

# Where gambling is on the agenda

## New York: test case for the nation

The New York State Legislature will be convened in special session on Sept. 9 for public hearings and a vote on whether to approve an amendment to the State Constitution that would allow legalized casino gambling in the state. Because an amendment to the Constitution is involved, approval by New York State voter referendum is required, in addition to any approval by the State Legislature. The bill which will be voted on is the product of the findings and recommendations of Governor Carey's Casino Gambling Advisory Panel, whose report was released Aug. 10.

Legalization of gambling has been promoted by New York City Mayor Edward Koch since his election in 1977, and has the support in principle of Governor Hugh Carey, although Carey is reported to have reservations about supporting a referendum this fall. The possible qualification surrounding Carey's immediate decision centers on the "obstacle" of the requirement in New York State for an actual voter referendum to finalize passage—a problem which does not confront gambling-real estate interests in areas such as Pennsylvania and Massachusetts. Despite pollsters' claims that the public "heavily" supports casino gambling, the truth is that even a planned intense public relations blitz may not put gambling across with state voters, and a referendum could even drag Carey's transportation bond issue down to defeat with it.

Nevertheless, passage of a casino gambling law in New York is seen by gambling supporters as key to the spread of gambling across the country.

As outlined by the board, 40 casino gambling palaces would be established in the state as a whole, with 13 of them slated for the West Side of Manhattan, in a "casino strip" along the Hudson River. The remainder would be dispersed in the following areas: the Atlantic Seaboard of New York City at Far Rockaway, and the adjacent decaying resort town of Long Beach in neighboring Nassau County. In both locales, about 25 existing nursing homes, predominantly catering to Jewish clients, would be forcibly removed, to make way for the casinos. The other location within New York City would be Brooklyn's Coney Island beachfront amusement area. Upstate, the two selected locations for casino sites include the Catskill Mountains resort area, and the Buffalo-Niagara Falls region.

The dimensions of the program, as stated by the panel, are: \$3 billion in anticipated casino gambling profits annually by 1990, with 75 percent of that mammoth figure going as profit to Resorts International, Caesar's World, Playboy, and the rest of the real estate swindle-organized crime crowd "in on the action." The panel estimates 80,000 jobs would be created as direct employment in the casinos and hotels.

The panel's claims that "this will be different than Vegas or Atlantic City" stand in tatters. As the staffers on the panel frankly admit, at least a dozen major national casino and hotel operators are "ready to jump in" to Manhattan as soon as legalization is achieved. These operators include some of the best-known—and dirtiest—operators in Nevada and Atlantic City. Hotel operators included in this group which already have Manhattan operations are not, contrary to reports circulated by the *New York Times*, at all "upset" over the panel's proposed specification that only new hotels can be licensed for casino gambling. As a staffer on the panel admitted: "All these organizations started with the proposition that they would prefer a casino in Manhattan." This source indicated that major hotel chains would be more than happy to accommodate the "new hotel" clause by building a second hotel—the planned 800-room "addition" to the New York Hilton, for example, could qualify—in anticipation of the Resorts-gambling "boom."

The hotel organizations which plan to move in for casino gambling include Resorts International, Caesar's World, MGM, Playboy, Hilton, Sheraton, Holiday Inns, Ramada Inns, Harrah's, Penthouse, and Bally.

## Carey aide: no probe of mob links to casinos

*Vincent Reede, on temporary leave from the Economic Development Board of the State of New York to serve as director of research for Governor Hugh Carey's Casino Gambling Study Panel, discussed the rationale for gambling in two recent interviews. Most significantly, he stated that New York would not replicate even New Jersey's half-hearted investigation of organized crime influence at the highest levels of the casino operating companies: New York will probe only low level service companies and others peripheral to the actual casino operations.*

## On organized crime in gambling

**Q:** Why do you think casino gambling will pass the

*legislature in New York State in the fall '79 session?*

A: There is no real opposition in either the Assembly or Senate. The main controversy at this time is controlling the influence of organized crime in the casino gambling industry. So in answer to your question, the legislature will pass the bill for privately owned casinos based on the fact that New York is different from Atlantic City and Las Vegas.

