THE
Gambler

The Rags-to-Riches Story of Deal Maker
Kirk Kerkorian
By William C. Rempel

The rags-to-riches story of Kirk Kerkorian, the billionaire son of illiterate immigrants from Armenia, reads like a fairytale that opens dark and foreboding. He was a child of five when his family lost the farm to foreclosure. As a transplanted city boy he sold newspapers for pennies, worked odd jobs to support his struggling parents and dropped out of school after eighth grade. As a skinny teenager with a powerful right hook he tried amateur boxing and hoped to go pro, confident he could help the family with winnings from his fights. An older brother had already suffered brain damage in the ring. As a young man he dreamed of flying but had neither money nor a high school diploma needed for flight training. So, he offered to do farm chores—shoveling manure and milking cows—in trade for tuition and an admission waiver to an air academy.

It turned out to be a timely and brilliant bit of deal making. After a few months in class and in the air, Kerkorian earned his wings and a pilot instructor’s license, effectively launching a long and eventually lucrative career in aviation. It not only saved him from physical punishment common in the fight profession, but it also set him on course for the highest ranks of the super rich.

The happier ending didn’t come easily or overnight. First, World War II intervened. Kerkorian served as a contract pilot for the Royal Air Force Ferry Command out of Montreal. He flew a wide range of factory-fresh bombers from Canada to Britain for about $1,000 per dangerous crossing. More than 500 fellow crewmen perished, many of them following—as did Kerkorian—a treacherous polar route with only the stars as navigational aids. The daring young aviator completed more than 30 transits, some more harrowing than others, and some to destinations as far away as India.

The savings he accumulated by war’s end helped finance a one-plane air charter service back home in Southern California. He nursed and grew it through roller-coaster business cycles for the next two decades, serving on some trips as the ticket agent, cleanup crew, flight mechanic, gas pump operator and pilot.

During particularly difficult economic times, Kerkorian would sometimes shut down operations completely, keeping the company alive and bread on the family table by wheeling and dealing in used planes. One notable junk plane deal turned two wrecks into one of his most profitable aviation trades.

In the early 1950s, Kerkorian acquired the damaged remains of two Lockheed Constellation aircraft—one from Air France and the other from British Overseas Airways. Both had been crippled by hard landings with no passengers aboard. Both had been declared total losses by insurance adjusters. One had a mangled left wing and the other a crumpled right wing. Kerkorian bought them both, shipped them to Bayonne, New Jersey, and with the help of Lockheed technicians used the good parts of each to resemble a single airworthy replacement.

The master dealmaker went on to lease and eventually sell and re-sell the cannibalized “Connie” multiple times—including to El Al Israeli Airlines—earning Kerkorian five times his investment.

One key to Kerkorian’s life-long business success was adaptability. He always advocated having a Plan B…or “keeping a back door open.” It was a tactic and a trait he developed growing up on the fringes of poverty when serial evictions, frequent moves and being the new kid in school were familiar parts of his everyday life.

During Kerkorian’s long run as an air charter operator, his love of gambling also flourished. Much of his early business was flying gamblers over the mountains between Los Angeles and Las Vegas. He became a regular at many of the casinos—and a skilled craps player as well. He became widely known about town and on the Strip for two highly-respected traits: First, he always paid his markers (gambling debts); second, he never showed his emotions. It was impossible to know from watching him whether Kerkorian was winning or losing. Other gamblers compared him to a cool crooner of the day, calling him “the Perry Como of the craps tables.”

Growing up poor and without possessions gave him a certain comfort with risk. He subscribed to the philosophy of his professional gambling friend Nick “the Greek” Dandolos, who said the greatest thrill in life was winning a big bet. The second greatest thrill...was losing a big bet. Outwardly, Kerkorian seemed indifferent to losing. He had survived poverty. He wasn’t afraid of it. So, his cool-on-the-outside gambler persona had its roots, too, in those humble beginnings.

“Rifle Right” Kerkorian at age 18 or 19. Courtesy of Ron Falahi
It wasn’t until Kerkorian was approaching his 50s that success nudged him out onto the national stage. And it was his aviation business that attracted all that attention.

