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America's Playground...Again



Atlantic City becomes the casino capital of the East

Backstory on the Boardwalk

By the 1970s, states that embraced horseracing and lotteries found gambling tolerable and even desirable. Yet despite several states' attempts to legalize slot machines—Maryland most prominently—Nevada remained the only state to sanction casino gambling. But as the nation's economic picture darkened, casino proposals floated in a number of states, and the most serious surfaced in New Jersey.

Citizens of Atlantic City had urged the state to legalize casino gaming there since the 1950s. Atlantic City, born as a vacation resort for Philadelphia, emerged as a national destination during the Gilded Age. One of the country's pre-eminent convention and exposition spots, majestic hotels flanked the world-famous Boardwalk, whose piers hosted concerts, conventions, and product displays for companies from Heinz to General Motors, and its streets were immortalized in the Depression-era boardgame Monopoly. The city's nightclubs drew crowds with headline entertainers—and, until the winds of reform picked up in the early 1950s, barely concealed back-room casinos.

Though promoted as a family resort, as early as the 1860s those who knew where to look could have some very adult fun gambling. Under the de facto rule of Enoch "Nucky" Johnson, who rose to power as the sheriff of Atlantic County in 1908, wide-open gambling was viewed as a boon to the tourist trade. Reportedly, Johnson struck a bargain with underworld eminence Charles "Lucky" Luciano in 1923 such that, in exchange for a modest ten percent cut of the proceeds, he would permit bootlegged liquor to be landed on

“his beach” and gambling operations to be run by Luciano and his friends—who included gangsters Frank Costello and Joe Adonis. A federal investigation of Johnson’s vice empire revealed that there were at least 25 casinos and pool rooms that flourished under his protection in Atlantic City, along with 9 numbers banks; all of these conducted business openly, safe from prosecution, and earned combined profits of well over \$10 million a year.

After Johnson was finally sent to prison in 1941, gambling continued, albeit in a less public fashion. Most of the city’s world famous nightclubs fronted secret backroom casinos: Skinny D’Amato’s famous 500 Club, where Frank Sinatra played some of his most famous shows and the comedy team of Dean Martin and Jerry Lewis was born, had a full-service casino that had every table game found in Las Vegas, but no slot machines. The world-famous Boardwalk was a gambling mecca of another sort: bingo and other carnival games of chance were common along the boards, and big-money poker games were common in the private rooms of its ritzy hotels. Those who wanted more casual action could play the numbers or bet on horses. Atlantic City remained a gambler’s paradise until the early 1950s, when the exposure brought by the Kefauver Committee’s 1951 hearings there forced an end to the wide-open days.

The reform effort, coincidentally or not, succeeded in driving out these illegal casinos just as the city was beginning to decline. The availability of cheap air travel, which facilitated the development of mass-market tourism in Florida and Las Vegas, meant that many who might have spent their vacations “down the shore” now flew to more exotic destinations. When Atlantic City hosted the Democratic National Convention in the summer of 1964, news media from around the country filed stories on the city’s alarming decline. With little new investment in hotels or tourist facilities, the once-opulent resort rightfully touted as “America’s Playground” became a punchline.

But some far-thinking residents, mindful of Las Vegas’s success, reasoned that legal casinos might be the answer. As early as 1956, Paul “Skinny” D’Amato, owner of the fabled 500 Club, publicly urged state legislators to permit him and other nightclub and hotel owners to legally operate casinos. Two years later, Mildred Fox,

owner of the Fox Manor Hotel, prompted the Women's Chamber of Commerce to promote an unsuccessful pro-casino drive.

As unemployment sky-rocketed and the city decayed even further, locals began to organize more seriously. A December 1968 testimonial dinner thrown in D'Amato's honor at the Shelburne Hotel, according to some, began the concerted effort to bring gambling to Atlantic City. Attended by an assortment of the area's power brokers, talk soon turned to the prospects for legal gaming: all agreed that it was essential to the city's revitalization. In the early 1970s, debate over casinos raged throughout the state, and in 1974, casino backers succeeded in placing a statewide referendum on the November ballot.