*Q: What is the difference between New York State and Las Vegas or Atlantic City in stopping the influence of organized crime?*

A: Stopping organized crime is not a new business for New York State. The city has the reputation of being "crime busters," plus we have the know-how and experience. [We have] respected attorneys such as Robert M. Morgenthau, Manhattan district attorney; Alfred J. Scotti, former chief assistant district attorney in Manhattan; and Michael F. Armstrong, former district attorney for Queens, who have had years of investigation and prosecution inside the mob; and we also have contacts. We will be able to control organized crime activities.

*Q: Don't you think all of this has been said before, and that organized crime still holds the same position after several investigations and indictments, and that this is a never-ending battle?*

A: We are not going to stop organized crime, but we are going to root out the high level operators out of the gambling industry. It is going to get sticky, but not like the investigation done by New Jersey. That investigation was distorted. Through the casino gambling enforcement commission we are only going to investigate the service companies—linen, garbage collection, limousine—and labor unions, they are the biggest threat to the gambling industry. It's a waste of time and taxpayers money to start at the top. Those individuals have passed the test. We have to stop the infiltration of the services into the core of the industry, and, I must reiterate, we have the know-how to bring in respectability.

#### **What kind of casinos for New York State?**

*Q: What is Governor Carey's casino gambling panel?*

A: The governor's panel was established in February of this year to examine the benefits of gambling and the factors regarding employment and the advantages it would add to the economy of this state, particularly how it would change depressed areas such as Manhat-

tan, Long Beach, Catskills, Rockaways, Coney Island, and Niagara Falls. The panel, which is separate from the staff, consists of attorneys, businessmen, theater and hotel corporate executives. All are highly qualified for the position and are in full support of legalizing gambling this year. The panel's role is to make all recommendations to the Governor, and it has just recommended that the casinos be privately owned and state monitored. The panel is also responsible for a detailed study on location of sites for the casinos, and all available information on organized crime, past and present.

*Q: If the governor approves private ownership, who in the gambling industry will be involved?*

A: The corporations are Resorts International, Caesar's World, and Hilton Hotels.

*Q: With these corporations involved, will New York City have the same arrangement as Las Vegas, or Atlantic City?*

A: No, in New York State the intentions are to bring in London-style gambling—private houses with limited hours and chips starting at \$25. Several of our panel members visited London, and were entertained by Resorts and were so impressed with the style, that they have recommended to the governor, that this is the approach to get the legislature and the voters to buy casino gambling.

*Q: What about organized crime and their involvement in the casino industry?*

A: Well, we are going to control organized crime and bring a new respectability into investment in gambling. If you take out organized crime, money can't be laundered. We are going to bring in the New York banks and investment houses. The big investment houses from Manhattan are now arranging deals with the panel, along with real estate firms.

*Q: What does this mean for the center of banking, New York City?*

A: What it means is offshore banking will become onshore, Bahama Islands-style banking.

*Q: What about the port of New York?*

A: The tourist trade will no longer sail out of New York harbor for a gambling cruise, but instead will take a cruise that will come into the harbor, just to look at what Manhattan has to offer.

## New York gambling: the public relations pitch

*Public relations for the gambling drive in New York is being handled exclusively by Robert Armao, head of Armao and Company, who also serves as chief of staff to the deposed Shah Mohammed Rezi Pahlavi of Iran and, until landing the gambling contract, was also Mayor Koch's official New York City greeter. Youthful and well connected, Armao, who has worked in the past for Victor Barella (Governor Nelson Rockefeller's labor advisor and close friend) and Senator Charles Goodell, and served as chief of staff to Secretary of Labor Peter Brennan, was hired by a coalition of big business, tourist, hotel, and labor organizations to sell casino gambling. His brother, Richard Armao, vice president of Armao and Company, talked recently about what is planned.*

**Q:** *What public relations is your firm doing for the casino gambling commission?*

**Armao:** Public relations is being done in conjunction with upstate lobbying. We are presently preparing for a mass media blitz with several television and radio spots. We are planning to bring to the Legislature and voters that New York State is sophisticated and that is the type of gambling that will be offered. There will be no main floor casinos—the image of gambling will be changed. There is a fear of organized crime and the Legislature wants to keep the Mafia out to keep them from raping the public. There will be no 42nd Street or Sin City.

