

Special Holiday Cheer Issue

FASTEN YOUR SEAT BELTS!

The Great Vegas Crash has begun

BY GLENN CAMPBELL

They all laughed at our headline a year ago, "**REPENT NOW! THE CRASH IS NEAR**" (Opinion #11).

Well, they're not laughing now.

In that newsletter, we accurately predicted the current Las Vegas housing slump. Of course, we didn't predict the whole nation's housing would tank, but that's a fine point. The residential real estate crisis in Las Vegas—foreclosures, falling prices and unsold homes—is arguably the worst in the country because our economic fundamentals are so weak.

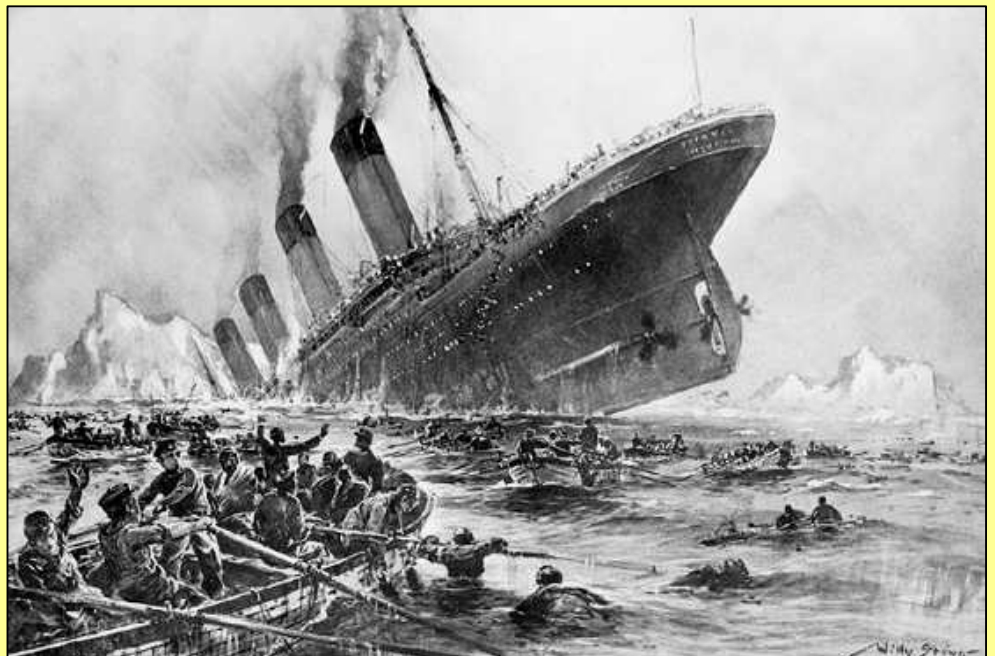
What is Las Vegas selling to the world except illusion? It's an illusion the world can do without. As the rest of the country loses much its discretionary income due to falling housing values, what's the very first expense people are going to cut? Their Vegas vacation!

Now we're predicting that the worst is yet to come. Housing is only the first domino in an unstoppable series of catastrophic economic events. The Great Collapse has already begun—the bursting of the Vegas bubble. On a scale

we have never seen before, unemployment will explode, investment will slow, visitor growth will turn negative, housing will further deteriorate, new commercial construction will retreat and Wayne Newton will lose his singing

voice.

Within months, folks will be lining up to leave Las Vegas like Okies fleeing the dustbowl. The trouble is, they can't leave because they can't sell their homes. →



It was sad when the great ship went down.

We'll have an increasingly desperate population trapped on an island without the resources to support them all. Things are bound to get ugly on this Pleasure Island. Cannibalism. Human sacrifices. When you keep too many rats in a cage without enough food, they're going to start turning on each other.

What does this mean for Family Court and Family Services? Everything bad. Economic distress will lead to more child abuse, juvenile delinquency and probably divorce. At the same time, the funding available for intervention is likely to be cut as government retrenches. Divorcing couples will be forced to linger longer in limbo because their marital residence cannot be sold. What limited social services we now have will come under even greater stress and certainly won't expand to meet the increased need.

Our Department of Family Services had the good fortune of being in crisis before the crash began, which has given it a certain degree of political immunity. Similar immunity is not shared by education, mental health, drug treatment, youth diversion programs and other kinds of early intervention. Las Vegas has never invested much in systems to prevent future social problems, and now it will invest even less.

In a metaphorical sense, we will always have a fire department, and it will always respond to the biggest fires, but as the economy retrenches, there will be less resources to attend to the little fires that might become big fires or to invest in fire prevention. So in the long run the fires will only get worse.

Why is the Las Vegas economy crumbling? Let's recap. Las Vegas has basically two industries: casinos and construction. Both are extraordinarily vulnerable in times of trouble.

Casinos depend on a steady flow of suckers voluntarily traveling here and leaving behind their money. ("Thank you. Come again!") This is subject to the sucker's whims, which could change in an instant, and the sucker's pocketbook, which requires a healthy economy and plenty of discretionary income back home. If only one byte of information changes—Las

Vegas goes from cool to uncool in the public mind—then the suckers will be drawn elsewhere. When discretionary income falls nationwide, it is going to have multiplied effect in Vegas, because this is the first thing people don't need.