This measure, though almost unanimously supported in Atlantic City, had many opponents in the rest of the state. Church leaders denounced gambling as immoral (though the state had, in 1970, turned to a lottery in an unsuccessful attempt to stave off a state income tax), and law-and-order types suggested that organized crime would quickly dominate Garden State casinos. In addition, there were concerns over where casinos would be allowed; Governor Brendan Byrne wanted casinos only in Atlantic City, but the Assembly had approved language allowing them anywhere in the state if a local referendum permitted. That helped to turn the tide against the idea, and voters rejected the measure. Astute political analysts concluded that, with both religious leaders and law enforcement officials stridently urging the populace to reject gambling in the name of morality and law, the prospect of casino gaming had no chance of even returning to the ballot, much less winning.

These pundits ignored the growing national move towards gaming liberalization. New Jersey had already embraced horseracing and a lottery, and with Nevada's booming success, it seemed inevitable that some state would consider legalizing casinos. Thanks to adroit political maneuvering and skillful log-rolling, the measure re-appeared two years later. This time, Catholic leaders roundly supported the measure, which was re-written to authorize casinos in Atlantic City only. Dedicating a portion of casino taxes to fund programs for senior citizens was a masterstroke that added the support of a politically potent group. With strict regulation promised, even law

enforcement warmed to Atlantic City casinos. Still, the pro-casino lobby wanted to take no chances, and hired political consultant Sanford Weiner to assist the unfortunately-named CRAC (Committee to Rebuild Atlantic City). Couching the referendum in terms of help for Atlantic City (and money for statewide programs), Weiner marshaled a then-astronomical \$1 million war chest and doggedly pushed the issue throughout the state. Anti-casino forces, who raised only \$21,000, watched helplessly as, on November 2, 1976, the Atlantic City casino referendum passed.

“CITY REBORN” screamed the headline in the hometown *Atlantic City Press*. From bellmen to bankers, just about everyone in town was jubilant at the chance for a second chance, which all agreed casinos could bring.

But the devil, as always, was in the details. How would the state's new casinos be regulated? Who would keep them free of organized crime? The hard work of deciding these and other vexing questions fell to New Jersey's lawmakers. Meanwhile, construction started on the first of the city's reborn pleasure palaces, a casino that would highlight the growing pains that Atlantic City faced.

Paradise Found

The dice started rolling on May 26, 1978, when Resorts International opened in the erstwhile Haddon Hall, a converted golden-era Boardwalk hotel. Over the previous months, the state legislature had created the regulatory framework for the new industry: a Casino Control Commission would issue licenses and set policies, while the Division of Gaming Enforcement would be the investigatory and enforcement arm of the government. Government officials were particularly concerned with keeping organized crime out of the industry. During the opening festivities at Resorts, New Jersey Governor Brendan Byrne—a supporter of legal casinos—channeled Charlton Heston, warning organized crime: “Keep your filthy hands off Atlantic City! Keep the hell out of our state!” Many chuckled at the notion that the mob might only now be moving into the Garden State.

Resorts International's history shows the potent allure of casino gambling. The company was originally the Mary Carter Paint Com-

pany, and it indeed distributed and sold paint. In the 1960s, Florida-based operation became a conglomerate, acquiring several other companies ranging from paint rivals to the Biff Burger fast food chain. Among these acquisitions was Bahamas Developers, Ltd., which had hotel and real estate interests in the Bahamas, including a casino. Finding this to be a much more lucrative trade than paints, the company sold off its paint division in 1968, renaming itself Resorts International.

The company had gambled on Atlantic City in 1976, when it paid \$2.4 million for the company that owned Chalfonte-Haddon Hall. Resorts generously funded the pro-casino camp in the run-up to the 1976 referendum, and the moment that it passed, broke out the hammers and started converting the Haddon Hall part of the Chalfonte-Haddon into a serviceable casino hotel.