**Q:** *How do you propose to change the image?*

**Armao:** By establishing London-style gambling in private houses, by setting a new trend—and Manhattan is the best site.

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## Connecticut: Democrats cash in on gambling

Because of a bribery scandal involving the connection of top officials in the Connecticut Democratic Party—including the late John Bailey, a former Democratic National Chairman—to the legalization of jai-alai in the state, casino gambling is likely to come to Connecticut only after it succeeds in New York State.

But when it does, Connecticut gambling interests are ready to go. Hartford-based Aetna Life, a major financial backer of the Caesar's World casino corporation which has also begun investing in hotel properties

of its own, has recently bought two hotels in Hartford—hardly a tourists' paradise—which is assumed to be in anticipation of the eventual arrival of gambling. And Hyman Goldfeld, a member of the Democratic Party's National Finance Committee and the head of Connecticut's Largo Corporation, has joined with the British real estate firm London and Leedes to buy an 80-acre parcel of land near Rye, New York, on which to erect a casino resort; part of the parcel reportedly lies in Connecticut. Goldfeld has long-time reputed ties to organized crime figures, and was heavily involved in an effort to introduce jai-alai in Connecticut—a fact which he denies today. London and Leedes is the owner of Ladbroke, Britain's largest gambling firm, and the deal between Largo and London and Leedes is the first direct involvement of a major British gambling company in the United States.

Goldfeld's reputed organized crime associations reportedly date back to the 1950s, when he lived in Las Vegas and owned a construction business. At that time associates of Goldfeld were accused by the Nevada Gaming Commission of being "bookmakers," and Goldfeld was tied to bookmakers known as the "Lassoff brothers." In 1973, nonetheless, Goldfeld received a casino gambling license in Nevada, to build the Thunderbird Hotel. But reputed financial problems forced Goldfeld to end his involvement in the Nevada project, and in 1975 and 1976, he found himself involved in the sweeping scandal involving the legalization of betting on jai-alai in Connecticut.

Goldfeld at this time was President of the Bridgeport Jai-Alai Fronton, subsidiary of Connecticut Sports Enterprises. David Friend, president of the parent firm, was forced to resign his position after court action proving his connections to organized crime. Among the charges leveled against Friend was that he paid a \$100,000 bribe to then Democratic State Chairman Bailey to help win legalization of the sport. Goldfeld also resigned his position in the concern after allegations concerning his involvement in organized crime surfaced. He later tried to purchase the Jai-Alai Fronton with a partner, Robert Zeff. But Goldfeld backed out when a secret report by the Connecticut State Police, stating that Goldfeld was connected to crime figures Carlo Gambino, Raymond Patriarca, and Frank Capri, was leaked to the press. (Another leading Connecticut Democrat with ties to Capri is Irving Ribicoff, brother of Senator Abraham Ribicoff, who is a limited partner with Capri in the ownership of an office complex in Stamford.)

Later that year, Zeff—then 95 percent owner of the Fronton—attempted to sell a 40 percent interest to Goldfeld, but the State Gaming Commission flatly vetoed the deal. Goldfeld sued the commission for a reversal of the deal, but lost. Throughout this period, Goldfeld maintained his seat on the Democratic National Finance Committee.

Most recently Goldfeld purchased a small village near Atlantic City, which could serve as a possible casino site. But Goldfeld is officially telling interviewers these days that "I'm not involved with any gambling projects anywhere."

