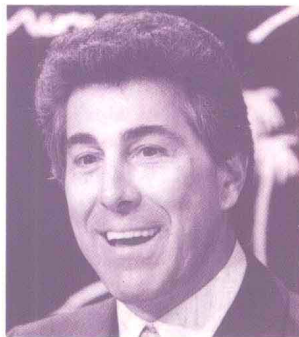
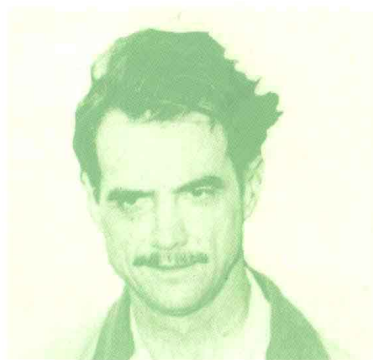


THE PLAYERS

THE MEN WHO MADE

LAS VEGAS



EDITED BY

JACK SHEEHAN

The Players

The Men Who Made Las Vegas

EDITED BY Jack Sheehan



University of Nevada Press, Reno, Nevada 89557 USA

Copyright © 1997 by University of Nevada Press

All rights reserved

Manufactured in the United States of America

Book design by Carrie Nelson House

Library of Congress Cataloging-in-Publication Data

The players : the men who made Las Vegas / edited by

Jack Sheehan.

p. cm.

Includes bibliographical references (p.) and index.

ISBN 0-87417-306-X (paperback : alk. paper)

1. Gambling—Nevada—Las Vegas. 2. Gamblers—

Nevada—Las Vegas—Biography. I. Sheehan, Jack,

1949—

HV6721.L3F58 1997 97-24443 CIP

The paper used in this book meets the requirements

of American National Standard for Information Sci-

ences—Permanence of Paper for Printed Library Ma-

terials, ANSI Z39.48-1984. Binding materials were

selected for strength and durability.

06 05 04 03 02 01 00 99 98 5 4 3

Preface

Because Las Vegas has such a brief history, nearly all the men who shaped it were alive at the same time.

Except for Bugsy Siegel, who was unceremoniously dismissed by a hidden gunman's bullet in 1947 as he peacefully sat reading the *Los Angeles Times* in Virginia Hill's Beverly Hills mansion, all of the "players" in this book could conceivably have toasted one another at a grand cocktail party sometime in the 1970s. Oh, it might have been tough to get Howard Hughes out of bed; and Steve Wynn might have been deemed too green behind the ears to attend, but he probably would have finagled an invitation anyway and charmed the socks off his predecessors by the end of the evening.

What a gathering it would have been. With Moe Dalitz, Benny Binion, Parry Thomas, Kirk Kerkorian, Bill Bennett, Sam Boyd, Jay Sarno, and the others spinning yarns and tales of gaming lore, it would have recalled the energy of the founding fathers of our country sitting around discussing the elements of the U.S. Constitution, albeit with a lot more salt and pepper.

Dalitz might have chuckled over the intrigue of selling the Desert Inn to Hughes after an eviction notice to the billionaire went unheeded; Binion would have dispensed some of his countrified gambling wisdom, making perfect sense despite murdering the king's English; Sarno could have waxed eloquent over the delicate decisions that were made in designing cocktail-waitress uniforms at Caesars Palace; and Boyd would have enjoyed sharing how his enormous birthday cakes packed them in at the downtown Mint. Kerkorian might have stayed to himself, acting somehow unworthy to be in the presence of such entrepreneurial genius, but quietly confident in the knowledge that his bank account was deeper than any of theirs. Whatever the texture of the dialogue, it certainly would have been worth eavesdropping on.

It was with that guiding spirit, to endeavor to collect many of these gaming and hotel entrepreneurs' pertinent stories in the same volume, that Bill Boyd contacted me not long after the death of his fa-

ther, Sam, to see if it would be possible to gather much of this information before any more time, and Las Vegas legends, passed on.

