

# METROPOLITAN CRIME COMMISSION OF NEW ORLEANS, INC.

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August 27 1998

Planned Remarks by Warren C. de Brueys, Chairman  
Legislative Liaison Committee

I would like to express my appreciation as well as that of the officers and members of the Board of Directors of the Metropolitan Crime Commission of New Orleans, Inc. (MCC) for your formal invitation directed to me as Chairman of the MCC's Legislative Liaison Committee to address the National Gambling Impact Study Commission's "Gambling and Crime Panel" in Biloxi, Mississippi on September 10, 1998. (changed) Radisson Hotel, N.O., 9/11/98 at 1:45PM

My comments will primarily involve: (1) a synopsis of data which documents a protracted and strong correlation between hotel-casino gambling both in Las Vegas and Atlantic City, and inordinately high levels of street crime, aggravated for three decades by organized crime and its attendant costly corruption; (2) the socially destructive nature of Riverboat Casino Gambling and its indirect linkage to crime, and (3) a thumbnail sketch of the mob-linked as well as greed-linked corruption which extended into a segment of the La. State Legislature, bred by Video Poker Gambling not long after its legalization with resultant federal convictions of approximately 29 defendants including two La. State Legislators; (

## Hotel-Casino Gambling-- A Dynamic Crime & Corruption Breeder!

Gambling was legalized in Nevada in 1931. But the glitzy casino for which Las Vegas is known today, did not come on to the scene until the mid 1940's.

At the core of the extremely lucrative profitability of Las Vegas and Atlantic City gambling casinos has been the Hotel Casino, which combines three separate businesses, namely, "hotel, gaming and recreation." It is precisely that tri-faceted combination which provides the dynamics for attracting millions customers, such as: free luxury suites, and free fabulous meals with the best wines and booze, etc. for the high rollers. For other customers the Hotel-Casino has been able to provide extremely low-cost, gourmet-type meals, extremely reasonable hotel room rates, dirt-cheap excellent breakfasts, and other similar perquisites.

The crowning benefit for the Hotel-Casino is that the hotel, the casino, and the recreational services constitute a single business. As such, all those attractive benefits are legitimate expenses of the hotel-casino business, and, accordingly, are valid tax "write-offs." But be assured that the millions of dollars which the hotel-casinos have to expend for such "perks," in large measure, are not, in essence, "free."-- Far from it, for they are paid for, at times "tenfold," or a "hundredfold," and, in some instances, even a "thousandfold" through the megamillions of gambling losses sustained in the aggregate by the casino-hotel's gambling customers

Some two decades ago (1978), Las Vegas was the nation's only hotel-casino gambling mecca and Atlantic City was just opening its first hotel-casino. The record is clear! Admittedly, "hotel-casino gambling" in those two cities attracted millions of customers. But, unfortunately, hotel casino gambling also attracted hordes of migrant criminals and wholesale levels of organized crime elements as well.

Migrant criminals were attracted to Las Vegas and Atlantic City hotel casinos for the same reason which attracted its millions of hotel casino customers, but also for, perhaps, a more important reason. That is, that those same millions of hotel casino customers were potential "crime targets." In significant measure, those millions of hotel casino customers all too often with more than a modicum of gambling money in their possession, relaxed and carefree away from home, are often vulnerable strangers-- frequently with their alertness relaxed by the distraction, compounded at times, with some confusion or temporary disorientation by being in an unfamiliar area. In short, and, generally speaking, they are considered "easy pickings" by criminals.

In the eyes of the migrant thief, pick-pocket, burglar, robber, con-man, pimp, prostitute, etc., they were like a dazzling sea of unending crime targets, or easy opportunities to make a quick buck. Megabuck gambling, "freebies," and unlimited crime targets helped make both Las Vegas and Atlantic City veritable paradises for migrant criminals.

And as the record clearly corroborates, the above ingredients did attract hordes of migrant criminals to Las Vegas. FBI annual Uniform Crime Reports provide data which reveal that in a 25-year period between 1960 and thru 1984, the Las Vegas Metropolitan Area ranked annually either 1st., 2nd., 3rd., or 4th. among the nation's highest Metro Crime Areas in 15 of those same 25 years. In 19 of those same 25 years, Las Vegas ranked among the nation's Top 11 Highest Metro Crime Areas. Hence, the megabuck lure of Hotel Casino Gambling made Las Vegas a "Crime Capital."

