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Hosts and Guests Revisited:

Tourism Issues of the 21st Century



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Hosts and Guests Revisited: Tourism Issues of the 21st Century

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Chapter 5

Gambling Into the 21st Century

Charles F. Urbanowicz

America is witnessing the most widespread liberalization of casino gaming entertainment in its history. Although permitted in the United States since it was legalized in Nevada in 1931, casino-style gaming is expanding at an unparalleled rate (Satre, 1993, p. 5). This chapter addresses the major sources and development of American gaming, and it questions the impact of gaming on society (see Figure 5.1).

Four events contributed to this acceleration of gambling in the second half of the 20th century in the US: (1) lotteries became a part of the American scene; (2) the Holiday Inn Corporation, acting on changes made by the Nevada Legislature, made it respectable for average stockholders to be part of the gaming industry; (3) the passage of the Indian Gaming Regulatory Act (IGRA) by the United States Congress caused phenomenal growth in Native American facilities; and (4) human nature.

The British novelist and playwright J. B. Priestly (1894-1984) was noted for his shrewd human characterizations. During his days in England in the 1920s, he wrote book reviews and sold the book afterward. He describes the emotions accompanying the book sales in an essay entitled "Money for Nothing":

At this shop, where human nature was understood, one was always paid at once and always paid in cash, generally in exquisite new pound notes. And of all the money I have ever handled, this gave me the most delight. Money for Jam, Money for Old Rope, Money for nothing. When we receive our wages, salaries or fees, we may be content, for that is what we have earned, but we are a long way from delight. It is money that we have not earned, the windfall, the magical bonus, that starts us capering. (J. Priestly, 1951, pp. 349-350)

This "magical bonus" is what drives the guest-as-gambler to take risks at various host destinations that offer this form of entertainment. Anthropologists identify gambling as one of the several forms of redistribution of wealth, together with gift giving, taxation, and theft. Ethnographic research for more than two decades has convinced me not to gamble. Consider the words of Steve Wynn, Chairman of Mirage Resorts Inc. (cited in Spanier, 1992, p. 17) concerning gambling as a way to earn money: "If you wanna make money in a casino, own one."

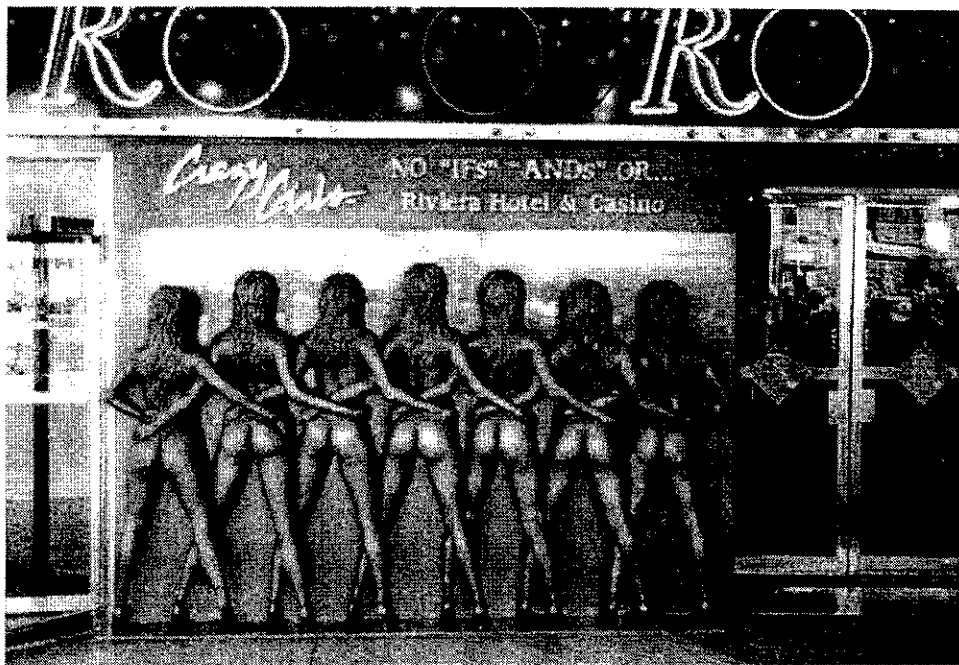


Figure 5.1. The "crazy girls" of the Riviera Hotel and Casino (photo by Charlie Urbanowicz).