You see, every time a Moe Dalitz or a Sam Boyd or a Benny Binion dies, a large chunk of Las Vegas civic history goes with him. And while the lore of our city—frequently exploited by Hollywood without much regard to the facts (*Bugsy*, *Casino*, and *Melvin and Howard* come instantly to mind)—has been largely ignored by the literary world, it is of great interest to the rest of the country these days as one municipality after another embraces legalized gambling as a panacea for economic woes. Every region that adopts gambling wants to know how it was done in Nevada.

I concurred that Bill had a splendid idea and suggested that a team-writing approach would be most effective, in terms of time and economy. All of the men whose stories we discussed, after all, are worthy of their own biographies, and several of them already have had complete volumes written about them. We decided, therefore, to choose professional writers and journalists who had some familiarity with their assigned subjects, a criterion being that the author had previously written about his subject or at the very least brought a head-start of information and background to the assignment. A. D. Hopkins, for instance, had known Benny Binion personally for more than twenty years, had been privy to many of Binion's confidences, and had excellent access to surviving family and friends who knew the Cowboy well. John L. Smith understood the importance of Moe Dalitz in the chronology of Las Vegas and had penned many newspaper columns on the diminutive man who led two distinctly different lives, the one before and the one after he arrived in Las Vegas. Gaming industry reporter Sergio Lalli knew Cliff Jones's background as a businessman and politician well and had been a longtime Howard Hughes aficionado. Dallas author Mark Seal had profiled Steve Wynn for a national magazine and brought a good feel to the task of writing about the flamboyant king of modern-day Las Vegas.

Chapters on the evolution of the Gaming Control Board, on sports betting, and on the way in which popular literature has treated Las Vegas were included to provide a context from which to view the activities of the players.

Whenever possible, we interviewed the subject himself, but this was not without its glitches. Parry Thomas, for instance, agreed to an interview, but with the condition that he would proof his chapter

upon its completion. Although his quotations were supported by a tape recording of the interview, he insisted on revisions in the chapter that we were not comfortable making. And so, while Thomas is certainly a towering figure in the history of the gambling industry in Las Vegas and was paid verbal homage to by nearly everyone we interviewed, we elected to omit his chapter and allow others to comment on the role of the handsome banker who became legalized gambling's best friend.

Out of his friendship and respect for Sam and Bill Boyd, Kirk Kerkorian agreed to a rare interview, but when Dave Palermo and I arrived for the session, he would not allow a tape recorder to be used. Kerkorian also dodged nearly every question pertinent to the building of his three expansive hotels, the International (now the Las Vegas Hilton), the original MGM Grand (now Bally's), and the recent MGM Grand Hotel and Theme Park. But he was open and generous when discussing his friend and rival Hughes, Elvis Presley, and his lifelong passion for flying.

Considering that Kerkorian had not sat for anything resembling a formal interview in more than a decade, we were happy to get what he was willing to give us.

Our writers did their best to cross-check facts and references, but it is a necessary concession to history to have to rely, at times, on the memories of interview subjects. Where embellishment or overstatement is found within these pages, it is presented as part of a quotation. We hope the reader will condone the occasional lapse of memory or hyperbole as being in the best tradition of Las Vegas itself, a city that has never understated anything.

While one might think at first that these giants of the gaming world hardly ever ventured beyond the seclusion of their executive offices or casinos, we learned a different truth. Nearly all of these men were intricately involved in the community growing up around the Strip. One would be hard-pressed to find a civic organization or prominent charity that one of the players did not head up at one time or another. They understood that politics and business are not mutually exclusive passions, and that those who sought to make their fortunes from the gambling and tourism industries had to work closely with decision makers in city and state government. This made for some interesting and colorful clashes through the years.

The men who built Las Vegas into what it is today were working,

we must remember, without a script. There has never been a city remotely like this one ever before, where gambling is glorified and nightlife and entertainment are the *raisons d'être*.