Highly publicized is the fact that Las Vegas' first glitzy casino, the Flamingo, was opened by mobster Bugsy Siegel on Christmas, 1946. Other mob-owned casinos followed, involving known mobsters, such as: Meyer Lansky, Frank Costello, and others. The mob's involvement in Las Vegas casinos seem to have endured almost three decades. Overt mob ownership of Las Vegas casinos lasted into the late 60's. Covert mob ownerships seemed to persist into the 70's.. As late as 1985, 6 of 11 Mafia figures and members were appealing their 1984 convictions for skimming from, and having a hidden interest in Las Vegas casinos.

As Dr. William Thompson, Department of Management, University of Nevada at Las Vegas, who for decades has studied casinos, put it: "The mob has been involved in Las Vegas' casinos ever since law enforcement authorities instituted serious efforts many years ago to control illegal casinos, and the mob saw the value of relocating casinos in a jurisdiction where they were legal." With the mob well in-place, corruption abounded in Las Vegas casinos!

In 1976, after 3-plus decades of Nevada being the only state with legalized casino gambling, New Jersey "gambled" by becoming the 2nd. state to risk the destructive impact of casino gambling. But voters wisely restricted legalized gambling to Atlantic City. It was a masterful seduction! Voters were promised that casino proponents had "learned from Las Vegas' mistakes," "that casinos would create jobs," "reduce crime," and "produce wealth to rebuild Atlantic City."

Atlantic City's first hotel-casino, Resorts International, opened on Memorial Day in 1978. In just 7 months that single hotel-casino helped trigger a 30% increase in crime in Atlantic City's 1978 crime stats. The number of casinos grew and in 3 years, hotel-casino gambling catapulted Atlantic City's crime by 171%; in 6 years by a staggering 252%.

In short order, as it had done for Las Vegas, hotel-casino gambling had made Atlantic City the "Nation's Crime Capital," proving that the strong correlation between hotel-casino gambling and inordinately high levels of felony crime witnessed in Las Vegas was not just a fluke. Atlantic City quickly demonstrated once again that hotel-casino gambling can saturate urban areas with extensive crime and, in fact, in Atlantic City it did so with devastating results!!!

As was already evident in Las Vegas, Atlantic City proved once again that the mob simply cannot resist the megabuck lure of casino gambling. While rumors were prevalent that there was latent mob linkage to the first Atlantic City Hotel-Casino, no firm evidence was formally and legally established to corroborate that the mob was able to entrench itself in the Atlantic City's hotel casinos. Sources in a position to know advised, however, that the mob did penetrate deeply into the casino's ancillary businesses and relevant local employees' unions. And because of that strategy, it was reported that the mob not only reaped high profits, but inflicted widespread corruption

The mob's strategic power and control of casino-support businesses made it possible for the mob to control certain aspects of the hotel-casino business. The power and lucrative gains available to the mob in the ancillary casino businesses obviously generated considerable internecine fighting in the area's mafia families. The infighting became so intense, that within a 5-year period (1980-84) approximately 25 mafia figures reportedly had been assassinated.

The wholesale levels of crime and mob corruption generated by hotel-casino gambling was better absorbed by Las Vegas than Atlantic City. The reason was that Las Vegas was but a railroad junction in the desert when Nevada legalized gambling. There was no established residential or business infrastructure for hotel-casino gambling to destroy with its rampant corruption and saturated crime!

Atlantic City, on the other hand, had "in-place" established neighborhoods and urban infrastructure which had nurtured legitimate business growth. "Casino gambling," as promised, did create jobs, but, as for the promise that "Casinos" would "Rebuild Atlantic City" and "Reduce Crime," the very opposite occurred!!! Rather than "Reduce Crime," "Casino Gambling Inundated Atlantic City with Crime," and rather than "Rebuild Atlantic City," "Casino Gam

bling, in fact, Laid Waste to Atlantic City's Precasino Neighborhoods, and to add insult to injury, "Casino Gambling 'Chased Out' Hundreds of Legitimate Precasino Businesses." What had been an economically depressed area had been converted in just one decade to a panorama of attractive, tall, glitzy hotel casinos victoriously overlooking a crime-ridden and largely abandoned and devastated slum.

Riverboat Casino Gambling's Patently Direct Linkage to Street Crime is Limited, but Rife with Potentially Damaging Latent Social Implications which Indirectly Breed Crime and Corruption!

