Atari and the Business of Video Games: Crash Course Games #4

Crash Course: Games
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https://nerdfighteria.info/v/r8gHnuv7U_o

Hi, I'm Andre Meadows and this is Crash Course Games. And today we're going to get down to business; specifically the business of video games.

Until the 1970s, computer and video games were created by individuals with access to expensive, difficult to use computers that were frequently housed in institutions like universities. The general public wasn't playing video games and the number of people making games was minuscule. But there was a community of students and academics who did play early videos games on university computers and some of them envisioned a world where video games could reach a wide audience, at the same time be very, very profitable.

Now, if you've seen any of our Crash Course: History series, you know we usually don't go in for the so-called "Great Man" history: the idea that individuals can shift the course of history is in most cases false. But in video game history, a guy named Nolan Bushnell really did manage to change everything.

(Intro)

Nolan Bushnell got interested in computers in the 1960s while he was a student at the University of Utah. The school was an important center of computer graphics research at the time. And while Bushnell was there he came across a PDP-1 that played Steve "Slug" Russel's *Spacewar!* - exclamation point!.

Bushnell loved the game. And he loved working with the computers that ran the game. He played *Spacewar!* a lot so he could learn all he could about computers and programming languages. Incidentally, Bushnell also worked as a barker on the midway at an amusement park where his job was to convince people to spend their money on playing games like the ring toss. It was his amusement park experience coupled with his knowledge of technology that helped him birth an industry.

After college he created a prototype for his own game called *Computer Space* which shared a lot of gameplay similarities with our old favorite *Spacewar!* Exclamation point!

Bushnell partnered with Nutting and Associates, a company that manufactured coin-operated bar trivia games to produce a commercial version of *Computer Space*. It didn't go that great. Although they put the game in an amazing looking space-age fiberglass cabinet, they only sold about 1,000 copies of the game. That's less copies than *Wii Music*. If you don't know what *Wii Music* is, my point exactly.

Bushnell squarely blamed *Computer Space*'s failure on Nutting and Associates and decided to form his own company. He and a partner came up with princely sum of $500. And after trying out the name Syzygy, Syzygy? Syzygy? It has a distinction of being hard to pronounce and spell - he named the company Atari instead. Thank goodness.

They took the name Atari from the ancient Japanese strategy game Go. Apparently the word Atari refers to a situation where one player's piece is in danger of being captured on the next turn. Some players would speak the word aloud at this point. Kind of like saying "check" during a chess game. It turns out though actually saying "Atari!" during a game is considered kind of rude, and something an inexperienced player would do. Something that would be frowned on by the "real-players." How rude!

It's kind of fitting though. As we'll see here in a minute, Nolan Bushnell's Atari was definitely a newcomer in the entertainment industry, and he wasn't above being rude, and disrupting the traditional players in the game.

Atari moved into a small warehouse and hired a handful of employees. One of these employees would turn out to be a crucial early assets to the company.

Let's go to the Thought Bubble! Al Alcorn was an early hire. He was a computer scientist and mechanical engineer. And Bushnell tasked him with creating Atari's first game. While Bushnell was enthusiastic about computers and electronics, he needed someone with more engineering experience to design the games.

Bushnell assigned Alcorn to create a table tennis simulation. And in a week and a half, Alcorn delivered a hand-wired version of the game that became *Pong*.

The game was rough and incomplete. And seemingly built with stuff from around the house. The on-screen white bars that represented players' paddles were placeholders and to be replaced with fancy graphics that looked like human players. The cabinet was cobbled together out of spare parts with an of the shelf TV for a monitor and a bread plan to collect quarters.

Bushnell, foreshadowing a habit of rushing products to market, thought all those half-measures were just fine. And they installed the game in a local bar for play testing. It was an immediate success. According to video game historian, David Ellis, the bar started attracting patrons who only wanted to play *Pong*. The game was so popular that at one point the prototype machine stopped working because there were too many quarters in the bread pan.

Atari moved *Pong* into mass production. And despite some manufacturing hiccups, the game was a success. But Atari's success bred competition. Within a year of *Pong*'s release, other major gaming companies in the US began making knockoffs of it. Companies that had built their businesses on carnival games and electromechanical games - like pinball machines and that dumb skill claw game - suddenly jumped into the video game business.

Williams had *Paddle Ball,* Chicago Coin had *Olympic TV Hockey*. SEGA had *Hockey TV*. Taito had *Pro-Hockey*. And Brunswick had *Astro Hockey*. All of these looked and played like *Pong*, and these clones cut into Atari's business. Thanks Thought Bubble!

So how did this happen? Well, according to video game historian Steven Kent, the company failed to apply for patents before releasing the game which allowed competitors to enter the market with very similar games.