In the early 1960s, Kerkorian had taken a major gamble with his still modest but growing charter service, borrowing $5 million on his signature to buy a new DC-8. Trans International Airlines (TIA), as it was called then, became the first charter airline to operate a jetliner. Kerkorian was hoping to pick up long-term Pentagon contracts to move military families and supplies around the world. It worked. It also drew unsolicited investor interest.

The Studebaker Corporation offered to buy the company, assumed Kerkorian’s $5 million jetliner debt and topped it all off with a $1 million bonus for Kirk himself. He would stay on to run the charter service as a division of the automaker. And that’s how Kerkorian became an overnight millionaire.

The gambler took that windfall and invested in something akin to a bag of magic beans—a 40-acre parcel of sand in Las Vegas that no one else wanted. The property was near other valuable resort properties, but it was blocked from direct and essential access to the Strip by a row of small, residential-sized lots that lined the boulevard. It looked to many that Kerkorian had a million-dollar white elephant—until the dealmaker started dealing. He offered to trade much larger and more desirable plots on his 40-acre site for those small pieces of sand. Several owners jumped at the trade. The swaps were well timed.

When an Atlanta hotel developer came to town shopping for the best place to build Caesars Palace, he came first to Kerkorian. And Kirk became the Caesars landlord. The deal was a tribute to Kerkorian’s business instincts. Mostly, it was the result of another masterful series of negotiations by the man a New York Times business columnist would describe years later as “the god of all dealmakers.”

To this day, the Caesars Palace land deal ranks among the most successful real estate ventures in Las Vegas history. Kerkorian’s profits over a five-year span exceeded 900% from an interim landlord lease arrangement, shares of casino revenue and, finally, sale of the land to hotel operators.

Meanwhile, back in California, TIA was proving to be a poor fit as a division of Studebaker. The struggling automaker was accustomed to dealing with $400 car engines, but not $400,000 aircraft motors. Kerkorian and the bean counters didn’t get along.

Less than two years after selling TIA, Kerkorian bought it back. He added another jetliner and more defense contracts. In the summer of 1965, he launched a public stock offering. After a slow sales start, TIA stocks caught fire with investors concentrated in the Armenian immigrant communities surrounding Fresno. Kirk’s birthplace. His personal holdings soared in value. Later that year, Kerkorian woke up one morning worth $60 million.

For any other businessman, that might have been the pinnacle, the deal to end all deals, a chance to take his winnings and live luxuriously ever after. But Kerkorian was still a gambler searching for the thrill of a big bet.

All the life-changing deal making that had come before would pale by comparison to what Kerkorian did next as he finished up the 1960s with a flurry of wheeling and dealing that would secure his place among the great dealmakers of capitalist history.

Kerkorian’s first play with his new wealth was to gamble on gambling. He paid $5 million for an 82-acre former auto speedway site adjacent to the city’s new convention center. He announced plans to build the International Hotel and Casino, the world’s biggest hotel with the world’s biggest gaming floor. Locals were aghast. It was on Paradise Road, a half-mile off the Strip. Predictions of financial disaster spread through town. Then Howard Hughes did his best to scare Kerkorian away.

Hughes, the world’s richest man, had arrived in Las Vegas a few months earlier and started buying up existing resorts to shelter taxes from his half-billion-dollar sale of TWA. Hughes hated competition and wanted no rivals, least of all someone building the world’s biggest anything in his town.

Las Vegas wasn’t big enough “for two tigers,” Hughes told his top aide, Robert Maheu. The billionaire industrialist did more than disparage Kerkorian. Privately he warned his bankers to have nothing to do with his rival. Hughes also announced plans to invest $150 million expanding his newly-acquired Sands Hotel. It was a ruse to make Kerkorian reconsider breaking ground on the International. When Kerkorian went ahead and started the bulldozers, Hughes tried to buy him out,
offering to acquire the International site and reimburse him for all of his costs.

But Kerkorian kept building.

Early in 1968, about six months after his 50th birthday, Kerkorian closed another massive transaction that made Hughes’s threats and bluster even less relevant. He sold Trans International again, this time outright to San Francisco-based Transamerica Corporation. For the first time in 20 years, the aviator was no longer in the aviation business. But he was still a gambler and on a roll, feeling the time was right to go for an even bigger score. His net worth swelled to $200 million.

