830,856,000	2.6%	2.3%	0.3%
2004	\$8,711,426,000	11.2%	2.7%	8.5%
2005	\$9,717,322,000	11.6%	3.4%	8.2%
2006	\$10,630,387,000	9.4%	3.2%	6.2%
2007	\$10,868,464,000	2.2%	2.9%	−0.7%
2008	\$9,796,970,000	−9.9%	3.9%	−13.8%
2009	\$8,833,902,000	−9.8%	−0.3	−9.5%

Sources: Las Vegas Visitors and Convention Authority, *Historical Las Vegas Visitor Statistics*, LVCVA.com, 2008. Las Vegas Visitors and Convention Authority, 2009 Year-End Summary; <[http://www.inflationdata.com/inflation/Inflation\\_Rate/HistoricalInflation.aspx](http://www.inflationdata.com/inflation/Inflation_Rate/HistoricalInflation.aspx)>.

a combination of inflation and unemployment, reached its peak in 1980, though the adverse effects would sap Las Vegas' gaming economy for years.

The affluence of the early 1970s, however, birthed a truism that is disproven anew in every generation only to rise again: that Las Vegas itself and casino gaming more broadly are "recession-proof." This assertion has more lives than a cat, which might be amusing were it not taken seriously enough to impact public policy.

In 2008, several media outlets reported with great surprise that Las Vegas was not recession-proof. "For decades," the *New York Times* reported in May of that year, "this gambling center seemed nearly immune to the economic swings of the rest of the country. But these days, the city built on excess is seeing a troubling sign: moderation. Gambling revenue and hotel occupancy are down. Resorts are slashing room rates and offering coupons or free nights."<sup>20</sup> This article cited several recent trends, including the growing reliance on non-gaming revenues and smaller-scale spenders more sensitive to fluctuations in their discretionary income. "Las Vegas is now as vulnerable as other communities," J. Terrance Lanni, chairman of the board of casino giant MGM Mirage declared.<sup>21</sup>

This was received as inspired, new wisdom, but it had been heard before. Less than seven years earlier, a reporter with the *Las Vegas Sun* had made a similar discovery. "During Las Vegas' boom of the 1990s, the Strip hotel-casino industry was often called recession-proof," David Strow wrote in a Sept. 20, 2001 article on a wave of layoffs that followed the contraction of tourism in the wake of the Sept. 11 terrorist attacks. "No one is saying that now."<sup>22</sup>

Yet even this was nothing new. During the 1990–1992 recession, experts expressed a similar sense of novelty that Nevada gaming was not immune to larger economic slowdowns. Noting that the state had had a "long history of virtually unbroken year-to-year increases," economist Bill Eadington nevertheless found that, "there's been a very noticeable shift in attitude, towards pessimism," among casino operators. Mirage Resorts spokesman Alan Feldman concurred: "It is pretty clear the recession is finally catching up with Las Vegas."<sup>23</sup>

This was treated, again, as big news, but economist Thomas Cargill had debunked the idea of Las Vegas as a recession-proof haven as early as 1979. In a paper for the University of Nevada Reno's Bureau of Business and Economic Research, he argued

that Nevada was not "an island unto itself," but was profoundly influenced by regional, national, and global economic events.<sup>24</sup> Since a significant number of Nevada tourists came from California, drops in employment, income, and economic well-being in that state naturally would adversely impact Nevada.

Revenue numbers from Clark County's gaming industry bear out Cargill's assertion. In 1978, the area's gross gaming win rose more than 21%, though adjusting for inflation gives the less impressive but still substantial increase of about 14%. The following year, runaway inflation ate up nearly all of the revenue gain—the effective increase was only 3.6%, close to the decade's previous low, 1975's 3.3% (Table 1).<sup>25</sup>

In 1980, the inflation rate almost exactly matched the increase in gaming revenue so that the gaming industry essentially was stagnant. The next year, accounting again for inflation, Clark County gaming revenues declined by almost 7%, an unprecedented drop. Rising fuel costs and gas shortages had severely cut into the drive-in market, and the dismal national economy and a dampening market for air travel similarly restricted traffic at McCarran International Airport—from a high of about 10.6 million passengers in 1979, visitor totals dropped slightly in 1980 and more dramatically in the next two years. In 1981 and 1982, less than 9.5 million passengers used McCarran airport.<sup>26</sup>

Gaming revenues in the early 1980s reflected this malaise. Following the nearly 7% drop (adjusted for inflation) in 1981, gaming win for Clark County shrank nearly 2% in 1982. In that year, hotel occupancy rates dropped to 76%, the lowest rate since 1971, and the first dip into the seventies since that year.<sup>27</sup>

<sup>20</sup> Clifford Krauss, *Not Recession-Proof After All*, NEW YORK TIMES, May 6, 2008, at C1.

<sup>21</sup> *Id.*

<sup>22</sup> David Strow, *Future of Strip is Unclear*, LAS VEGAS SUN, Sept. 20, 2001.

