

A Chronology of (Legal) Gaming in the U.S.

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Introduction

Casino gaming is the fastest growing segment of the hospitality industry (Find/SVP Consulting, 1996, p. 1). Thus, more and more hospitality education programs are incorporating casino gaming into their curricula, and, inevitably, the history of casino gaming is one of the topics discussed. More specifically, the discussion of gaming focuses on legal rather than illegal gambling activities and tends to center around casinos that incorporate support activities such as hotel rooms, food and beverage, etc. There tends to be little discussion of gambling operations that have no hospitality support facilities such as lotteries, video poker, or video lottery terminals (VLTs). However, none of the texts used, including one which I coauthored, has undertaken a comprehensive examination of the history of casino gaming in the U.S. All have had some gaps or are missing significant pieces of gaming's chronology. This paper addresses the problem by putting forth a graphical time line of casino gaming development in the U.S.

The material developed for this paper begins with the year 1492, when Columbus' sailors undoubtedly gambled on the shores of the Americas. Opposition to gambling first appeared in 1638, when the Puritan's enacted the first law in what would become the U.S. prohibiting gambling. The chronology proceeds through the subsequent three centuries tracing where gambling developed, how it was operationalized, and where/when it was prohibited. The time line ends at 1995, with the opening of new casinos in Las Vegas and the closing of Harrah's casino in New Orleans.

Objectives

The primary objective of this paper is to provide hospitality educators in both academic institutions and casino training centers with more detailed information on casino gaming. A second objective is to provide them with information that can be directly translated into classroom pedagogy. This should serve the purpose of helping the many educators at various institutions who have added casino gaming to their curricula as either a stand alone course or a segment of their introductory course. The author used four existing textbooks, other books, and journal literature as a basis for this paper. Thus, it will improve upon any single work currently available and should be of immediate benefit to readers.

The information on the history of casino gaming in the U.S. is written in a time line format: a chronology. This style was chosen because of the ease by which educators can edit or modify the contents for use in the classroom. Each historical item or event is tied to a specific year. As a result, some of the broad evolutionary developments, most of which hospitality educators are already aware of, may not be listed. Furthermore, if warranted, the year and event is followed, in outline format, by more details about the occurrence. Educators are encouraged to use the time line and may use the details that form subsegments, as teaching notes when delivering the material in class. This history of gaming is compatible with and supplements those texts currently available for use in the college classroom.

Time Line of Gaming in the U.S.

- 1492 - Games of chance were undoubtedly played by sailors on Columbus' ships.

- 1638 - The Puritans of Massachusetts enacted America's first law against gambling. It was based on the Idleness Statute of 1633 which outlawed the possession, even in one's home, of cards, dice, and gambling devices. The statute was passed in opposition to unproductive time or idleness.

- 1682 - The Quakers in Pennsylvania enacted a law against gambling.

- 1721 - New Hampshire legislates prohibition of gambling in order to prevent the unnecessary impoverishment of the gambler's family, a concept grounded in English Common Law.

- 1748 - New Jersey passed an act similar to that of the Quakers which condemned gambling as an idle activity. The statute also stated that gaming leads to fraud and corruption of youth.

- 1756 - George Washington was warned to control gambling among his men in the Virginia Militia.

- 1770 - Around this time, Colonial taverns used a brass "honor box," a type of slot machine. The "honor box" contained either snuff or pipe tobacco. The patron inserted a half-penny to unlatch the box and then was honor bound to reclose the lid after filling his pipe or nose.

- 1771 - The General Assembly of Rhode Island passed a law prohibiting horse racing. It was done, presumably, to ensure that all "horsepower" was devoted to the revolutionary war effort.

- 1776 - The American Revolutionary War was financed in part by the sale of lottery tickets when the Continental Congress organized a five million dollar lottery. Some sources suggest this occurred in 1777.