Essayist Michael Ventura wrote recently in the *Los Angeles Times* that "Las Vegas is the last great, mythic city that Western civilization will ever create." He argues that a city can reach mythic status only when its very name becomes symbolic of a culture or aura that is unmatched in the world. He lists ancient Babylon, ancient Rome, Cairo, Paris, London, and New York as cities having that mythic aura about them. And while legalized gambling can be found nearly anywhere in the world these days, no place defines the images and symbols of gambling and gaudy nightlife like Las Vegas. This is verified by all the attention paid to the city in recent years by front-rank media outlets:

- *Time* put Las Vegas on the cover a few years back, and declared it the new all-American city.
- The *New York Times*, in a recent op-ed piece, pounced on the irony of New York and Las Vegas trying to emulate each other during New Year's Eve celebrations.
- The television magazine show *20/20* declared Las Vegas the boomingest city in the country and the settlement of choice for people looking for a second chance at the gold ring.
- *National Geographic* devoted twenty-three pages in a recent issue to the new Las Vegas, with its dazzling theme parks, expanding retirement communities, sprawling airport, inviting atmosphere for high-tech companies, and eclectic religious community.

Did the players we profile in these pages envision this degree of success and attention for Las Vegas when they brought their dreams to the desert? One could argue that they did, because if a consistent note runs through their individual stories, it is that all of these pioneers were urged by their friends and associates *not* to move to Las Vegas, that godforsaken inferno in the middle of nowhere. And yet all of them had the vision and foresight to ignore the bad advice and come anyway.

We're glad they did.

JACK SHEEHAN

Contents

List of Illustrations	ix
Preface	xi
1 A Peculiar Institution	1
<i>Sergio Lalli</i>	
2 Cliff Jones: "The Big Juice"	23
<i>Sergio Lalli</i>	
3 Moe Dalitz and the Desert	35
<i>John L. Smith</i>	
4 Benny Binion: He Who Has the Gold Makes the Rules	48
<i>A. D. Hopkins</i>	
5 Sportsman's Paradise	68
<i>John L. Smith</i>	
6 The Ghost of Ben Siegel	81
<i>John L. Smith</i>	
7 Jay Sarno: He Came to Play	92
<i>A. D. Hopkins</i>	
8 Sam Boyd's Quiet Legacy	104
<i>Jack Sheehan</i>	
9 Jackie Caughan: Keeping the Faith on Fremont Street	120
<i>Bill Moody, with A. D. Hopkins</i>	
10 Howard Hughes in Vegas	133
<i>Sergio Lalli</i>	
11 Kirk Kerkorian: The Reticent Billionaire	159
<i>Dave Palermo</i>	
12 Steve Wynn: King of Wow!	168
<i>Mark Seal</i>	
13 Cowboys, Crooks, and Corporations: How Popular Literature Has Treated Las Vegas	183
<i>John H. Irsfeld</i>	
14 The Adult Playground Becomes a Heaven for Families	200
<i>Dave Palermo</i>	
Contributors	213
Index	215

Illustrations

Clifford and Christie Jones, 1981	6
Moe Dalitz, Al Sachs, and Herb Tobman, 1981	43
Benny Binion and friends, 1968	50
Mel Exber, 1983	70
Jackie Gaughan, Jack Binion, and Mel Exber, 1982	71
Bob Martin, 1978	74
Ben Siegel	83
Virginia Hill	84
Ben Siegel	88
Jay Sarno, 1966	97
Sam and Mary Boyd	106
Sam Boyd, 1957	111
Sam Boyd and friends	115
Sam Boyd with Chuck Ruthe and Bill Boyd, 1974	116
Jackie Gaughan and Floyd Patterson, 1965	122
Jack Binion, Jeanne Hood, Sam Boyd, & Jackie Gaughan, 1985	123
Jackie Gaughan and Gerald Ford, 1974	128
Howard Hughes	135
Howard Hughes testifying before the U.S. Senate, 1947	138
Steve Wynn, 1991	171
Burton Cohen, 1983	202

A Peculiar Institution

Sergio Lalli



On May 2, 1957, as Frank Costello returned to his apartment in the Majestic on Central Park West, a gunman in the foyer lunged at him from behind and shot New York's most prominent mobster in the head. The gunman retreated from the fashionable apartment house before making sure he had finished the job. The bleeding Costello had received only a grazing wound. While doctors examined Costello at a hospital, police searched through Costello's clothes and found, in one of his pockets, a slip of paper that listed the gross receipts, the table game income, the slot revenue, and the markers outstanding from an unnamed casino.