<sup>23</sup> Robert Reinhold, *Long Viewed as Safe From Slumps, Las Vegas Finally Feels the Recession*, NEW YORK TIMES, Jan. 2, 1992, at A14.

<sup>24</sup> Thomas F. Cargill, *Is the Nevada Economy Recession Proof?* Paper No. 79-4, 2 (Reno: Bureau of Business and Economic Research, 1979).

<sup>25</sup> Las Vegas Visitors and Convention Authority, *Historical Las Vegas Visitor Statistics*, LVCVA.COM.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

As stark a picture as these numbers paint, they may actually minimize the nature of the revenue slowdown. Casino managers had routinely skimmed (diverted to hidden interests) an incalculable amount of money since the Las Vegas casino industry's inception. The official casino take was therefore under-reported, so the revenue numbers were lower than they should have been from the 1950s forward. During the 1970s and early 1980s, as the last vestiges of underworld influence disappeared, the reported casino win came gradually into line with the real casino win. Clark County gaming revenues rose by more than 200% in the years 1970 to 1978, while the visitor volume expanded by only 65%; even accounting for inflation, that was asking gamblers to spend far more, per capita, than they had previously. It's possible, then, that not all of the increase of the 1970s represented a legitimate rise in business but rather a harmonization of the actual and reported revenues.<sup>28</sup>

A decline in the overall number of visitors to Las Vegas supports the contention that Las Vegas faced a serious crisis in the early 1980s. In 1970, nearly 6.8 million visitors a year came to Las Vegas and its environs. Eight years later, the total stood at 11.1 million. But from 1978 to 1980 this remarkable growth slowed—only 11.9 million came to Las Vegas in 1980, a growth of less than 800,000 in three years. Over the next two years, visitor volume declined, slipping to 11.6 million in 1982.<sup>29</sup>

Events far from Nevada conspired to rob Las Vegas of several of its most valued customers. Start-

ing in the 1970s, several casinos had marketed to Mexican high rollers. In 1982, when the peso was dramatically devalued, most of these customers could no longer afford trips to Las Vegas. Worse yet, they were unable to pay off their gambling debts with their devalued currency, leaving Las Vegas casinos with millions of dollars in uncollectable bad debts: from 1980 to 1983, the percentage of casino revenues written off as bad debts on the Strip more than doubled, rising from 4.4% to 9.3% (Table 2).<sup>30</sup> Similar difficulties in Hong Kong and the Middle East kept big spenders from those locales home as well. With Atlantic City siphoning off a significant portion of the East Coast market and their established inroads abroad eroded, Las Vegas casino operators were justly pessimistic.<sup>31</sup>

### “LIFE SEEMED TO HAVE SWITCHED INTO NEUTRAL”

Yet Las Vegas faced more than just increased competition and a dismal national economy. It also confronted a crisis of confidence and a shattered public image due to a massive, entirely preventable, tragedy.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> Iver Peterson, *While Atlantic City Rolls On, Las Vegas Comes Up Losing*, NEW YORK TIMES, Oct. 21, 1984, at E2.

<sup>31</sup> *Vegas revival wears a blue collar*, CHICAGO TRIBUNE, Dec. 5, 1985.

TABLE 2. REVENUE FROM SLOTS VS. TABLES, LAS VEGAS STRIP, FISCAL 1980–1989

<i>Year</i>	<i>Pit</i>	<i>Slots</i>	<i>Other</i>	<i>Bad Debts</i>
1980	65.4%	32.3%	2.3%	4.4%
1981	64.3%	32.7%	3.0%	5.1%
1982	63.2%	34.0%	5.0%	8.2%
1983	57.0%	40.0%	3.0%	9.3%
1984	54.9%	41.5%	3.6%	3.5%
1985	54.6%	41.3%	4.1%	3.1%
1986	52.2%	43.0%	4.7%	2.6%
1987	50.5%	44.8%	4.7%	2.4%
1988	49.4%	45.5%	5.1%	2.4%
1989	49.3%	45.7%	5.0%	2.6%

*Notes:* All casinos with gaming revenue of \$1,000,000 and over.

“Pit” income includes keno and bingo.

“Other” includes race book, sports pool, poker, and pan.

“Bad Debts” is the bad debt expense incurred by the casino department, represented as a percentage of total gaming revenue.

*Source:* NEVADA GAMING ABSTRACTS, 1980–1989.

On Nov. 21, 1980, a deadly fire ripped through the MGM Grand Hotel Casino, then Las Vegas' newest and most modern resort. Eighty-seven people died, and video footage of black smoke billowing from the casino entrance—and trapped guests in the hotel towers frantic for rescue—aired on newscasts around the nation. The fire, which was made far worse by the casino's failure to install sprinklers, was a public relations nightmare for Las Vegas. If guests couldn't be safe in this ultra-modern palace, could they feel comfortable in any Las Vegas hotel? Las Vegas was a tourist town built on a certain insouciance and escape from care, and the specter of death—the ultimate reality—understandably reduced its appeal for revelers.