Research indicates that individuals go to casinos (1) to gamble (or take risks), (2) to regain some control over their lives, and/or (3) to feel that they are important! Priestly wrote that he earned a great deal of money elsewhere but that it all was "lost in a dreary maze of bank accounts, stocks and shares, tax certificates, cheques and bills and receipts" but, the book sale money, that was something else:

But when I used to hurry out of that shop with five or six new pound notes singing in my pocket, for quarter of an hour or so I felt like a tipsy millionaire or the man who broke the bank at Monte Carlo. Money to Burn! And the only comparable moments I have known since then have been on the certain very rare occasions when I happen to have been fortunate in playing those fruit machines [or slot machines or "one-armed bandits"], which were so popular in the American southwest when we were there. (Priestly, 1951, pp. 349-350)

This unexpected windfall, achieved through a perceived control of the situation, is why people really gamble. Potential guests look to various host destinations to get that adrenal "rush" to remove the boredom from their lives. Romero, an industry consultant, had the following perceptive words about the role that human nature plays in gambling activities:

Why do they come to gaming tournaments? After 15 years of Casino tournaments, I've come to a melancholy conclusion. They come because they're lonely. Sure, price, prize list and free play mean something but those are the

intellectual reasons, not emotional reasons. Look carefully at your tournament customers and you'll see most are middle-aged to elderly, living a generally quiet existence (read boring). All this changes at tournaments when they become the center of attention. For brief moments at the slots or tables, they're the stars. It's easy to become addicted to recognition, which is why the best way to keep them as customers is to meet them, learn their names and show them a good time. Did you think they came because of the brochure? Naw. (Romero, 1993, p. 8)

Gambling has evolved into a respectable entertainment industry that is attempting to draw as many new guests as possible to an ever-increasing number of host destinations. On a typical day in the early 1990s, people wagered about US\$627,000 every minute of every day on all types of commercial gambling in the US, and all of these commercial gaming ventures made a profit of about US\$57,000 per minute! Data from 1997 indicate that in 1995 the "win" was about US\$84,000 per minute in the US (or an increase of US\$27,447 per minute from the early 1990s). This revenue underscores the reason big business and corporations are willing to invest a "small fortune" in refurbishing establishments in order to attract consumers for this highly profitable form of entertainment now, and it is predicted to continue into the 21st century. The gaming industry continues to proliferate, adding new sites to compete with the increasing expansion from Indian operations on tribal lands (see Lew & Van Otten, 1998).

Background

We all gamble. The term "gambling" has several definitions, including "to play at any game of chance for stakes" and "to stake or risk money, or anything of value, on the outcome of something involving chance; bet; wager." Ambiguity surrounds the use of the terms "gaming" and "gambling." As someone once remarked, "if you bet on a horse, that's gambling. If you bet you can make three spades, that's entertainment. If you bet cotton will go up three points, that's business. See the difference?" (Orkin, 1991, p. 1). Although the industry executives use the euphemism of *gaming*, our use here is *gambling*. This chapter points out that whereas the outsider (or guest) might think gambling is entertainment, the insider (the hosts, owners, or management) views gambling as a volatile, profitable, competitive enterprise. "Winners" and "losers" exist from the industry or "host" perspective as well as from the perspective of the guests! Not only do "gaming guests" lose money, but certain casinos have also disappeared in past years. For example, in the late 1990s the downtown area of Reno, NV, was literally littered with the "shells" of empty casinos that had prospered when the town was a railhead and served the mining camps at the turn of the last century. These old casinos failed because of their inability to meet market demand for new luxury hotels, big-name entertainers, in-house amusements, and lavish but inexpensive food buffets.

Competition

The competition between the gambling industry casinos to attract guests to their respective locations around the world is multifaceted and occurs as: Nevada

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vs. New Jersey (and the rest of the nation), northern Nevada (Reno) casinos vs. southern Nevada (Las Vegas) casinos; Las Vegas "strip" vs. downtown Las Vegas; the land-based casinos vs. riverboat casinos; and even table games vs. machine games. And in 2000, competition is seen between visiting a casino and Internet gambling (which does not mitigate the loneliness). Technology has allowed various host destinations to change gambling machines from old-fashioned mechanical machines to newer electronic machines with random-number-generated computer chips. These computer-linked machines do pay off and the casinos love the publicity when a relatively modest investment hits a jackpot.