Kerkorian placed the first in a series of bets on something he called “the leisure industry.” His plan was to assemble a collection of resort, transportation and entertainment properties, a vision that would alter the landscapes of Las Vegas, Hollywood and Detroit.

With steel girders still going up on Paradise Road and Hughes still trying to run him out of Las Vegas, Kerkorian surprised Wall Street with a $67.5 million tender offer for the nation’s oldest commercial air carrier, Los Angeles-based Western Air Lines. Part of the attraction was economic. The regional gem of an airline was hoping to be awarded profitable new routes to Hawaii. Another attraction was personal. Kerkorian was having regrets—some might call them separation anxieties—since selling off his long-held charter airline.

However, on his way to becoming Western’s largest shareholder, Kerkorian also picked up another rival. The airline’s bombastic president, Terrell C. Drinkwater, and his handpicked board of directors greeted Kerkorian’s unexpected investment with suspicion that morphed quickly into hostility. Efforts to reassure them that Kerkorian supported management and planned no changes at the top failed to ease tensions. Drinkwater opposed any power sharing and worked to block Kerkorian’s influence with Western’s board.

Back in Las Vegas, Kerkorian’s other rival was trying a new tactic. Hughes had bought the unfinished and much more modest Landmark Hotel and Casino out of bankruptcy. It was, however, just across Paradise Road from the International. Hughes was going to bring competition to Kerkorian’s doorstep. The showdown on Paradise would feature dueling grand opening extravaganzas.

But Kerkorian relished competition, and Hughes was playing into his hands. The world’s biggest hotel would open with some of the world’s biggest stars. Hughes headlined with comedian Danny Thomas who drew a respectable crowd. Kerkorian opened with “Funny Girl” Barbra Streisand, followed immediately by Elvis Presley, smashing every box office record in Las Vegas history.

It marked the end of Hughes’s frustrated bid for supremacy. Kerkorian would be the last tiger standing in Las Vegas. He would go on to transform the gambling mecca, three times building the world’s biggest hotels. Hughes later complained to Maheu that Kerkorian was “the first man I couldn’t buy or break.”

Within days of the International Hotel’s sensational opening—and while still sparring with Drinkwater over a place on the board of Western Air Lines—Kerkorian shoved another stack of chips into play with another tender offer. This time he was betting on Hollywood’s crown jewel, MGM studios.

In 1969, the legendary movie company that had produced such classics as “Gone With the Wind” and “The Wizard of Oz” was neck-deep in red ink and sinking fast. It was losing $10 million a month with likely box office duds projected well into the next year.

But Kerkorian saw hidden value, even before the age of cable television, in MGM’s extensive film archives. The studio’s real estate holdings included a back lot looking obsolete as more filming was scheduled on location. And Kerkorian saw a potential dollar value even in the cache of the studio’s name, a trademark conveying images of class and glamour. He wanted to own what he called those “three magic letters.”

Once again, however, he found himself locked in competition with a strong-willed rival, this time MGM’s newly-appointed CEO, Edgar M. Bronfman, Sr. The Canadian-born financier also ran US operations for his family’s Seagram’s liquor empire and was a major MGM investor. Bronfman and his MGM board had anticipated a possible bid from Hughes. But “Kerkorian who?” was their first reaction to this surprise tender offer.

Bronfman challenged Kerkorian in court and in the boardroom, forcing Kerkorian
He was an around with a mint julep in my hand?”

One of the biggest beneficiaries of Kerkorian’s largesse was his ancestral home of Armenia. After a massive 1988 earthquake killed thousands and devastated the poor country’s roads, bridges and housing, Kerkorian launched an airlift of food, medical supplies and building material on a scale unknown since the Berlin Airlift in 1946.

More than 100 flights delivered relief and raw materials for years, spanning two decades and earning Kerkorian the gratitude and affection of the Armenian nation. There was enthusiasm for honoring him with parks and statues, but at Kerkorian’s insistence, no such monuments were erected during his lifetime.

“Charity isn’t charity if it expects anything in return,” Kerkorian said. It was the philosophy of a rich man who never lost touch with the poor kid wielding that manure shovel. $