There was more bad news to come. Four months later, a fire at the Las Vegas Hilton—which killed eight people, injured two hundred, and left blackened scorch marks along the tower's façade—compounded the fiasco.<sup>32</sup> Retro-fitting the massive casinos of the Strip to mitigate such blazes would be costly, time-consuming, and would make far less impression on the public than the tragic fires. Even if the hotels of Las Vegas were to have perfect safety records for the next five years, millions of potential visitors would not forget the images of fire, death, and destruction, and many of them would decide to vacation elsewhere.

In the early 1980s, then, Las Vegas seemed down on its luck. The MGM Grand fire symbolized a larger loss of confidence in the city's future. With decreasing revenues, increasing competition, and a hotel inventory now viewed as unsafe, the smart money was against the house. In a 1982 *Boston Globe Magazine* article, Connie Page summed up the mood in Las Vegas. In contrast to previous trips to the Strip, when guests freed themselves from their usual restraints, “this year's visit . . . was different. Life seemed to have switched into neutral. Snatches of conversation with some of the army of casino workers . . . soon made the difference clear: local unemployment was higher than ever before, business was off, the prospects for recovery uncertain. The people of Las Vegas, ordinarily carefree, were worried about the future. In short, Las Vegas was in the throes of the Great Recession of 1982.”<sup>33</sup>

Behind the tables, the gloom was even more intense. A “recession impact survey” conducted by accounting firm Laventhol and Horwath in 1980 revealed that most respondents felt that the recession had hurt their business. The high-end properties on

the Strip felt the pinch far more acutely than the value-oriented downtown hotels because, as one respondent put it, “there are a lot more ‘ordinary people’ in this world than high rollers.” Though most Nevada respondents insisted that the gaming industry still had long-term growth potential, few denied that the state was in a bad position. By contrast, Atlantic City's managers reported that they did not feel any decline in business at all.<sup>34</sup>

But the city's casino operators did not give up or passively wait for business conditions to improve. Rather, they reconsidered their operations and devised a new formula for attracting visitors that they believed would help them adapt to the new challenges of the 1980s.

### “A DIFFERENT KIND OF TRADE”

The 1980 Laventhol and Horvath survey revealed one of the most troubling lessons of the on-going downturn: that the luxury hotels of the Strip were more sensitive to economic fluctuations than the low-roller gambling halls of downtown. The smart money had always said that high rollers were the bread and butter of any first-class casino resort. Now, however, they were staying away.

The recession and the growth of Atlantic City sparked what was called the “Burger King Revolution:” an embrace of middle-class vacationers, bus tourists, and families in campers on the Las Vegas Strip.<sup>35</sup> This was the only way, a variety of industry leaders believed, that Las Vegas could remain viable and continue to grow. The exclusive approach might have worked in the past, but the city had crossed a threshold and now had to market itself to a broader audience. Thus, Rossi Ralenkotter, director of tourism and research for the Las Vegas Visitors and Convention Authority, said in 1984 that “Now we are into mass marketing. When you've got 53,000 hotel rooms to fill, you'd better appeal to everyone.”<sup>36</sup>

<sup>32</sup> Jane Anne Morrison, *In Depth: MGM Grand Hotel Fire: 25 Years Later: Disaster Didn't Have to Be*, LAS VEGAS REVIEW-JOURNAL, Nov. 20, 2005.

<sup>33</sup> Connie Paige, *Can Las Vegas Beat the Odds?* BOSTON GLOBE MAGAZINE, Jul. 25, 1982, at 8.

<sup>34</sup> LAVENTHOL AND HORWATH, NEVADA HOTEL/CASINO INDUSTRY RECESSION IMPACT SURVEY 3 (Summer 1980).

<sup>35</sup> Al Martinez, *The New Las Vegas: A Bet on Burgers*, LOS ANGELES TIMES, Mar. 31, 1984.

<sup>36</sup> *Id.*

The Revolution transformed Strip casinos, but not entirely beyond recognition. Most would keep their baccarat pits tucked off to the back, but they wouldn't be adding many more suites. Instead, slot machines, fast food restaurants, and RV parks would attract customers and discount coupons would become the coin of the realm. An \$800 million expansion of McCarran airport would help speed the arrival of the masses, and a \$10 million advertising campaign would let them know that Las Vegas was welcoming new customers.<sup>37</sup>

The "Burger King Revolution" was not just a turn of phrase: this epochal upheaval centered on an actual Burger King franchise serving Whoppers and Croissan'Whiches on the Las Vegas Strip. Attorney and certified public accountant Jeffrey Silver, who had earned a reputation as "the Red Adair of Las Vegas" by putting out a proverbial fire and reversing the fortunes of the oft-troubled Landmark casino hotel, brought fast food to the Riviera in 1984 as part of his strategy to revive that troubled Strip landmark.<sup>38</sup> The Riviera had spent decades chasing high rollers only to end up in Chapter 11 bankruptcy while across the street Circus Circus chased low-action players and thrived. Once put in charge of the Riviera, Silver immediately began building an expansion that would house 500 new slot machines, a video game arcade, and a Burger King—the first fast-food franchise in a Strip casino.<sup>39</sup>

