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Opinion #39

What the newspapers won't tell you!

March 31, 2008

LAS VEGAS ECONOMY

The Perfect Storm

*It's just a temporary
downturn, right?
The sun'll come out
tomorrow, won't it?
Maybe not.*

BY GLENN CAMPBELL

While Las Vegas has been preoccupied with a hepatitis scare, some bigger news stories have slipped in under the radar. Among them:

(1) Banks have stopped financing new casino projects. (2) Nevada has again been named "the most dangerous state" for its crime statistics. (3) Over 85% of Clark County high school students have failed a test of basic math skills. (4) Taxable sales have fallen yet again, leading to a projected \$800 million shortfall in the state budget.

Item No.1 means resort projects that haven't already broken ground have been delayed indefinitely. In a couple of years, Las Vegas will have nothing new to offer the world. Who wants to visit a faux Paris or phony Rome when they've been there before and the novelty has worn off?

Nos. 2 and 3 mean that Las Vegas can no longer be construed as a nice place to live. If you pay people enough money, they'll live anywhere, but that's different than wanting to live there. Who wants to raise a family where the school system sucks and no one feels safe?

No. 4 means that our quality of life will continue to deteriorate as the state and eventually the county start cutting back on all the services that support it.

Some say this is all part of a predictable economic cycle. Las Vegas has survived slowdowns before. Any city or nation goes through its ups and downs, and when times get tough you just got to hunker down and wait for them to get better.

But maybe they won't get better. Vegas defied all the laws of moderation in its spectacular rise; maybe it will also defy them on its fall.

In the history of mankind, no city has grown so huge based on such a flimsy economic premise. Gambling has always existed on the periphery of society, but no one has tried to build a major city upon it until now. Ours is a brave experiment that's never been tried before, so we can't count on "cycles" to get us through. Maybe there's only one cycle: a boom followed by a bust.

Remember that less than a generation ago gambling was considered a sin, and rightly so. It produced no useful product and sucked up the resources of struggling families. Has anything really changed? Modern gaming is environmentally clean and employs many good people, but on the whole is society really helped by its presence?

A more practical issue is whether gaming is economically sound. Can it support a stable population, or is it just temporary exploitation, like mining a vein of gold until it runs dry?

In the new credit environment, banks will probably never again fund casino construction because there's no solid collateral for a loan. It's not like, say, the oil industry, which produces a necessary product with tangible value. Gaming is selling nothing more than perception, which could evaporate in an instant.

Meanwhile, we've been stockpiling social problems, sweeping them under the carpet. Education is one thing we've cheated on. Public health is another (perhaps reflected in our hepatitis scare). Our sole response to crime is to lock more people up rather than addressing its roots. In any system, you can't keep deferring maintenance like we have without payback later on.

If Vegas rose on its perception of glitz, glamour and novelty, it can easily fall by the same route, on the perception that it's dangerous, unhealthy and no longer new.

As the housing market continues its freefall, buyers are waiting for the market to "bottom out" before investing. But maybe there isn't a bottom. If the base value of real estate is "location, location, location," then a house is worth no more than the city it sits in. The worse our image gets, the more reluctant buyers will be to commit themselves at any price and the more the unsold inventory will grow.

When you add up all the factors converging on our city, this might not be just a downturn but the perfect storm—a time when everything goes bad all at once.

Las Vegas will continue to exist, but it will probably emerge as a different place, a seriously humbled one. Like a rich adolescent cut off from his trust funds, it will eventually learn how to survive, but the lesson will be painful.

One way or another, it will learn how to live without growth.

—G.C.