With the help of Nevada gaming authorities, the FBI discovered that the casino wins listed on the scrap of paper perfectly matched the actual totals recorded for the first three weeks of operation at the recently opened Tropicana resort on the Las Vegas Strip.

The note in Costello's possession bore the signature of Louis Lederer, a casino supervisor who also owned some partnership shares in the property. Lederer lost his job and was forced to sell his investment share by order of state gaming officials; and one of the Tropicana's major investors, Phil Kastel, was denied a gaming license because of his past associations with Costello. No charges were filed against Costello, who was not a gaming-license holder, because the piece of paper alone did not prove any criminal wrongdoing and was insufficient evidence to link him to a conspiracy to skim money from the casino.

This scenario of organized-crime infiltration, repeated in many ingenious variations over the years, was the greatest bugaboo haunt-

ing the state of Nevada as it strove to regulate its gaming industry. The state's gaming control apparatus would struggle with this problem and would define itself by how successful it was in scotching it, or at least keeping it at bay.

Las Vegas was to be where almost all of the sensational skullduggery took place. The presence of undesirable individuals and of their Las Vegas associates would provide the city with its notoriety and its mystique. From the beginning, mobster infiltration in Las Vegas was the most popular subject of press exposés, federal inquisitions, and public outcries. Today, with the evolution of casino gambling into a legitimate industry composed mainly of publicly traded corporations, mob infiltration is considered a bygone problem, but one that requires constant vigilance.

How did it get to be that way? How did Las Vegas change from being a "neon-lit leprosarium" (in the words of journalist Lucius Beebe) to a mobsterless adult Disneyland? This is a double-edged tale of agony and glory. Without the tribulations of Nevada's gaming control experience, the gaming industry as a whole never would have reached its present, wholesome condition. But it was a bumpy journey indeed.

In the early days, casinos were the pariahs of the business world. Casino owners consisted of a motley collection of outcasts, misfits, and business mavericks. Only Nevada granted them sanction to operate. When freshman assemblyman Phil Tobin of Humboldt County introduced the "wide-open" gambling bill in 1931, no other sponsors could be found to put their name on the bill. Although the bill had its backers, no politician wanted to appear to be in favor of a "vice." The measure passed in the waning days of the legislative session, and Governor Fred Balzar signed it into law.

One of the main reasons for passage of the gambling bill was to bring out in the open what already was common practice in the back rooms of saloons throughout the state. During Prohibition, the existence of speakeasies had fostered a culture of political corruption throughout the country as bootleggers bribed public officials to protect their illegal businesses. Nevada wanted to avoid that experience with gambling.

Another reason for the legalization of casinos was to raise a little money. Licensing fees were set up, with 75 percent of the fees going to the county and 25 percent to the state. A county shared fee revenues with cities if a casino was located in an incorporated municipi-

pality. The fees were based on the number of slot machines and table games in a casino.

Even so, the prospect of a huge gaming tax windfall was not imagined. As an editorial in the *Las Vegas Review-Journal* commented after passage of the bill: "People should not get overly excited over the effects of the new gambling bill—conditions will be little different than they are at the present time, except that some things will be done openly that have previously been done in secret. The same resorts will do business in the same way, only somewhat more liberally and above-board."

Because of this attitude, relatively scant attention was paid to gaming control itself. The earliest casino operators were mainly local businessmen, well-known in their community. Gaming enforcement was handled by the local county sheriff, and the issuing of gaming licenses was handled by a county board composed of the sheriff, the district attorney, and three county commissioners.