- 1790 - The Northwest Territory Act stated that all gambling contracts were void and participants in games were to be fined.
- 1793 - The Harvard Stoughton Hall lottery did not generate enough money to pay the winner. This resulted in a national scandal.
- 1800 - Craps, as we know it, was first played. It was played largely on river boats, wharfs, in cotton fields, and in saloons.
- 1800 - Denmark Vesey became the most famous lottery winner ever in the U.S. His fame was not based on the \$1,500 he won but that he was a black slave who used the proceeds to buy his freedom.
- 1806 - Louisiana established a prohibition against gambling, except in New Orleans. This led to proliferation of gambling in that city, since it was the only place in the state where it was legal.
- 1814 - The Missouri Territorial Legislature passed its first law against gambling. Section 3 of the law prohibited operating any gaming tables, with fines not to exceed \$500.
- 1815 - New Orleans licensed and taxed casinos, with proceeds donated to charity.
- 1827 - The Crescent City House was established in New Orleans. It was opened by John Davis and was a full service casino, open twenty-four hours a day. Its furnishings and tables were imported from Europe. They also introduced the first complimentary meal, offering a buffet supper that was a precursor for Nevada casinos.
- 1830 - America banned all lotteries (until 1860).
- 1832 - The first casino in Washington, D.C. was opened by John Pendleton. It was called the Palace of Fortune and was frequented by famous politicians.
- 1835 - The Louisiana Legislature passed a law making the operation of gaming establishments a felony. John Davis closed the Crescent City House and returned to the theater business.
- 1847 - A Pennsylvania law incorporated a statement that gamblers were "parasites and thieves."
- 1851 - The New York Association for the Suppression of Gambling was established. It was formed by reform movement leaders Horace Greely and Jonathan Green. The "Green Law" was passed mandating the destruction of gambling equipment and fines for operating gambling houses.

- 1855 - Native Americans play a form of roulette in Las Vegas. When Mormon missionaries traveled from Salt Lake City to the area that is now Las Vegas, they found the Paiute Indians playing a roulette-like game in the sand, using bones and colored sticks.
- 1858 - Riverboat gambling became popular.
- 1860 - Betting booths appeared at baseball parks.
- 1861 - Nevada government outlawed gambling. Specifically, territorial Governor James Warren Nye banned gambling and classified it as a felony, with jail terms of up to two years and fines of \$5,000.
- 1862 - All states except Kentucky and Missouri ban lotteries.
- 1866 - The Louisiana State Lottery Commission was chartered and given a twenty-five year monopoly. It was called The Serpent because it did things in such a circuitous manner. By 1877 the Commission was selling tickets in almost every state in the U.S.
- 1869 - The Nevada State Legislature made gambling legal again, reversing the Act of 1861.
- 1876 - Wild Bill Hickok was shot while playing poker. He held in his hand all aces and eights, which came to be called the dead man's hand.
- 1885 - Around this time, coin operated gambling machines began to appear. The early machines resembled wheel-of-fortune carnival games. The winning symbols were paid by a croupier, often with brass "trade-checks" which were redeemable only for merchandise.
- 1890 - The horse racing world was in turmoil because there were too many tracks (314) and too many race days (364).
- 1890 - The Great Louisiana Lottery Scandal occurred. The scandal involved corruption and the inability to pay winners. This set the tone for prohibition of lotteries around the country.
- 1890 - Bank Craps was introduced in casinos. In this game, players bet against the house, not other gamblers as in the street version of craps.
- 1892 - The New York City police superintendent admitted his department was corrupted by gamblers' money.
- 1894 - The Beach Club Casino was built in Palm Beach, Florida. Operations were taken over four years later by the famous gambler Colonel Edward Reilly Bradley. It was the longest running illicit gambling casino in the country when it closed after 48 years of operation.

- 1895 - A coin operated gambling machine was created by Charles Fey of San Francisco. (One source says 1887.)
- 1895 - The Florida legislature prohibited operation of gambling houses and made participation in games a criminal activity.
- 1902 - The Old Saratoga Club House in Saratoga Springs, New York was converted into the Monte Carlo of America. It was bought by the famous gambler Richard A. Canfield of New York City. The Canfield version of solitaire was introduced here.
- 1904 - The first vessel in the U.S. devoted entirely to gambling was launched. The City of Traverse was built by the famous Chicago gambler Big Jim O'Leary and sailed on Lake Michigan.
- 1905 - The first true slot machine was invented by Charles Fey. It employed three reels and automatically paid winners.
- 1907 - The first craps game with two way action was introduced by John H. Winn, a dice maker in New York. It allowed players to bet for or against him, and a five percent commission was charged. His games coined the term "vigorish," a bastardized form of the word vinegar or bitter, relating to how onerous the five percent commission was.
- 1907 - Slot machines became more refined with Mills adding new symbols.
- 1908 - Horse racing was banned in nearly every state. However, 25 tracks remained in operation. By 1910, only Maryland and Kentucky had legal horse racing.
- 1909 - Nevada again banned all forms of gambling. The law took effect on October 1, 1910.
- 1910 - Blackjack, or twenty-one as it was called, was introduced in U.S. as a banking game. It was first played in Evansville, Indiana. The name Blackjack came from a bonus payoff that no longer exists today. In the course of playing, if the player held an ace of spades and a jack of spades or clubs on the first two cards, he received a bonus of five dollars for every fifty cents wagered in addition to a payoff of three to two.
- 1913 - New York State legalized parimutuel betting.
- 1913 - Nevada legalized open gambling but not commercial gambling.
- 1915 - Slot machines were camouflaged to circumvent anti-gambling laws (continuing until 1955). The slots were camouflaged, disguised, and equipped with "skill-stops" which continues even today. The machines were designed to vend gum, mints, candy, cigarettes, etc. with every pull of the handle. The gum being dispensed was obtained from the Chiclé