Competition also exists between players or guests (those seeking entertainment) and casino operators or hosts (who have the statistical advantage). At the end of 1996, the Reno-Sparks Convention and Visitor Authority (RSCVA) made the following statement:

More tourists are visiting Reno this year than last, but more of them are also visiting Indian casinos and Las Vegas—a potentially significant shift, say market analysts. . . . "The product in Reno is pleasing a lot more people . . . but it's disturbing that we have so much competition," he [Buddy Frank, RSCVA member] said, emphasizing Reno's need to continue improving its product. If it doesn't, he said, "we could lose (business) far more quickly now than we ever could in the past." Visits to Indian casinos appear to be rising because more casinos are now located in key Reno feeder markets, like the Pacific Northwest and Northern California. (Stearns, 1996, p. 1E)

In a hotly contested November 1999 election, California voters affirmed casino-style gambling, with entertainment, on Indian reservations within the state because of the job creation and employment that this tourist industry would provide for native Americans.

Specifics

State and local governments are looking at gambling to pay for social services. Legalized state-authorized gambling began in 1931 in Nevada and was then legalized in Atlantic City, NJ, in 1978, a move to rejuvenate an almost derelict resort (see Chapter 7). The 20th century legalization of gambling in the US, however, does not mean that gambling was brand new to the continent. Native Americans partook of games of chance long before Europeans arrived in 1492. Patolli was a board game involving competitors throwing dice. In the Yucatán of Mexico (Chitchén Itzá), Native Americans made bets at the largest ball court in all of Mesoamerica, measuring some 83 meters in length (272 feet). The following description of the game is interesting:

This game was both a sport and a sacrificial ritual. It was played throughout Mesoamerica, using a large rubber ball that could be hit by the elbows, knees, or hips, but could not be touched by the hands or feet. The game required the players to wear heavy protective equipment, and much paraphernalia was developed during the Classic period. It was often played in masonry courts, and rings or other markers were used for scoring. (Kelly, 1993, p. 41).

Gambling

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The US has a long and lengthy history of gambling (Findlay, 1986). In a delightful and fascinating book, *Big Deal: A Year as a Professional Poker Player*, Anthony Holden (1990) made the following perceptive statement:

In retrospect, it seems inevitable that games of chance should have played so large a role in the development of the American character. By the time of the American War of Independence, financed in large part by lotteries, public auctions had been a routine alternative to taxation since Queen Elizabeth I sanctioned England's first raffle in 1566, to finance harbor improvements. In the early seventeenth century, it was a lottery that funded the first permanent English settlement in North America at Jamestown, North Virginia. . . . Risk-taking, by definition, is a fundamental aspect of any pioneer or frontier ethic. (pp. 217-218)

During the 18th and 19th centuries, the prevailing American "Puritan ethic" did not sanction public gambling. It was primarily identified with pool halls and saloons, especially around the Gold Rush mining camps, and later with organized crime. The American musical, *Showboat* (Rogers and Hammerstein, 1927), characterized the gambler as an irresponsible "drifter" and opportunist.

The Effect of Communication Technology

A recent addition to the worldwide accelerating growth of gambling, however, comes via cyberspace. The gambling industry is well aware of this cyberspace potential, as one article pointed out:

The electronic superhighway now under construction . . . has profound implications for USGI [U.S. Gambling, Inc., "a fictional holding company for the nation's casinos and slot machines and video poker devices and race-tracks and lotteries and other gambling businesses"]. How will commercial games adapt to the fast approaching interactive future? (Christiansen, 1993a, p. 28)

Gamblers no longer need travel but can be entertained in the comfort of their homes. The fiscal effect on the huge casinos is as yet unclear, given the legal issues that have recently been raised. The families of gamblers who "lost" their entire assets have sued the casinos for permitting these individuals to "borrow" money on their credit cards to continue their gambling spree. The courts have yet to decide whether the casino "hosts" have a financial as well as a moral responsibility to monitor guest behavior. Harrah's, the oldest and largest casino conglomerate, now advertises the motto, "Know when to stop before you start." Large casinos electronically track the wins and losses of their regular clients, using an in-house ID card with an imbedded chip; these data can be then be compared with their personal credit record, as a matter of self-protection. Given this potential liability, even the "Internet gamers" asked for regulations at the March 1998 International Gaming Business Exposition in Las Vegas:

We believe regulation is needed to legitimize the market and grow the market. . . . Internet gambling is here and it is not going to go away, the experts

said. . . . Three weeks ago, federal prosecutors in New York announced indictments against 14 American managers of off-shore companies set up to accept bets over the Internet. (Wilens, 1998, p. 10B)