Then something quite unforeseen happened. States throughout the country, often prodded by the federal government, began to crack down on illegal casinos, thereby forcing casino operators to look elsewhere for opportunities. The first outside investors in Nevada's gaming industry came from California. Others later came from Texas, the Midwest, Florida, New York—from wherever illegal gambling had thrived with the tacit approval of local public officials.

As a result of this influx, Nevada's gaming industry grew to the point where the state realized that sizable tax money could be gathered from the casinos. In 1945 the state legislature placed casinos under the authority of the Nevada Tax Commission, which already supervised the collection of taxes from such industries as mining and ranching. The tax commission was granted authority to issue, deny, and revoke state gaming licenses. Thus, county and city licenses were still required in order to operate a casino, but the dominant licensing authority was given to the state.

This shift from local authority to state authority was mainly a revenue-raising measure. The state's interest in gaming was mainly to collect taxes. The state imposed a 1 percent gaming tax (raised to 2 percent in 1947 and to 5.5 percent in 1995, it was 6.25 percent in 1997) on casino gross revenues. Relatively little attention was paid to gaming control. The tax commission was neither an investigatory nor a law enforcement agency. It had not yet developed a body of administrative law—the gaming control rules and regulations—

needed to attack the problem of hidden ownership and undesirable characters. In its early years of casino involvement, the commission was busy enough just trying to figure out how casinos operated so it could properly audit them. Since no handbooks on the subject existed, the state had to learn from experience.

The men who came to Nevada brought not only their investment dollars (at a time when financial institutions avoided casino loans) but also their expertise. Las Vegas in particular needed both of these commodities if it was going to overtake Reno as the premier gaming locale in the state. As long as casino owners did not break the law, the citizens and authorities in Las Vegas were not too fussy about who did business there.

The federal government thought otherwise. Even before the advent of gambling, the federal presence in Nevada was immense, and it remains so to this day. Nevada has been of special interest to the federal government ever since the state was rushed into the union because President Abraham Lincoln needed two extra votes in the Senate during the Civil War and extra votes in the electoral college in time for his reelection effort in 1864. After the war, the federal government was keenly interested in Nevada because of its mineral resources. Later, Nevada became the site of Hoover Dam, the atomic testing grounds, and many military bases. The federal government still owns about 85 percent of the total land in Nevada; at times, it has treated the state more as a federal province than as a sovereign state. This interest and this attitude became magnified with the advent of casino gambling.

Nevada's "live-and-let-live" attitude toward casino owners first came under sharp attack during the celebrated hearings chaired by Senator Estes Kefauver during his traveling road show in 1950 and 1951. The purpose of Kefauver's special committee was to alert Americans to the existence of various crime syndicates that made money from gambling. Kefauver's group highlighted the extent to which gangster associates corrupted the body politic by bribing public officials. Since Kefauver had presidential ambitions, he also exploited the gangster-gambling issue to get national publicity.

When the Kefauver Committee came to Las Vegas, it called forward most of the major casino operators and subjected them to ridicule because many of them had engaged in bootlegging or gambling or tax evasion before coming to Nevada. The committee also drew the testimony of two state officials who happened to be casino owners.

One of the witnesses was William Moore, who owned a piece of the Last Frontier and also was a member of the Nevada Tax Commission. Moore was asked why the tax commission had granted gaming licenses to men with previous criminal records, specifically to William Graham and James McKay of the Bank Club in Reno. Graham and McKay had been convicted in New York for altering and passing government bonds stolen from the Bank of Manhattan. Moore's questioner was Senator Charles Tobey of New Hampshire.

TOBEY: Was this conviction known to the Tax Commission in Nevada when you voted them a license?

MOORE: Yes.

TOBEY: How do you reconcile that?