The move to the masses was not without controversy. Several Riviera executives opposed Silver's Burger King idea, arguing that it would cheapen the hotel. But Silver argued, quite logically, that fast food would be his casino's salvation. Directly across the street, a McDonald's did "land office business" even though it was in the shadow of the Circus Circus marquee, which advertised a \$2.49 lunch buffet. McDonald's was inexpensive, but couldn't come close to meeting the price/volume quotient of the Circus Circus buffet. Silver concluded that the McDonald's thrived because a significant portion of the Strip's clientele was either uneasy about the quality of food in the casinos or simply liked the security of a familiar setting on their vacation.<sup>40</sup> Even those who opposed the Burger King saw Silver's logic, and the project went forward.

Outside the casino, the opposition was even stronger. The Clark County Planning Commission refused to approve his proposal to erect a Burger King sign outside the hotel, deeming its addition a detriment to the character of the Strip. But, Silver

insisted, it was a matter of changing with the times. Only by pursuing a previously-neglected market, he argued, could Las Vegas meet its latest challenger:

This new appeal to the middle class won't hurt Las Vegas at all. This is a fast-food generation, and someday you're liable to see a Burger King at Caesars Palace, too. Atlantic City has staked out a territory. It's a gambling town. But if you want to gamble and vacation, you come to Las Vegas. No one vacations in New Jersey.<sup>41</sup>

Ultimately, Silver won. The Burger King opened a few months later, and was for a long time the most successful franchise in the chain. Other casino operators, who had initially opposed Silver, began sniffing out franchise opportunities of their own.<sup>42</sup>

The Riviera's new eatery did more than prosper; it drove customers to the hotel and gave the casino a safe, friendly image. "We've changed the focus of the hotel," Riviera president Arthur Waltzman proclaimed triumphantly in late 1985. "We're targeting Middle America."<sup>43</sup> Silver's vision of a Burger King Revolution on the Strip came to pass: fast-food restaurants now appear inside many Strip hotels, and the Riviera's food court came to include a variety of options, from Pizza Hut to Quizno's subs, including the original Burger King.<sup>44</sup>

Visitors to town in 1984 encountered several signs of the new order. Checking in for flights, they received for the first time booklets filled with coupons known as funbooks.<sup>45</sup> Invented by downtown Las Vegas pioneer Jackie Gaughan, these coupons offered tourists a multitude of small values: a half-price dinner, a free pull on a slot machine, a matching bet on a blackjack table. Gaughan had been using them to lure patrons to his no-frills

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

<sup>40</sup> Personal communication, Jeffery Silver, Mar. 10, 2009 (on file with author).

<sup>41</sup> Martinez, *supra* note 35.

<sup>42</sup> Personal communication, Jeffery Silver, Mar. 10, 2009 (on file with author).

<sup>43</sup> Nicholas D. Kristof, *Strategy Part of Comeback*, NEW YORK TIMES, Nov. 28, 1985, at D1.

<sup>44</sup> Cited at <<http://www.iatevegas.com/restaurants/rest2641.html>>.

<sup>45</sup> Iver Peterson, *While Atlantic City Rolls On, Las Vegas Comes Up Losing*, NEW YORK TIMES, Oct. 21, 1984, at E2.

downtown gambling halls for years, but now they were ubiquitous on the formerly proud Strip.<sup>46</sup> Passed out with room keys, at restaurants, and with ticket purchases, they tempted the thrifty into casinos that, five years earlier, would have given them the cold shoulder.<sup>47</sup>

Silver’s Burger King was revolutionary, but he was right to seize the moment and unabashedly take a fast-food approach. Already, outside observers noticed a change in the tenor of the desert resort. “Vegas has changed,” the *New York Times* concluded in 1984. “It’s looking for new customers as it tries to adjust to new competition, a different kind of trade, and new technologies.”<sup>48</sup>

This included re-evaluating the city’s target customers. In 1985, Mint Casino Hotel general manager Marv Leavitt admitted that previously the “high roller” betting big on table games was the “premier gambler” of Las Vegas. But that was changing. “Now we’ve recognized that the dollar slot player can be worth more than a \$5 table player.”<sup>49</sup> Quarter-slot players also proved a valuable market segment; quarter-slot machine inventory on the Strip more than doubled from 1983 to 1989, rising from 9, 131 to 20,499. By 1987, more than half of the slot machines on the Strip were quarter machines (Table 3).<sup>50</sup> The humble quarter slot was suddenly driving the growth of the Las Vegas Strip.