Resorts had a head start. Nevada-based casinos, seemingly a shoe-in to expand to New Jersey, were not initially permitted to do so. Since casino gaming had been illegal in the rest of the United States until 1976, Nevada's gaming regulations prohibited its licensees from doing business elsewhere. This is why the sentiment from Las Vegas ran from muted resignation to outright hostility on the question of Atlantic City casinos. Yet once the voters spoke and it became clear that casinos were a *fait accompli*, Nevada solons, not wishing like Canute demand that the tide recede, amended their laws in 1977 to permit its casino owners to operate casinos in other jurisdictions where it was legal, provided its regulatory system passed Gaming Control Board muster. New Jersey would clear that bar with room to spare, much to the frustration of several Nevada casino owners who found the doors to Atlantic City closed to them.

Still, Resorts was the only operator even close to being ready to open. With work on its casino on the Boardwalk at North Carolina Avenue proceeding apace, the company in December 1977 submitted its official application for a casino license and a \$100,000 ante on its \$550,000 application fee to the Division of Gaming Enforcement. In January of the next year, it received \$16 million in loans that would allow it to finish its conversion of the aged Haddon Hall, built in the 1920s, into an ultra-modern casino hotel for the disco age.

Getting the money wasn't easy, but it wasn't nearly as taxing as the investigation the company faced. With the Division of Gaming Enforcement itself still being established, there was a definite learning curve. Investigators had to determine the suitability of the company itself, which involved reviewing its Bahamas operations and searching for any possible ties to organized crime; all of this had to be done before the company would be granted a license and allowed to open its casino. They also had to investigate every employee, from the president to the night janitor, for financial suitability, good character, and freedom from association with known mob figures. As can be imagined, this was both costly and time-consuming. Yet, if the industry's regulation was to be as strict as had been promised to voters, this was necessary. It was estimated that it would take the forty agents assigned to investigate Resorts until the fall to finish their work.

At the same time, there was pressure building to allow the casino to open for the summer season. Resorts chairman James Crosby insisted the property could be open by Memorial Day. He opened a school to train the four hundred dealers who would be needed to staff the casino's gaming tables. And it appeared that New Jersey wouldn't have an East Coast monopoly for long. New York, Pennsylvania, and especially Florida, it was feared, might soon approve competing casinos. So while there were solid law enforcement reasons for holding back on issuing licenses until investigators could complete their work, political realities meant that the dice would have to start rolling before the summer season began in May.

So New Jersey's lawmakers passed a measure allowing for temporary licenses; these permits, good for up to nine months, would allow a casino to open before it had been thoroughly vetted. By early May, even without a casino license in hand, the hotel at Resorts International had booked all of its rooms clear through Labor Day. Finally, on May 15, the Casino Control Commission granted Resorts a six-month temporary license. With everything now legal, the casino then opened on May 26.

Resorts saw incredible crowds on its opening weekend, which coincided with the Memorial Day holiday. Lines to get in stretched blocks down the Boardwalk. Steve Lawrence, who along with Ey-

die Gorme was Resorts' opening headliner, officially placed the first legal bet in Atlantic City when he ceremoniously put \$10 on pass. After rolling a five, he sevens out. This didn't dampen the ardor of the thousands of gamblers who filled the casino, standing five deep at tables and even slot machines. In its first six days of operation, Resorts made \$2.9 million—a world record. In its first full year, the casino pulled in nearly \$225 million. By comparison, Nevada's most lucrative casino at the time, Las Vegas's MGM Grand, brought in about \$84 million annually. Suddenly, Las Vegas had a serious rival.

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On May 26, 1978, Resorts International, Atlantic City's first casino hotel, opened in a renovated Haddon Hall. This is the Haddon Hall-Chalfonte complex in 1976, shortly before the casino referendum passed. Resorts demolished the smaller Chalfonte for a hotel expansion that was never built.