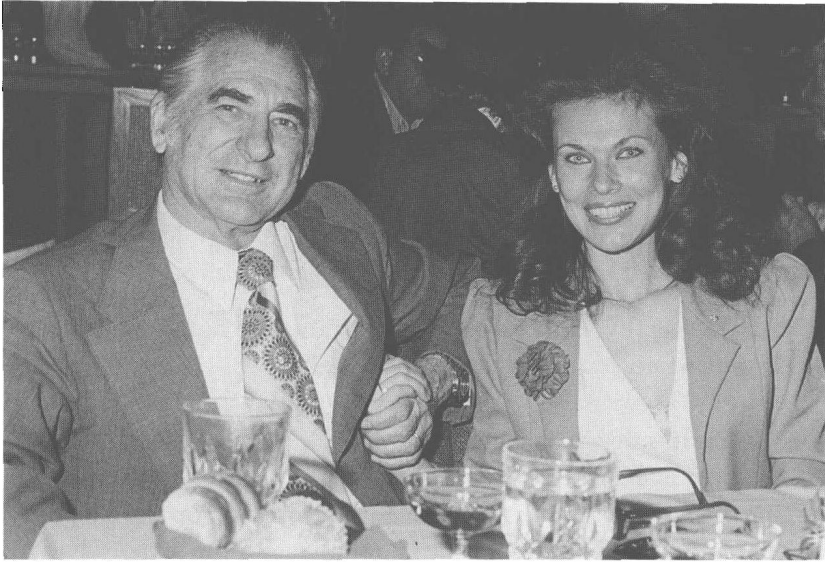
MOORE: Just because you (the state) get the privilege of controlling the thing (gambling), is that any reason why you should put the man out of business, if he is operating in the state of Nevada?

The other state official called to testify was Cliff Jones, who owned a part of the Thunderbird and was Nevada's lieutenant governor. Jones's exchange was with the committee's counsel, Rudolph Halley.

HALLEY: Wouldn't you say that prior to 1949 a great many undesirable characters with bad police records were engaged in gambling operations in the state of Nevada?

JONES: Well, of course. I would say that as long as they conduct themselves properly that I think probably no harm comes of it. . . . There were some people that you might say had police records and reputations of gambling in other places. But this seems to hold true, that people who came here when the state started to grow, they weren't particularly Sunday school teachers or preachers or anything like that. They were gamblers.

Jones and Moore both expressed the prevailing attitude of their time, and it was a more sophisticated viewpoint than the Kefauver Committee could grasp. Nevadans, as much as anyone else, did not tolerate criminal wrongdoing. That is to say, if a casino owner was found guilty of skimming untaxed revenue from his operation, he would have been brought to justice, just as he would be now. The difference was in approach. Nevadans of that time judged men by the way they had always judged people on the frontier: not on their background but on the way they conducted themselves at present. Kefauver's



Clifford Jones with his former wife, Christie, in 1981. (Courtesy Las Vegas News Bureau)

committee judged men on the basis of a black-or-white morality. Kefauver's stance recognized no middle ground.

Nevada would have to come around to the prevailing national view. Although laws against embezzlement and income-tax evasion already existed, Nevada eventually took greater precautions against mob infiltration. Under federal prodding, the state took measures to brand a certain class of individuals—members of organized crime syndicates and associates who obtained loans from them—as undesirable. No state government in the United States had ever established a state-guided capitalism on the scale that Nevada would be forced to do. The notorious Meyer Lansky, for example, could legally and openly invest in the stock market and place his money in many respectable companies. And he did so, as his tax returns showed. But he would never be able to get a gaming license in Nevada, although he did invest secretly in several casino companies.

The Kefauver hearings spurred Nevada to a stricter stance toward casino investors for a very practical reason: After the committee hearings concluded, Kefauver proposed a 10 percent federal gaming tax, which would have seriously hampered, if not altogether killed, the casino industry in its infancy. Nevada senator Pat McCarran had to use all his considerable clout in Congress to have that bill killed. But the threat of federal intervention in gambling persisted.