Company and incorporated a special label along with flavors that the company had trouble selling to other buyers: these flavors were orange, cherry, plum, etc. Today, fruit and bar symbols on slot machines evolved from Fey's early machines equipped with Chicklets. Furthermore, lemons on the early machines indicated it was rigged, thus the connotation of lemons meaning "no good."

- 1931 - Commercial gaming was legalized in Nevada. It was referred to as the "Wide Open Gambling Bill."
- 1935 - Harold's Club opened in Reno (some sources suggest 1936 or 1937). It was built by Harold S. Smith Sr. (some sources say Raymond Smith and Pappy Smith). It catered to a low wager, high volume (grind) clientele from the beginning and was the first casino to promote slot business. It was sold to Howard Hughes' corporation in 1971 for \$11.5 million.
- 1937 - William Harrah opened a bingo hall in Reno.
- 1938 - The Gallup Poll showed more people gambling at church games than previously thought.
- 1940 - The Parimutuel Revenue Law was enacted in New York State. The State Racing Commission was empowered to license parimutuel betting on horse races.
- 1940 - The first major casino, El Rancho, was built in southern Nevada by Southern Californian Thomas Hull (one source says 1941).
- 1942 - The second major casino hotel was built in Las Vegas. The Last Frontier was built by Texas movie magnate, R.E. Griffith (some sources say 1943).
- 1945 - Nevada passed the gaming revenue tax.
- 1946- Benjamin "Bugsy" Siegel opened a major casino/hotel in Las Vegas, the Flamingo Hotel/Casino. He was alleged to be involved with organized crime and was shot shortly after the opening.
- 1945 - Cumulative Reno gambling revenue reached a billion dollars since its inception in 1913.
- 1947 - The Las Vegas Strip's first major lounge act opened. It featured the Mary Kaye Trio at the Last Frontier with the purpose of keeping customers on the property after the main showroom closed for the night.
- 1949 - The Great Nevada Slot War was waged. Robert Van Santen marketed a low casino advantage to publicize his machines. He also put bells and whistles on the slots.

- 1951 - Johnson Act was passed by U.S. Congress [15 USC, 171 et seq.]. This act prohibited the possession, operation, transportation, or repair of gambling devices unless the individual State passed a law that made them or their transportation legal. This law is still on the books and establishes the legal climate for today's gaming jurisdictions.
- 1955 - The Nevada Gaming Control Board was formed as part of the Nevada Tax Commission.
- 1955 - Harrah's opened a casino hotel in Lake Tahoe. It instituted the first casino charter bus program in the country.
- 1955 - For the first time, a casino license in Nevada was revoked. It happened at the Thunderbird and the revocation was based on operator's alleged links to organized crime.
- 1958 - The first package promotions were begun. The Hacienda Hotel in Las Vegas placed brochures in every gas station within 100 miles of Las Vegas and coded each brochure to determine the exact source of business.
- 1959 - The Nevada Control Act was passed.
- 1960s- Howard Hughes acquired numerous casino/hotels. The result was to bring enhanced respectability to the gambling industry.
- 1961 - The first all expense-paid junket was organized by the Flamingo in Las Vegas. A stockholder organized the trip for his wealthy Miami friends to come and view the casino. It resulted in the largest drop, to that date, in the casino's history.
- 1963 - The first electro-mechanical slot machine was produced. The Bally "Honey Money" slot is considered by most to be the first electro-mechanical slot, even though there were others.
- 1964 - New Hampshire was the first state to reintroduce a state lottery, resulting in gross receipts of \$2.5 million.
- 1966 - Howard Hughes bought the Desert Inn from Moe Dalitz. Legend has it that Dalitz told Hughes and his entourage, who did not gamble, that he needed their suite for true high rollers. Hughes solved the problem by purchasing the casino/hotel. Hughes acquired properties from 1967 to 1970, including the Desert Inn, the Sands, the Frontier, the Silver Slipper, the Castaways, and the Landmark in Las Vegas along with Harold's Club in Reno.
- 1967 - The Corporate Gaming Act was passed allowing public corporations to own casinos. Oversight by Securities and Exchange Commission was thought to bring legitimacy to casinos and was done to provide additional

capital for casino development. A supplement to the Act was passed in 1969.