Sources of Gambling

State-sanctioned lotteries began on March 12, 1964, when the Governor of New Hampshire purchased the first sweepstakes ticket in New Hampshire. *International Gaming & Wagering Business*, an extremely influential trade publication, had the following statement in 1994:

It was a simple act, exchanging \$3 for ticket number 0000001, but one that would set into motion a juggernaut that, 30 years later, would be a US\$25 billion per year industry comprising 36 states and the District of Columbia. (Dworin, 1994, p. 8)

Corporate America entered the industry in 1978 when the Holiday Inn Corporation made gambling legitimate to stockholders. The following is a clear statement of this aspect:

That [1978] vote [by the Holiday Inn Corporation] marked a significant turning point not just for Holiday, but for the country and the lines that distinguish legitimate business from that which is illegitimate. Throughout history gamblers could earn fortunes, but not much else. If they wanted the status of legitimacy, if they wanted respect, they had to take their money and get themselves or their children out of gambling and into businesses that were respectable because they added some value to society. (D. Johnston, 1992, p. 49)

Prior to corporate America becoming involved in the gaming industry, the expansion of Nevada casinos had come from a questionable source of money:

Throughout the 1960s and well into the 1970s, most of that investment money came from the Teamsters Central States Pension Fund, which provided the money to make Las Vegas the capital of gaming at a time when most financial institutions still steered clear of casino investments. Las Vegas would not be what it is today without the Teamsters Union. . . . All the casino loans, however, seemed to come with strings attached. . . . [Eventually] In 1969 the Nevada Legislature passed a corporate gaming control law that permitted corporations to enter Nevada's gaming industry without requiring each shareholder to submit to individual licensing. (S. Lalli, 1997, pp. 14-18)

These cumulative events have been powerful contributors to the acceleration of gambling in the 1990s. Not only can a "guest" be entertained in a gaming establishment, he/she can also "invest" in various industry stocks, such as: Alpha Hospitality Corporation, Aztar Corporation, Circus Circus Enterprises, Inc., Colorado Casino Corporation, Grand Casino Inc., Harvey's Casino Resorts, Harrah's Entertainment Inc., Hilton Hotels Corp., MGM Grand Inc., Mirage Resorts Inc., Station

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Casinos Inc., and Winner's Entertainment Inc. (just to name a few); one can also invest in various industry suppliers, such as Acres Gaming Inc., International Gaming Technology, Shuffle Master Inc., and Video Lottery Tech, Inc.

Eventually the US Congress passed the 1988 Indian Gaming Regulatory Act (IGRA), and this continued the acceleration. Prior to 1988, federally recognized Native American tribes and individual states had the authority to enter into various agreements dealing with taxes as well as tribal social services. It was the United States Supreme Court decision in *California v. Cabazon Band of Mission Indians* (begun in 1986 and eventually decided in favor of the Cabazon in 1987) that resulted in the passage of IGRA. McKay (1991) pointed out that "the primary issue in Cabazon was whether the State of California had authority to enforce its gambling laws within the reservation occupied by the Cabazon Indians" (p. 472) and the resulting court decision on the Cabazon "allowed unregulated gambling to flourish on Indian reservations" (Weissmann, 1993, p. 124).

Not everyone is pleased with all aspects of Native American involvement in gambling, called the "new Buffalo" by some (Hill, 1993, 1994). In the mid-1990s the following statement was made by a Representative from the state of New Jersey: "We have seen created 296 Indian casinos in a US\$7.5 billion industry that is untaxed, unregulated and out of control" ("Lawmakers Aim to Bar Indian Lottery," 1995). The legal situation is so volatile and changing so quickly, one can only cite a 1997 commentator on Native American gambling establishments in North America: "Tribes are groping for ways to deal with immovable state governments" (Connor, 1997, p. 62). According to Connor, IGRA provided "the framework by which games are conducted to protect both the tribes and the general public. Its goals are tribal economic development, self-sufficiency and strong tribal government" (1993, p. 9). IGRA may have provided a statutory basis for the creation and operation of Indian gambling establishments in the US, but the results from IGRA are still evolving (and for an excellent short overview, see J. Davis & Otterstrom, 1998). The Mashantucket Pequot Tribal Nation Casino in Mashantucket, CT, is the most successful casino (Indian Nation or not) in the Western Hemisphere. An article in the *Pequot Times* points out:

Tribal leaders at Taos Pueblo say their gaming operation is in "dismal financial condition" and it can afford to pay only \$4,516 of the \$169,000 it owes the state. In Washington, one of the 12 tribal casinos was forced to close last summer and at least three more have stopped making required community-impact contributions. "I don't think anybody expected this," said Carrie Tellefson of the state Gambling Commission. "We never thought they might be unprofitable." Many tribes, with casinos in isolated rural areas, are finding that gaming is by no means a sure bet. ("Indian Gaming Offers No Assurance of Success," 1998, p. 10)

Symptomatic of the Times?