Leavitt’s championing of the slot player was emblematic of the Burger King Revolution’s impact on the casino floor. The new focus on low rollers speeded the dominance of slot machines. Jay Sarno, with Circus Circus, was a pioneer in promoting the slot machine as a major part of the casino revenue picture. He consciously designed this casino, which opened in 1968, to feature slot machines as an important part of the casino floor. Slots-only parlors were already common, but this was the first attempt by a major Strip property to court the slot cus-

tomers.<sup>51</sup> After assuming management of the casino in 1974, Bill Bennett and Bill Pennington abandoned Sarno’s attempts to attract high rollers and eliminated many of his ancillary and competing attractions, honing a business model that centered on middle-market, slots-playing visitors. They soon turned profits that belied the modest bankrolls of their customers, drawing more than two-thirds of their business from repeat customers, who cumulatively gambled a great deal more than occasional high rollers.<sup>52</sup>

Nevertheless, other operators were slow to abandon their traditional reliance on table games. In 1971, Las Vegas Strip casinos earned less than 19% of their total gaming revenues from slot machines.<sup>53</sup> Three years later, the total fell slightly to just over 18%.<sup>54</sup> In 1977, however, the slot percentage began to climb; from 23% in that year, it rose to 30% in 1979.<sup>55</sup> By 1983, Strip casinos were earning 40% of their gaming revenues from slots—more than doubling the devices’ share in less than a decade (Table 2).<sup>56</sup>

Yet more was to come. From 1983 to 1989, inclusive, the Strip’s installed slot base grew from 22,354 to 36,509, a 63% increase. In the same period, the installed table base grew from 1,287 to

<sup>46</sup> Bill Moody with A.D. Hopkins, *Jackie Gaughan: Keeping the Faith on Fremont Street*, in *THE PLAYERS: THE MEN WHO MADE LAS VEGAS* 130 (Jack Sheehan, ed., 1997).

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> Kristof, *supra* note 43.

<sup>50</sup> See Table 3; NEVADA GAMING ABSTRACTS.

<sup>51</sup> Oral History interview with Jay C. Sarno, May 25, 2008, 3.

<sup>52</sup> CIRCUS CIRCUS ENTERPRISES ANNUAL REPORT FOR THE YEAR ENDED JAN. 31, 1984.

<sup>53</sup> 1971 NEVADA GAMING ABSTRACT.

<sup>54</sup> 1974 NEVADA GAMING ABSTRACT.

<sup>55</sup> 977, 1979 NEVADA GAMING ABSTRACTS.

<sup>56</sup> 1983 NEVADA GAMING ALMANAC.

TABLE 3. LAS VEGAS STRIP SLOT MIX, 1983–1989

Year	5¢	10¢	25¢	50¢	Dollar	Other	Total Slots
1983	6,920	391	9,131	194	5,052	666	22,354
1984	6,416	258	10,947	181	5,091	693	23,586
1985	6,505	258	12,365	200	5,463	834	25,625
1986	6,321	314	13,213	260	5,661	833	26,602
1987	5,965	342	15,515	290	6,436	853	29,411
1988	5,560	271	15,814	317	6,825	526	29,313
1989	6,111	219	20,499	392	8,541	747	36,509

Note: Casinos with annual gross gaming revenue of more than \$1,000,000 in previous year.

Source: Nevada State Gaming Control Board Gaming Revenue Analysis, for final month or quarter in calendar year.

1,575—a 22% increase.<sup>57</sup> Assuming a multiplier of 6 to find the total number of gaming positions per table, in 1983 table games represented nearly 26% of the total gaming positions on the Las Vegas Strip. By 1989, they had less than 21% of the total (Tables 3, 4).<sup>58</sup>

In turning to slots, the Strip began to converge with downtown Las Vegas, which had weathered the recession comparatively better than the Strip. In 1980, Strip casinos derived more than 65% of their income from the table games of the pit, chiefly blackjack, craps, roulette, and baccarat. That percentage steadily fell, until in 1988, for the first time, Strip casinos got less than half of their gross revenue from table games (Tables 2, 5).<sup>59</sup> Even in high-end casinos, slot machines were becoming more important. In 1975, a blackjack or craps table was likely a casino's most important piece of gambling equipment. Ten years later, it was a quarter slot machine.

#### “GAMING IS GROWING AGAIN”

Just as Circus Circus had been ahead of the curve in seizing on the primacy of slot machines, it was also one of the first casinos to thrive in the “new Las Vegas” of the 1980s. The casino decided to stop extending credit to players, forgoing \$10,000-a-trip high rollers entirely for families whose total annual income was less than \$45,000.<sup>60</sup> The casino had no baccarat tables, a clear signal that big spenders were not welcome.<sup>61</sup> By charging between \$16 and \$36 for a room night, the casino's managers ensured that it would always have plenty of supplicants at the quarter slots. Its buffet was emblematic of the Circus Circus approach: with an all-you-can-eat break-

fast at \$1.99, lunch at \$2.49, and dinner at a mind-boggling \$3.49, the eatery was a bona fide loss leader. Yet, as then-analyst (and today CEO of Pinnacle Gaming) Dan Lee explained to *USA Today*, the company was happy to lose money on the meals because, “first you have to go though the casino to get to the buffet. I defy anyone to get there without spending at least that much on a slot machine.”<sup>62</sup>