In addition to stiff-competition, Atari ran into trouble with distributors of coin-operated games. At the time, the industry was controlled by only a handful of game distributors in each region of the country. And each of these distributors wanted an exclusive contract to sell Atari products in their area. Bushnell wanted to sell games to all the distributors, but Atari had already signed a bunch of these contracts.

So, in a move that some might see as unethical, he hired his neighbor to run a new company, Kee Games, which produced clones of Atari games with different names. This allowed Bushnell to sell Atari game machines to one distributor and Kee Games to another, increasing sales without violating his contracts.

Eventually, this deception was found out. But, luckily, by that time Atari's games were so popular and generated so much money for distributors that they overlooked the contract violations. This was the beginning of the end for the exclusive distribution contract. And it paved the way for arcade games to be national hits, rather than regional phenomena.

For much of the 1970s, Atari continued to produce hit after hit for

the coin-operated game industry. In 1974, they created *Gotcha*, an early maze game like *Pac-Man*. And Atari struck gold in 1976 with a variant of *Pong* called *Breakout*. Okay! It's time to level up!

So this is *Breakout* which is really cool to play. Hopefully I'm better with this than I was with *Spacewar!* As you can see, this is the Atari 2600 home version of *Breakout* and not the arcade version. And I'm playing it on an Ouya controller, so if I don't do well, I'm going to blame the controller. I would be much better if I had the Atari controller in my hand. Let's go with that.

Alright, here we go. So you have a paddle at the bottom and eventually you will start the game. And when you start the game a little ball, or block, comes down. And, I already missed it. Now what's interesting about this game is the story behind it. You see, Nolan Bushnell asked an employee to specifically make this game. That employee that he asked was this guy, you might have heard of him, his name was Steve Jobs.

So Steve actually asked his friend to help him do this game. His friend being Steve Wozniak. (Laughs) Some good company to have. Wozniak actually finished making the game in four days. They called in the Four Day Wonder. It's going to take me four days to hit one of these balls.

Breakout actually influenced other game designers like Tomohiro Nishikado, the creator of *Space Invaders*. He said he wouldn't have made that game if it wasn't for *Breakout*. Steve Jobs and Steve Wozniak went on to make this little company called Apple in 1976. And Steven Wozniak has even said that his designs and influence of the Apple II came from working on *Breakout*. So, you have this little bouncing ball, rainbow breaking game to thank for the Apple Company, the Apple II, and the vision of Wozniak.

Alright I think I'm done with *Breakout*. I did the best I could with it. I, I, I really recommend playing this game. It's a fun game. Play the arcade or play it with an old-school Atari controller to really get the feel of how it was to play this game back in the 70s.

Now if Atari's pioneering commercialization of video games was the company's only contribution to the history of video games, we might have still have done a whole episode on it. But Atari was also vital to the other major change video games underwent in the 1970s.

Atari's next step to dominating the hearts and the wallets of consumers was a home invasion. They started making video games people could play at home.

After *Pong*'s initial arcade success, Atari produced a home version of the game that consumers could play on their home television. They sold these games through Sears, and they sold a lot of them. It became clear that the gaming frontier was in consumer's living rooms.

In 1977, Atari released the Atari 2600 in all its simulated wood grained glory. The console didn't see immediate success though, largely due to its high price: $199. That's about $777 when you adjust it for inflation. And the fact that there was only about 10 games available at launch. But technologically, the Atari 2600 was miles ahead of the competition.

While there were other home video consoles on the market that had a few games built in, Atari's real innovation with the 2600 was the interchangeable game cartridge. Interchangeable games meant that players could buy and play new games without replacing the entire console. And that meant lots of cartridge sales for Atari. This move into the home made games more accessible and a larger part of our everyday life. The success of the Atari 2600 spawned the console wars of the second part of the 1970s and wormed its way into the popular culture. You can see the Atari 2600 in movies like *Airplane*, *Blade Runner*, and, of course, *E.T.* But we'll get to that later.

The company would continue to dominate the industry throughout the 70s and into the 80s, creating classics like *Centipede*, *Tempest*, and *Pitfall* until the great video game crash of the 1980s. Atari isn't dead. The company continues on today and still produces games. But Nolan Bushnell is no longer involved, and it isn't anything like the innovative, disruptive, and, for a while, dominant force that it once was.

Thanks for watching! I'll see you next week! And just one more time - Atari!

Stan: Crash Course Games is filmed in the Chad and Stacey Emigholz Studio in Indianapolis, Indiana, and it's made with the help of all these nice people. If you'd like to keep Crash Course free for everyone forever, you can support the series at Patreon, a crowdfunding platform that allows you to support the content you love. Speaking of Patreon, we'd like to thank all our patrons in general, and we'd like to specifically thank our High Chancellor of Knowledge Morgan Lizop and our Vice Principal Michael Hunt. Thank you for your support.