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## Massachusetts: rigging the referendum

With the Northeast region tabbed as the bellwether on legalized gambling for the nation, the Massachusetts state legislature last week took steps to facilitate the opening of gambling casinos there.

Under the terms of a bill passed out of the Massachusetts House of Representatives Committee of Government Regulation, any town or city in either the Berkshires or Cape Cod may move to allow casino operations if the town's population approves. The bill is expected to come up for legislative review in the fall. The exclusion of an approval requirement at the county level is revealing. Last year, residents in Berkshire County voted three-to-one against permitting legalized gambling—except for the town of North Adams. North Adams's voters overwhelmingly approved casino gambling. Should the new bill become law, voters there would not be constrained by the opinions of other county residents.

Another indication that legal gambling may soon come to Ted Kennedy's home state may be seen in the campaign of Joseph Timilty for Mayor of Boston. Timilty has just hired media whiz David Garth as his public relations chief. Garth has handled publicity for a long list of advocates of legalized gambling and decriminalization of marijuana. Among them: Governors Brendan Byrne of New Jersey, Hugh Carey of New York, and Ella Grasso of Connecticut, and New York City Mayor Koch. Garth also handled the abortive campaign of outspoken drug and gambling legalization proponent Richard Celeste for Ohio's governorship.

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## Pennsylvania: legalization behind the public's back

Casino gambling is slated to take the place of the steel industry in Pennsylvania—although few voters are yet aware of the fact. With Governor Richard Thornburgh's endorsement, the Pennsylvania State Legislature is supposed to have put all the enabling legislature and governmental machinery quietly in place for casino gambling by early next year. Pittsburgh, Philadelphia

and the Poconos are all under consideration as sites.

State Senator McKinney, with four cosponsors, has introduced Bill No. 318 to legalize casinos—an amendment makes any place with hotel accommodations for 100 people eligible. The bill would also establish a Casino Gambling Control Commission and an Office of Casino Gambling Enforcement within the State Attorney General's office, whose operations will be paid for directly by the private gambling houses—so, "bribes," too, are legalized.

The State Government Committee under McKinney is looking for ways to avert scandal before the public becomes aware that organized crime has been legalized. The committee has contacted the Justice Department for its notorious "reports," which meticulously avoided scratching the surface of the international narcotics traffickers in control of the gambling firms. The State Attorney General's office has been doing its own study of Las Vegas and Atlantic City. The reports are not publicly available.

Senator McKinney plans committee hearings to begin Sept. 17. They will be followed by public hearings. The voters will have no say. If the bill is passed, no constitutional changes are required, the governor's signature will make it law. Compared to New York, the procedure is streamlined. The Thornburgh-McKinney timetable sees passage in early 1980, before the public knows what hit them.

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## Illinois: the 'urban renewal' angle

Chicago, Ill. has its eye on legalized gambling. On the drawing boards of a billion dollar urban renewal program known as the North Loop Project is a gambling casino. The sponsors and major beneficiaries of legalized gambling are just waiting for the go ahead—the approval of legalized gambling in the Northeast.

The public relations for legalized gambling in Illinois is already rolling. The *Chicago Sun-Times* has decried how much money is being lost to the state from illegal gambling. The business is too big to be stopped, so....

Chicago's newly elected Mayor, coached by the Kennedy machine, has not discounted the profits to be accrued from such a lucrative business. Jane Byrne had originally "questioned" the need for the North Loop Project, but has more recently reconsidered. Her mayoral campaign committee received a \$10,500 contribution from the Conrad Hilton Hotel which plans to house the gambling casino in the new Hilton going up as part of the Loop project.

Norval Morris, appointed by Byrne as vice chairman of the Chicago Police Board, has called for the legalization of drugs, prostitution, and gambling in his book, *The Honest Politician's Guide to Crime Control*.