Vegas boosters like to say that our business is "entertainment," but we don't export entertainment like Los Angeles does. The suckers have to actively come to us, which takes a lot of energy on their part. In the past, Vegas has attracted them like flies by building ever more expensive theatrical extravaganzas. It's an escalating arms race against ennui that can't be maintained forever.

"Build it and they will come," the Vegas motto goes, but eventually we'll build it and they won't come—at least not to support the billion dollar price tag. Then the investors will stop investing and the builders will stop building.

Construction is equally illusory because it depends on growth. When growth slows, so do all the industries that depend on change and newness—from mortgage firms to electrical contractors to home furnishing stores—and the city immediately loses a

sizeable chunk of its economy. This means that Las Vegas can't just stop growing: If it stops, then it has to shrink to become sustainable again.

For as long as any of us can remember, Las Vegas politics has been all about growth. No one has ever given serious attention to sustainability. Yes, our past politicians have been grifters and shysters who have had no problem accepting satchels full of cash for pro-growth rulings, but there's no sense in blaming anyone now. That's just the way Las Vegas has always been: Put it all on the credit card and let future generations worry about the payments.

What can we do about the Great Vegas Crash? Virtually nothing at this point. It's bigger than any of us.

Once the Titanic hit the iceberg, there was nothing anyone on board could have done to save it. Likewise, if Vegas has been growing at a much greater rate than the rest of the country, then eventually it has to stop and retrench. One way or another, it is going to achieve sustainability, but there will be a whole lot of pain and humiliation between now and then.

That's not to say there's no room for leadership. There are smart decisions you can make when the ship is sinking and dumb ones. You've got to decide who gets the lifeboats and which of your most precious assets you're going to protect. You can't expect to fix most of the problems around you, just limit their damage.

It's all about triage now—making the most of your limited resources in the face of overwhelming need. As an endless stream of wounded are carried into the overflowing field hospital, you have to make some cold and difficult decisions about who to save and who to let go.

There aren't going to be any perfect solutions in times like this. The most we can hope for are "good enough" solutions. .

—GC

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Opinion #11

What the newspapers won't tell you!

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THE VEGAS BUBBLE

REPENT NOW!

THE CRASH IS NEAR

YOU THOUGHT LAS VEGAS GROWTH WOULD GO ON FOREVER. SILLY YOU!

BY GLENN CAMPBELL

It seems like such a little thing: Las Vegas housing prices are flat for the first time in decades. Foreclosures are up. Unsold homes are up. But no one is panicking yet.

It's only a blip on the radar screen, right? Just a minor "correction." It doesn't mean anything.

Or maybe it's the beginning of the end.

Las Vegas has had a fantastic run. Build it, and they will come! It's been an exhilarating ride to the top of the roller coaster.

Are you ready for the other side?

Please stop laughing. You say that people have been predicting the bust for 20 years now, and it hasn't happened.

Yeah, well they called the Titanic unsinkable. The iceberg was just a bump. It woke people up, but nothing to panic about.

The ship can't be sinking, the passengers said, BECAUSE THE BAND IS STILL PLAYING.

But if you look at the ship's design—at

what's keeping it afloat—you might think differently. Once the hull is breached, one bulkhead after another is going to fail 'til the band can't play no more.

It's simple physics.

Growth here has been phenomenal, but there's nothing holding it up. Vegas doesn't produce anything. Nobody needs Vegas. It's all built on hype, puffery and perception—things that can evaporate in a minute.

Las Vegas has approximately two industries: tourism and construction. Tourism seems to be chugging along, but what about construction?

The bubble grew like this: Investors built megaresorts, employing construction workers, who needed homes. Homes were built for them, employing more construction workers, who required more homes, etc. Housing boomed.

On the other side of the roller coaster: If construction slows, then construction workers leave, putting their homes on the market. More houses are available, so prices fall. Lower prices mean less new home construction, releasing more workers, who try to sell their homes, etc. Housing crashes.

The Las Vegas economy, like many a pyramid scheme, is addicted to exponential growth. Once the growth slows, the whole house of cards collapses.

Tourism may be booming, but it alone can't support the huge population here. To become a sustainable economy again, the population is going to have to DROP, and there is no pleasant way for this to happen.

And tourism isn't all too sound either. In the sordid business of selling fantasies to idiots, if the idiots change their mind and decide not to come this year, you're screwed. If Vegas loses its glitter, it may also lose its tourists.

Remember Houston after the oil boom or Detroit after the auto makers faded. Better yet, think of the ghost towns that surround our fair city. When things were humming, everyone believed in perpetual motion. No one thought the good times would end.

What will a downturn mean for Family Court? It can't be good. If you thought child welfare was troubled now, imagine it when the economy goes south. Drug abuse, up. Delinquency, up. Divorce, up, because it is often tied to financial stress.

On a positive note, the San Andreas Fault is also overdue. As soon as California slides into the ocean, Las Vegas will become a port city, replacing Los Angeles.

Then we'll have a diversified economy.

—GC

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