- 1968 - Circus Circus opened on the Las Vegas Strip.
- 1971 - New York State legalized off track wagering.
- 1972 - Junkets were regulated through the Nevada Gaming Commission, Regulation 25. It provided for direct state control over junket operators for the first time while defining a junket as a tour having a paid junket master and 10 or more participants with per capita comps in excess of \$100 per person. It required casinos to make detailed quarterly reports on the junket operations to the Gaming Control Board and held gaming licensees accountable for certain actions of the junket masters they employed.
- 1972 - Montana allowed low limit gaming (actually implemented in 1973) after 61 percent of the voters voted "yes" to the legalization of gaming parlors.
- 1974 - U.S. Congress dropped the ban on broadcasting lottery information. It passed in December.
- 1975 - New York state reinstated a lottery.
- 1975 - International Gaming Technology (IGT) was founded by William Red.
- 1976 - New Jersey legalized gambling through the second statewide referendum on gaming which passed on November 2, 1976. It limited gaming to Atlantic City and earmarked money for senior citizens. Legislation required that casino operators provide at least 500 hotel rooms, 25,000 square feet of meeting hall space, and a 40,000 square foot entertainment center.
- 1976 - The President's Commission on the Review of the National Policy toward Gambling produced the "Gambling in America" report that found, for the period 1974 to 1976, \$17.7 billion was wagered legally every year by approximately 14 million people.
- 1978 - Resorts International opened as Atlantic City's first casino hotel on May 26. The developers spent \$45.2 million to refurbish the old Chalfonte-Haddon hotel with total expenditures of \$77 million. The debt was totally repaid 11 months later. Resorts had first year gross revenues of \$224.6 million and a win of \$62.8 million. That first year, the State of New Jersey collected \$18 million in taxes.
- 1978 - McCarran airport in Las Vegas was the top charter aircraft destination in the world.

- 1979 - The last mechanical slots were produced. In fact, the last production run of mechanical slot machines was made by the Mills-Jennings Company of Elgin, Illinois and was intended for use at the U.S. Navy base in Greenland.
- 1979 - Electronic slot machines were first accepted for wide use. Previously, electronic slot machines had been built by hobbyists and small companies. Thus, they were not taken seriously by the casino gaming industry until Caesar's Boardwalk Regency opened in this year in Atlantic City with fifty percent of its slot machines Electronic Jennings. The rest of the industry soon followed suit.
- 1980 - For the first time, The American Psychiatric Association listed pathological gambling as an official mental disease or disorder.
- 1983 - Seventeen State lotteries were in operation across U.S.
- 1985 - Atlantis in Atlantic City filed for bankruptcy protection.
- 1987 - California vs. Cabazon Band of Mission Indians lawsuit set stage for passage of the Indian Gaming Regulatory Act.
- 1988 - Indian Gaming Regulatory Act (IGRA) passed at the federal level, on October 17. It established three categories of gaming with commensurate regulations. They are:
- CLASS I** -- low level social games, offering prizes of minimal value, and played only by tribal members;
 - CLASS II** -- bingo, pull tabs, lotto, punch boards, certain card games, video display card games, controlled by the tribe and National Indian Gaming Commission (NIGA); and
 - CLASS III** -- all forms of gaming that are not Class I or II, including parimutuel horse and dog racing, jai-alai, casinos, lotteries, banking card games, and slot machines but must have an agreement or 'compact' with the state and gambling must be legal in the state.
- 1988 - Florida instituted the first legal state lottery in the southern U.S. in this century. It began in January.
- 1989 - South Dakota legalized gaming in one city: Deadwood. Play began in November with only poker, blackjack, and slot machines allowed. Bets were limited to a maximum of five dollars. Games and slot machines were limited to a maximum of 30 per operator. No credit could be extended to gamblers. In the first full year of operations, total casino play exceeded \$294 million with a win of \$28.5 million, and state tax revenues of \$2 million.

- 1989 - Iowa legalized riverboat gaming. Legislation was enacted on July 1. It included a five dollar betting limit and a two hundred dollars per cruise gambler loss limit.

- 1989 - Illinois legalized riverboat gaming in December. The law stated that fifteen percent of gaming revenue would go to the state and five percent to the local community.