Loss leaders had been a staple of the Las Vegas Strip since the 1940s, yet Circus Circus was applying them to the grind business with brutal efficiency—and prospering. The managing partners opened a Reno casino in 1978, bought the next-door slot mart Slots-A-Fun in 1979, and acquired the Silver City, a small casino across the Strip from Circus Circus, in 1981.<sup>63</sup> These properties helped Circus Circus Enterprises become the Cinderella story of early 1980s Las Vegas. While other casinos were reeling from the recession in 1980, Circus Circus turned an \$7.9 million profit, a slight drop-off from its 1979 haul of \$8.1 million, but stellar compared to others. After that, the sky was the limit: net income edged up to \$9.1 million in 1981, then jumped to \$15.8 million in 1982, \$18.3 million in 1983, and \$23 million in 1984—a 23% average annual in-

<sup>57</sup> See Tables 2, 3; NEVADA STATE GAMING CONTROL BOARD GAMING REVENUE ANALYSIS, 1983–1989.

<sup>58</sup> See Tables 2, 3; NEVADA STATE GAMING CONTROL BOARD GAMING REVENUE ANALYSIS, 1983–1989.

<sup>59</sup> See Tables 4, 5; NEVADA STATE GAMING CONTROL BOARD GAMING REVENUE ANALYSIS, 1983–1989.

<sup>60</sup> Kathy Rebello, *City of Glitter Rolls Dice for Middle Class*, *USA TODAY*, Jan. 15, 1986, at 1.

<sup>61</sup> CIRCUS CIRCUS ENTERPRISES ANNUAL REPORT FOR THE YEAR ENDED JAN. 31, 1989.

<sup>62</sup> Rebello, *supra* note 60.

<sup>63</sup> CIRCUS CIRCUS ENTERPRISES ANNUAL REPORT FOR THE YEAR ENDED JAN. 31, 1984.

TABLE 4. LAS VEGAS STRIP TABLE GAME MIX, 1983–1989

Year	BJ	Craps	Roulette	Baccarat	Total Tables	Total Positions
1983	988	140	83	41	1,287	7,722
1984	980	140	83	34	1,275	7,650
1985	1,019	142	88	32	1,316	7,896
1986	1,067	142	89	32	1,370	8,220
1987	1,072	152	97	42	1,418	8,508
1988	978	145	94	50	1,345	8,070
1989	1,139	161	112	43	1,575	9,450

Notes: Casinos with annual gross gaming revenue of more than \$1,000,000 in previous year.

Wheel of fortune, pai gow, sic bo, and other table games not listed individually but are included in “Total Tables.” Keno, bingo, race and sports book are not included.

Source: Nevada State Gaming Control Board Gaming Revenue Analysis, for final month or quarter in calendar year.

TABLE 5. REVENUE FROM SLOTS VS. TABLES,  
DOWNTOWN LAS VEGAS, FISCAL 1980–1989

<i>Year</i>	<i>Pit</i>	<i>Slots</i>	<i>Other</i>	<i>Bad Debts</i>
1980	44.4%	52.2	3.4*	0.5%
1981	42.3%	53.0%	4.7%	0.5%
1982	40.0%	55.0%	5.0%	0.4%
1983	37.6%	57.6%	4.8%	0.6%
1984	37.9%	57.2%	4.9%	1.1%
1985	41.7%	54.0%	4.3%	0.8%
1986	38.1%	57.7%	4.2%	1.1%
1987	36.3%	58.9%	4.9%	0.5%
1988	35.1%	60.6%	4.3%	0.4%
1989	36.1%	60.0%	3.9%	0.6%

\* In 1983 only, keno was included in the “Other” category.”

Notes: All casinos with gaming revenue of \$1,000,000 and over.

“Pit” income includes keno and bingo.

“Other” includes race book, sports pool, poker, and pan.

“Bad Debts” is the bad debt expense incurred by the casino department, represented as a percentage of total gaming revenue.

Source: NEVADA GAMING ABSTRACTS

crease over five years in a period when most casinos were struggling to remain solvent.<sup>64</sup> For the rest of the decade, net income grew at even more impressive levels; 1989 saw profits of \$81.2 million, a five-year compound growth rate of nearly 29%.<sup>65</sup>

It wasn't a question of gambling, as it was one of mass entertainment. Circus Circus touted itself as an “entertainment merchant” whose model was the mega-market or box store, an enormous retailer that sold a variety of goods at bargain prices.<sup>66</sup> “Basically, we are mass merchandisers,” Circus Circus Enterprises chairman Bill Bennett declared in 1985.<sup>67</sup> In contemplating a new development on the south Strip that ultimately became the Excalibur, the company in 1988 saw Circus Circus, only larger: again, it would cater to “middle-income guests and players,” and the new casino therefore would have policies that resembled those at the company's existing properties “with their traditional emphasis on extraordinary value for the price.”<sup>68</sup> The world's most profitable casino company believed that it had found the winning formula, and it wasn't going to tamper with it.