Nevada's new attitude toward gaming participants was exemplified in the Thunderbird case, which marked the first time the state tried to revoke the gaming license of a major resort. The case came to the tax commission after a series of stories in the *Las Vegas Sun* charged that Meyer Lansky and his brother Jake had hidden interest in the Thunderbird casino on the Las Vegas Strip. The articles also reported that one of the hotel owners, Lieutenant Governor Jones, was using his political and gambling connections to "buy" the gubernatorial election for Vail Pittman so hoodlum gamblers could have their way with the tax commission.

The newspaper's corruption charges were never proven; but coming as they did just a few weeks before the gubernatorial election, the allegations were political dynamite. In effect, the stories helped turn the tide in favor of incumbent governor Charles Russell, who had been the underdog in his campaign against Pittman. Russell won the election of 1954, and one of his first steps in the legislative session of 1955 was to establish a Gaming Control Board division within the tax commission.

The substantive charges against the Thunderbird proved to be partly correct; but under the law as it was then written, they were misplaced. The "hidden ownership" charges were taken up at hearings held in 1955. Marion Hicks, the principal owner of the Thunderbird, testified that in 1948, when one of his original investors dropped out unexpectedly, he obtained a \$160,000 personal loan from gambler George Sadlo so the Thunderbird could be completed. Hicks said he brought this loan to the attention of Robbins Cahill, the tax commission's executive secretary, in 1953, but Cahill did nothing about it.

In 1955 Cahill obtained the federal income tax returns of both Sadlo and Jake Lansky. The tax returns showed that Sadlo and Jake Lansky were listing interest income from the \$160,000 loan to Hicks. The Thunderbird owner testified that Sadlo never told him he had obtained half the money for the loan from Jake Lansky, and Sadlo swore in an affidavit that he had indeed never told Hicks of Lansky's participation in the loan.

What bothered the commission was that the loan was made by two men who had links to organized crime, even though there was no proof that the Thunderbird was subjected to any skimming operation. The Thunderbird case shows how far the tax commission had moved from its previous, laissez-faire philosophy and how far it was

willing to go to repair Nevada's tainted image. The commission voted to revoke the gaming licenses of both Hicks and his minority partner Cliff Jones.

The Thunderbird obtained an injunction in state district court to continue operating until the matter could be resolved on appeal in the state supreme court. The trouble with the tax commission's ruling was that it held Hicks and Jones to standards that were not in effect in 1948 when the Thunderbird was being financed. Justice Charles Merrill of the Nevada Supreme Court overruled the commission and restored the gaming licenses of Hicks and Jones. But in doing so, Merrill laid down the ground rules of Nevada's new era in gaming control:

We note that while gambling, duly licensed, is a lawful enterprise in Nevada, it is unlawful elsewhere in the country; that unlawfully followed elsewhere it tends there to create as well as to attract a criminal element; that it is a pursuit which, unlawfully followed, is conducive of corruption; that the criminal and corruptive elements engaged in unlawful gambling tend to organize and thus obtain widespread power and control over corruptive criminal enterprises throughout the country; that the existence of organized crime has long been recognized and has become a serious concern of the federal government as well as the governments of several states.

In his ruling, Merrill also obliquely gave the higher court's blessing to a new state statute that denied a revoked gaming licensee the right to a trial *de novo*—that is, the right to try a case all over again in district court after the Gaming Control Board had made its decision. A gaming licensee or gaming applicant could appeal a decision by the control board, but only on procedural grounds, not on the merits of the case.

The judge went on to say that "it is not for the courts to fix the standards by which (licensing) suitability is to be determined. . . . That determination remains for the Tax Commission to make."

Nevada took the judge's advice. The Gaming Control Acts of 1957 and 1959 enabled the Gaming Control Board to establish standards of suitability demanded of licensees and license applicants, licensing qualifications and procedures, methods of operation, accounting rules, provisions for suspension or revocation of licenses, financing rules on transfers and loans, designation of the number of