- 1989 - The Mirage hotel and casino opened on the Las Vegas Strip.

- 1989 - Intoxication was found by courts to be a shield from paying gambling debt. The landmark case was GNOC Corp. vs. Aboud. The result was that a customer did not have to pay a casino debt if he could prove the casino had taken advantage of his intoxicated mental state.

- 1990 - Colorado legalized gaming only in the old mining towns of Black Hawk, Central City, and Cripple Creek. There was a betting limit of five dollars. Gaming operations could begin in October 1, 1991, with only slot machines, blackjack, and poker allowed. Gaming was to occur only in pre WWI style structures: no more than 35 percent of the total building could be used for gaming, no more than 50 percent of any one floor could be used for gaming, no more than two contiguous rooms for gaming was allowed per floor, and no gaming could take place between two a.m. and eight a.m.

- 1990 - The Illinois Riverboat Gaming Act was passed during the regular legislative session. The Act provided for five licenses to be granted by January 1, 1991, with an additional five licenses to be granted by March 1, 1992.

- 1991 - The U.S. Flag Cruise Ship Act addressed the issue of gaming on ships.

- 1991 - The first three riverboats opened in Iowa, with the first boat launched in April. In first five months of operation, the boats attracted 1.5 million patrons and produced \$46 million in win.

- 1991. The first riverboat casino in Illinois was opened.

- 1991 - Missouri legalized riverboat gaming. The state allowed for seven riverboats and one continuously docked boat. Only "games of skill" such as blackjack were allowed, thus no slot machines.

- 1991 - Louisiana legalized Video Draw Poker Machines with a primary objective of putting gray market machines out of business. The state allowed slot machines in bars, truck stops, and convenience stores.

- 1991 - Louisiana legalized riverboat gambling under a statute separate from Video Poker and with different rules.

- 1991 - The U.S. Attorney General restricted the operation of cruise ship "day trips to nowhere" in international waters if the sole purpose of the trip was gambling.
- 1992 - Missouri legalized riverboats during the November general election due to problems with the 1991 legislation.
- 1992 - Mississippi saw five riverboats begin operation. The boats were required to float, but did not have to sail or cruise. Riverboats were not required to have engines nor crews.
- 1992 - A casino opened in Bay St. Louis, Mississippi, in September. It was operated by Casino Magic.
- 1992 - Foxwoods Casino opened in February, in Ledyard Connecticut. It is owned by the Mashantucket Pequot Tribe and had an initial construction cost of \$70 million. It was financed by Kien Haut Realty of Malaysia because U.S. lenders would not underwrite it. It had operating margins of 45 percent, double that of Atlantic City casinos. The state of Connecticut received in excess of \$100 million a year in donations (in 1993) in lieu of taxes, so long as there is no other casino gaming in the state.
- 1993 - A single land based casino in Louisiana was approved for the Rivergate site in New Orleans.
- 1993 - The first riverboat opened in Louisiana. It was the Casino Star which opened in November on Lake Pontchartrain.
- 1993 - Riverboat gaming was legalized in Indiana.
- 1993 - Native American revenues from gaming on reservations reached \$4.5 billion.
- 1993 - Thirty-five state lotteries were in operation across the U.S.
- 1993 - Thirty-eight states offered off track betting, an 111 percent increase from 1983.
- 1993 - Thirteen states had legalized casinos.
- 1993 - Forty-four states had legal horse racing.
- 1993 - The MGM Grand casino/hotel opened on the Las Vegas Strip. It was the largest hotel in the world with over 5,000 rooms.
- 1993 - The bid to build New Orleans's land-based casino was awarded to Harrah's Jazz, a subsidiary of Harrah's Entertainment Inc. Their plan was to build a 200,000 square foot casino at the foot of Canal Street, on the old Rivergate convention center site. The casino was estimated to cost \$670 million, including a \$165 million cash payment to the city of New Orleans.

- 1993 - The Governor of New York signed a casino gaming compact with the Oneida Tribe creating the first high stakes gambling casino in the state in more than a century, located just outside Syracuse. There are no slot machines. Later in the year, a compact was signed with St. Regis Tribe to open a casino near Montreal.
- 1994 - Missouri legalized casino gaming. It was initially brought about by a Supreme Court Decision that allowed games of skill such as blackjack, craps, and poker. The electorate subsequently voted to expand legal gaming to include games of chance such as slot machines. There was a \$500 limit on gamblers losses, per trip.
- 1995 - Harrahs' Jazz casino in New Orleans closed its casino and declared bankruptcy. It shut down in November, after less than one year of operation.

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