Circus Circus prospered because, with its circus acrobats and bargain prices, it was uniquely situated to exploit a market segment that other casinos were only now discovering: families. Driving in, eating lunch at Burger King, and spending the day at the newly-opened Wet N' Wild water park, between the Sahara and Riviera casinos, couples with kids found themselves pursued in Las Vegas as never before.<sup>69</sup> Five years before, they had only been welcome un-

der the pink and white big top of Circus Circus; now they were courted everywhere. “For the first time,” a 1985 *USA Today* article noted, “casinos along the Strip are catering to Middle America, a giant class of low rollers known as ‘grind players’ who bring their families, stay a few days and spend \$500—at most.”<sup>70</sup> By way of explanation, Glenn Schaeffer, chief financial officer of Circus Circus, enunciated what would become the city's mantra for the next decade: “Yes, Middle America is the largest and most dependable segment of the gaming market. And that market of high-rollers . . . is very finite. There just aren't a lot of people who can afford to lose a lot of money.”<sup>71</sup>

Refocusing on Middle America proved to be the road to Eldorado for Las Vegas casino operators. Revenues began rising again in 1983 and maintained their upward trajectory for the rest of the decade. In 1984, Clark County broke the \$2 billion gaming revenue threshold, and averaged a nearly 8% gain in revenues, adjusted for inflation, from 1985 to 1990 (Table 1). When not adjusting for inflation, the num-

<sup>64</sup> *Id.*

<sup>65</sup> CIRCUS CIRCUS ENTERPRISES ANNUAL REPORT FOR THE YEAR ENDED JAN. 31, 1989.

<sup>66</sup> *Id.*

<sup>67</sup> Kristof, *supra* note 43.

<sup>68</sup> CIRCUS CIRCUS ENTERPRISES ANNUAL REPORT FOR THE YEAR ENDED JAN. 31, 1988.

<sup>69</sup> Rebello, *supra* note 60.

<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

bers are even more impressive: those five years had an average revenue gain of more than 11%. Both downtown and on the Strip, executives became confident that, having found a new, dependable market, the salad days of the early and mid-1970s were back. Double-digit revenue increases became common, as they had been until 1980 (Table 1).

On the Strip, revenue gains matched those for Clark County, which was boosted by the continuing success of downtown and the growth of Laughlin, a bargain Vegas on the Colorado River. In 1985, Strip casinos earned a total of \$2.3 billion, about \$1.3 billion of that from gaming and the rest from rooms, food, and entertainment. By 1989, that figure had increased to over \$3.4 billion, with gaming alone accounting for more than \$2 billion.<sup>72</sup> By broadening its base, the Strip had effectively increased its total revenue stream, with non-gaming increases keeping pace with the rising gaming win.

In the mid-1980s, Strip operators did more than just take advantage of the recovering national economy. They strategically repositioned themselves to exploit a mass market of lower-value but higher volume players, recognizing that the international high-rolling crowd of the 1970s wouldn't be returning. Those who filled the Strip's coffers in 1984 and beyond weren't, for the most part, foreign visitors playing baccarat; they were middle-class Americans playing slot machines. In this regard, the Strip specifically borrowed from not only downtown Las Vegas but even its Eastern nemesis Atlantic City: the latter matured into a destination primarily for day-tripping quarter slots players by the mid-1980s, and the Strip, though it required a longer stay by necessity, had no problem chasing a similar caliber of player.

The Burger King Revolution was, then, a resounding success. The pessimism of just a few years earlier dissipated like mist in the desert sun, and casino executives again began thinking about expansion. As early as 1985, *USA Today* noted an ironic reversal: now Atlantic City's growth was slowing, while Las Vegas' was speeding up.<sup>73</sup> Glenn Schaeffer could proclaim that, "Nevada and Las Vegas are in the midst of an up cycle in casino revenues. Gaming is growing again."<sup>74</sup>

Casino revenues skyrocketed, in part, because the casinos that embraced the new mass-marketing strategy added thousands of rooms, letting them welcome more players with smaller bankrolls. Circus Circus added the Skyrise tower, a 1,200-room

high-rise addition, in 1986.<sup>75</sup> The Tropicana added an 806-room tower as part of a \$55 million facelift in the same year. Ramada Inns gaming group president Paul Rubeli, who oversaw the expansion, explicitly said that he was turning to the "middle-class, the resort-oriented customer," and was happy to see the property's high roller business drop from 50% of its total revenue to 30%. The low end players, he explained, had a profit margin of only ten cents on the dollar, and high rollers were too risky and their market too competitive. "But right in the middle," he argued, "is that husband and wife who spend \$500. With them, we'll make 70 cents on the dollar."<sup>76</sup> Several other casinos added room expansions, as the city's hotel room inventory rose from 50,270 in 1982 to 61,394 in 1988.<sup>77</sup> This was the total of three 1990s-style mega-resorts, and nearly all of the rooms were geared away from high rollers and towards middle-market, bargain-hunting customers.

Casinos also built non-hotel additions that catered even more directly to a modest-spending clientele. Circus Circus added Circusland, a 421-space RV park to its offerings in 1979. The Hacienda and Stardust later built similar, though smaller, on-site RV parks.<sup>78</sup> The following year, while Caesars Palace was showing off its new, outrageously lavish Fantasy Tower, Circus Circus added Circus Circus Manor, an 810-room three-story self-contained motel that was later connected to the casino by a monorail.<sup>79</sup> Back in 1978 Circus executives had forecast that Las Vegas needed RV hookups more than hot tubs. Five years later, they were vindicated.