From 1910 to 1931 Americans did without legal gambling, but that changed because gambling was already such a major portion of American life and history. Now the availability of various destinations is getting stronger as marketing be-

comes increasingly creative. A new "family" approach (see Figure 5.2) at destinations makes Las Vegas Americans' destination of choice (Stearns, 1997a, p. 1).

In addition to getting the "complete family" to the destination resort, the industry is working on everything to get individuals to various destinations, including the increasing popularity of tournament lures by featuring poker, slot machine, Caribbean Stud, Let-It-Ride, and blackjack tournaments. "High rollers" have traditionally been rewarded with complimentary items. The industry is also looking at other ways of encouraging gambling, such as discounts, specialized memberships, monthly mailings, and the related electronic tracking of various gamers. Readers of this chapter should consider the words of industry analyst Byron Liggett in *The Reno Gazette-Journal* in the mid-1990s in response to the question "Is it true that casinos use certain fragrances to induce customers to gamble more?" The complete answer follows:

A year-long study at the Las Vegas Hilton in 1992 indicated that certain aromas caused slot players to spend as much as 45 percent more. Since then, numerous casinos have used the science of scents to create a comfortable, conducive environment. Scent manufacturers and casinos consider the use of aromas to be no different than the employment of lighting, sound and decor to create a positive gambling environment. (Liggett, 1995, p. 19)



Figure 5.2. Treasure Island Hotel (photo by Charlie Urbanowicz).

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Gaming guests should be aware that the chemically produced pheromones just might have a greater effect than "lighting, sound and décor" in encouraging gambling. Certain casinos might create a "gaming environment," which is designed to unconsciously manipulate the gambling behavior of individuals in order to increase their profits: it is a business to the industry and not a game! The "risk-taking" atmosphere is further encouraged when guests are offered "free" drinks by their convivial hosts while being "entertained" or gambling. The effect of alcohol can lead to fuzzy thinking and increase the risk-taking quotient.

Meeting the Competitive Challenge: Las Vegas

The gaming industry fully understands the changing patterns of tourism, described by Butler (1980) as the resort cycle (see Chapter 7), and modifies their investment program to meet new interests. Despite its isolation in the Nevada desert, Las Vegas grew to become the gaming capital of the world, and held that status for almost 50 years. Their long-term legal monopoly, heightened by the glamour of lavish Paris-style revues and headliner stars such as Elvis Presley and Liberace, made Las Vegas an important international destination. To maintain that preeminence, as TV brought more entertainment to homes, the city faced stiff competition and carefully restructured its focus with three innovations:

1. the creation of international "theme" hotels such as New York, Luxor, the Venetian, the Bellagio, Mandalay, and Paris!, with lavish decor, fine dining, and boutiques (see Figure 5.3);