Morris is from the University of Chicago, as is Edward Levi, another advocate of legalized gambling. Levi was also appointed by Byrne to the Police Board—a position he recently declined. It was under Levi as U.S. Attorney General that urban political machines like Mayor Daley's in Chicago, were targeted for dismantling. The so-called Levi guidelines, which limited the intelligence gathering operations of law enforcement agencies, were responsible for tying the hands of local police and for hampering their ability to monitor terrorist organizations, narcotics traffic, and other illegal activity.

Levi's subordinate at the Justice Department, Richard Thornburgh, is now governor of Pennsylvania and has indicated that he would not veto a bill being considered to legalize gambling in that state.

Who would benefit from legalized gambling in Illinois? The major hotel chain for one. As the following interview shows, Chicago Hilton thinks it has the most expertise in the area of casino gambling. But, the Hyatt chain will clearly demand equal access to the market. The chain is owned by one of the richest Zionist families in Chicago, the Pritzkers.

Other beneficiaries include the Zionist Crown family, another of Chicago's rich. Besides their ownership of General Dynamics of Fort Worth Texas, the Crown family owns Material Services Corp., the largest cement contractor in the Chicago area.

## Chicago Hilton is committed

*The following are excerpts of an interview with a Chicago Hilton representative which was provided to Executive Intelligence Review.*

**Q:** *After the election here of the new mayor, there had been some concern whether it was going to be continued, this North Loop project.*

**A:** The new mayor has been totally supportive.

**Q:** *So you didn't run into any snags with the transition, the new administration.*

**A:** Absolutely none. She's been amazingly able to grasp the whole economic impact that we would bring about. She recognizes that it's good for the city of Chicago, it's enormous in its content and she's been extremely perceptive. I couldn't say it in stronger terms.

**Q:** *The project includes a 2,000-room hotel.*

**A:** Well, we're stating that it's a minimum of 1,800 rooms. That's been the commitment.

**Q:** *And then it would also have a convention center?*

**A:** Well, that would be a part of a major convention hotel. ... I mean there is not a removed convention center. ... it's part of it. And that's the way we design and build hotels.

**Q:** *How long has this project been on the drawing boards?*

**A:** Well, the announcement of the initial part of the site was made last August in 1978. And, of course, we have been reviewing it for a good many years. ... We have a major commitment here. ...

**Q:** *As you probably know, it's on the drawing boards in a number of cities for some form of relaxed gambling rules, or whatever. Do you see anything like that down the road in Chicago?*

**A:** I don't see it at this time. But, of course, the influence and needs for revenues in different governments bring about different positions. I don't see that right now. But again, when you have gaming develop in Atlantic City, that's what got the attention of New York. Maybe the same thing will happen here. ...

**Q:** *There is a 10 percent budget cut being proposed and austerity policies. In New York they see the revenues that could be brought in from some form of legalized gambling.*

**A:** You point out the gaming proposal that they have. It is what we consider Monte Carlo-oriented. In other words, they establish a time frame within which you gamble ... And they limit the kinds of games. The controls are very stringent ... One of the things that would have to be recognized is that my company is probably the most professional in that area. ... we have the largest hotel in Las Vegas. ...

**Q:** *If Chicago were to go that route ... would it have to go through the state legislature, or ...*

**A:** That's what they usually do. And that's what it would be in New York. The legislature proposes it. It goes into an ordinance that would demand a referendum and then the referendum takes it from there and its specifically designated. Manhattan may not be designated. They may go into the outer areas. They may go into the Catskills, into the Niagara Falls area. ...

**Q:** *I spoke with a Professor Norval Morris, University of Chicago, who was just appointed to the Police Board. ... He's a proponent of certain things like this gambling proposal ... as a step both in the direction of revenues and really bringing back a boom. ... Is there anyone in Illinois who has studied this proposal for a possible gaming situation ...?*

**A:** Off hand, no. I would go back to the city, if the city has ever taken any position like that, to see if they would entertain it at all. They can go many ways ... depending on the needs of the community and the community reaction to gaming. It does bring about a legitimate approach rather than having gaming in the alleys. ...