Success with Middle America bred, if not complacency, a certain restlessness. With the mass market now taken for granted, those at the forefront of the industry began thinking about new horizons. In 1989, operators added nearly 6,000 rooms to Las Vegas, including the category-breaking Mirage

<sup>72</sup> <[http://gaming.unlv.edu/abstract/lv\\_1984.html](http://gaming.unlv.edu/abstract/lv_1984.html)>; <[http://gaming.unlv.edu/abstract/lv\\_1989.html](http://gaming.unlv.edu/abstract/lv_1989.html)>.

<sup>73</sup> *Atlantic City in a Stall as Las Vegas Expands*, USA TODAY, April 5, 1985, at 6B.

<sup>74</sup> *Id.*

<sup>75</sup> CIRCUS CIRCUS ENTERPRISES ANNUAL REPORT FOR THE YEAR ENDED JAN. 31, 1988, 3.

<sup>76</sup> Rebello, *supra* note 60.

<sup>77</sup> Las Vegas Visitors and Convention Authority, *Historical Las Vegas Visitor Statistics*, LVCVA.COM.

<sup>78</sup> Rebello, *supra* note 60.

<sup>79</sup> CIRCUS CIRCUS ENTERPRISES ANNUAL REPORT FOR THE YEAR ENDED JAN. 31, 1984.

casino resort, Steve Wynn's answer to the grind houses of the Strip. In downtown Las Vegas and Atlantic City, New Jersey, Wynn had already found a niche by building properties with the highest possible overhead. These, he insisted, would attract free-spending high rollers and ultimately enjoy the highest profits in the market. He proved himself correct twice, and looked to do it again on the Strip.

The Mirage, which opened on November 22, 1989, was a rousing triumph. Each day, an estimated 25,000 people walked through its doors, whether to simply gawk at the 40-foot-tall erupting volcano or the dolphin habitat, see Siegfried and Roy perform in a dedicated showroom, or to gamble. With just as much attention given to the laying out of its grounds (which included 2,500 palm trees) as its slot banks, the Mirage was built with more than the gambler in mind.<sup>80</sup> It had non-gaming elements that had never been seen in an American casino, and was designed to earn just as much profit from the hotel, restaurants, and entertainment as from the casino. The customer, Wynn intuited, wanted quality, and would gladly pay the cost. It was the Thermidorian reaction to the Burger King Revolution.

The opening of the Mirage marked the end of the 1980s on the Strip, nine years almost to the day that the gloomy decade symbolically began with the tragic fire at the MGM Grand. Nov. 21, 1980 represented a loss of confidence in the plush, high-end hotel on the Strip. Nov. 22, 1989 saw its rebirth. Avidly chasing the baccarat trade, flying in international high rollers, and charging handsomely for rooms, the Mirage broke all the lessons that had been learned so painfully over the previous decade.

Defying the conventional wisdom of Silver and Bennett, the Mirage was a success, immediately becoming the city's top revenue producer. Within two years of its opening, Steve Wynn could boast that he'd built "the most successful casino in the history

of Nevada."<sup>81</sup> By the end of the 1990s, a host of new casinos that emulated the Mirage had been built. Even Circus Circus Enterprises, under the leadership of Glenn Schaeffer, sought to move beyond clowns and quarter slots; in 1999, the company opened Mandalay Bay, a massive luxury complex containing a Four Seasons hotel which charged the highest room rates on the Strip. Gone were the days of \$16 weeknights. Excalibur, built to the specifications of a flawless business model, had no emulators. For the next twenty years, every new project on the Strip attempted, in theory at least, to cater to the high end.

Fittingly, Circus Circus Enterprises changed its name to the Mandalay Resort Group to match its new upscale pretensions. There is no better symbol of the triumph of the Mirage and the final end of the Burger King Revolution. By 2000, the tendency of the 1980s for the Strip to converge with downtown (more slots, less reliance on non-gaming amenities) had been completely reversed. Slots were still important, but gambling itself was becoming less of a draw. In 1999, for the first time, Strip casinos garnered less than half of their total revenues from their gambling floors.<sup>82</sup> Luxury and convention travelers spending heavily on rooms, shows, and dining had displaced bargain-hunting, RV-driving families as the Strip's most coveted customers. Las Vegas was in the midst of a high-stakes counter-revolution, one that would be hailed as both brilliant and inevitable—until the sustained downturn of 2008 and beyond shattered confidence in the casino industry's appeal to luxe—yet again.

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<sup>80</sup> Mirage Resorts, 1992 Annual Report, at 9.

<sup>81</sup> *Id.* at 7.

<sup>82</sup> <[http://gaming.unlv.edu/abstract/lv\\_1999.html](http://gaming.unlv.edu/abstract/lv_1999.html)> .