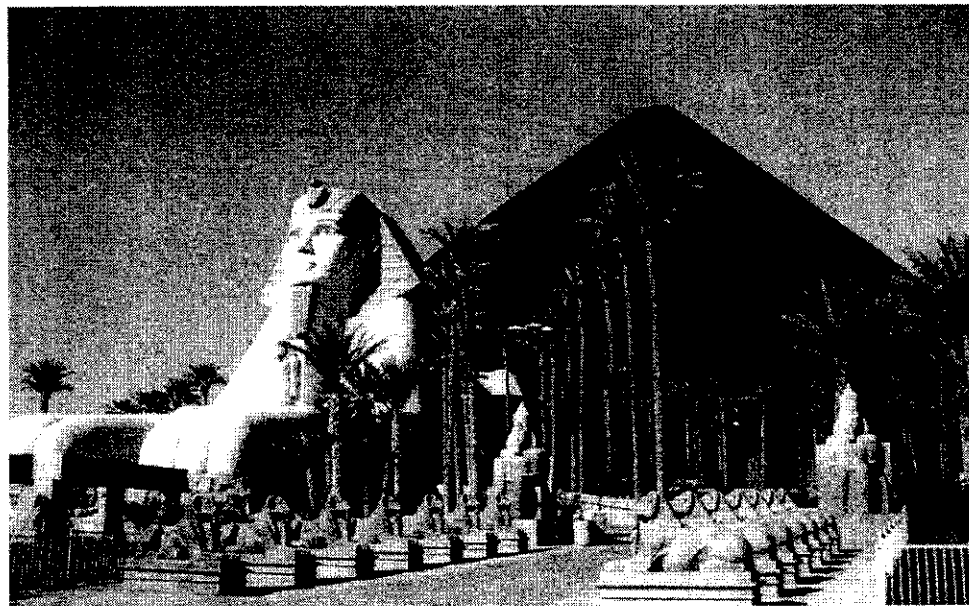


Figure 5.3. Luxor Hotel (photo by Charlie Urbanowicz).

2. extremely high occupancy rates (85.8%) in its 109,365 hotel rooms through promoting Las Vegas as a convention town (with an average nightly room rate of only US\$66); and
3. construction of seven major shopping malls, catering to every purse, to keep visitors occupied and amused.

The city of Greater Las Vegas has a population of 1.2 million (1999) but attracts 31 million visitors per year. The Las Vegas News Bureau (May 1999) tabulates the 1998 economic impact as US\$24.6 billion based on 3900 conventions, hosting 3.3 million delegates. The gross gambling revenues for Las Vegas amounted to US\$5 billion, which averaged US\$469 per person per trip. A serious shortage of air traffic capacity suggests an urgent need to construct a high-speed rail link to southern California to service that large market.

Las Vegas will host the American Society of Travel Agent (ASTA) convention in 2000. With new hotels under construction, there will be 126,000 rooms available, but to maintain the high occupancy level the challenge is to attract an additional 6 million visitors per year. Toward that goal, the casinos seek diversification because only 60% of their revenue is derived from gambling (Much, 1998). The owners of the Bellagio Hotel purchased a small collection of Impressionist paintings by artists such as Degas, Renoir, Cézanne, Manet, and Gauguin for US\$260 million, installed as an art gallery exhibit for US\$10 admission. The Nevada Division of State Parks is reconstructing the 1855 Old Mormon Fort with Paiute Indian exhibits and re-created pioneer ranch life. Las Vegas has grown into a brand name resort destination with enough attractions to keep guests active for several days, not just the overnight gamblers or conventioners, and directly supports over 700,000 jobs.

Conclusions

Security is mostly a superstition. It does not exist in nature, nor do the children of men as a whole experience it. Avoiding danger is no safer in the long run than outright exposure. Life is either a daring adventure, or nothing.
Helen Keller (1880-1968)

Living is risky and as social scientists we have the obligation to make others aware of some of the risks involved in various aspects of life. Legalized gambling in the US (1) generates a great deal of revenue, (2) has a great deal of visibility, (3) is creating some interesting partnerships, and (4) is a risky business for both hosts and guests. The visibility and the competition in the industry are obvious. From the bombarding messages of the state lotteries to the development of mega-resorts in Nevada, there is demand for the guest dollar.

From 1931 until 1978, Nevada was alone. Since then, there has been growth and competition; today, Reno/Sparks/Tahoe and Las Vegas must all compete with numerous activities and destinations all across the US (see Meyer-Arendt & Hartmann, 1998). Some establishments will survive and some will fail. In contrast to the fairy tale of Las Vegas (which is not without potential failure at some point), in 1995, Harold's Club closed in downtown Reno, NV, and as of late 1998, six additional casinos in Reno closed their doors since that closing: Holiday-Hotel Casino, Horse-

shoe Club, Nevada Club, The Riverboat, Riverside, and The Virginian, while only one new resort "gaming" destination opened, The Silver Legacy (in 1995). The potential guests for all of these destinations (and across the entire US) should realize that gambling is not entertainment. Gambling is a very big business and these hosts always have the advantage! Gambling is very expensive entertainment.

Gambling is here to stay. The long-term future in the US is debatable because there are numerous problems concerning expansion and growth of the gambling industry. Eadington (1992) pointed out that "observers, such as I. Nelson Rose, have argued that the proliferation [of gambling] carries with it the seeds of its own destruction" (p. 12) and this could be true. There is growing concern about "addictive gambling," labeled by the American Psychiatric Association as "an impulse control disorder" said to affect about 11% of all gamblers. Rose (1991) expects that after the boom of the 1990s and the first two decades of the 21st century, gambling will be outlawed again. Whether satiation or legislation ends the current unlimited growth is a question for the future!