Given its usual gambling-space limitations, its absence of "perks," such as hotel casinos possess, and for the lack of all of the other reasons attributed to hotel-casinos for attracting hordes of migrant criminals, Riverboat Casino Gambling understandably attracts considerably lower levels of streets crime.

Attracting any additional crime, whatever its quantity, cannot be viewed as a positive, but gambling proponents suggest it is tolerable given the benefits which Riverboat Casino Gambling brings to a community. However, among the other negatives of legalized gambling must be included the fact that annually casino gambling literally siphons hundreds of millions of dollars principally from urban communities, which, in large measure, otherwise would have been spent in the area's legitimate businesses. The latter negative offsets in no small degree the "positive" of employment which casino proponents attribute to casino legalization.

The growing presence of Riverboat Casino Gambling in this country tends to give that mass form of gambling an aura of legitimacy and acceptance in communities. It's presence is not lost on impressionable young people. And, therein, lies one of the insidious sociological problems of the wide prevalence of mass forms of gambling such as riverboat gambling. For it tends to promote and encourage irresponsible "risk taking" among youth as a medium for "making it" in this world. And in that respect, Riverboat Casino Gambling militates strongly against both the "work ethic" and "good study habits" among young people. When society fails to provide youth with the wherewithal to independently make a legitimate and honest living, the likelihood is great they will opt for illegitimate activity and in time become candidates for induction into the criminal community.

Years ago Monsignor Joseph Dunne who headed the National Council on Compulsive Gambling revealed that 75% of compulsive gamblers have committed crime. It is a crime-breeding factor that will not be attributed on the record to gambling until years after the fact when its latent aspects finally become patently obvious to society

Louisiana already has a staggering 14.3% prevalence or problem and pathological addiction among youth of the age group of 18 through 21 which is 3 times greater than the adult prevalence rate of 4.8%. The latter rate is identified in a 1995 report as being the highest reported in the literature. The report emphasized it may be due to the high accessibility of legalized gambling in Louisiana.

Then, of course, mass forms of gambling such as riverboat casino gambling which derives its "win" from the millions of monthly admissions of patrons must inexorably, in time, breed thousands of additional compulsive gamblers. Seventy-five percent (75%) of the latter will commit crime to maintain their addiction.

If those thousands of additional compulsive gamblers commit but one crime a month, whatever the figures, it must necessarily run in the multi-millions of dollars, which latter figure will be compounded by criminal-justice costs and exacerbated by the high costs of incarceration in our penal systems. Then there is the health cost of treating gambling addicts.

An added concern is that any sizeable activity, which daily involves the transfer of megamillions of cash dollars is inexorably going to attract corruption, political or otherwise, and certainly, the fixed attention of the mob. Without honest and professional regulation enhanced with sufficient funding to provide the necessary volume and quality of oversight, human, as well as the state-of-the-art technological support, corruption must be deemed a "given," along with increased levels of white-collar crime.

The above-cited negatives of mass forms of gambling are sociologically detrimental and destructive and constitute factors which undermine the stability of American communities. The question to ask is why would any state approve the presence of mass forms of gambling such as riverboat and land-based casino gambling?

Of Course, we all understand why casino owners and/or operators promote casino gambling, be it Riverboat Casino Gambling or Land-Based Casino Gambling. It makes millions of dollars for them! But to understand why local and state governments promote the legalization of or even acquiesce in same is incomprehensible.

Superficially, many view it as a painless form of taxation, which generates minimal public opposition. But that is hardly a justification for legalization of any form of casino gambling when one analyzes the true nature of casino gambling and observes what little it does for any community compared to the destructively negative social and economic impact it inflicts upon any community or area which embraces it. Then what is the true nature of casino gambling, be it riverboat or land-based casino gambling?

Casino Gambling (be it riverboat or land-based) has often been referred to primarily by gambling proponents as a "business" or as an "industry." The following analysis suggests that both definitions are misnomers.

For instance, functionally effective casino gambling casinos, riverboat or land-based, in large measure, have annual "gross wins" which customarily exceed a hundred million dollars. The point to emphasize is that the only way to achieve those "hundred(s) of million dollars of gross win" is to inflict an identical amount of "hundred(s) of million dollars of losses" on its gambling customers.

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To put it in another way, for a casino to have a "gross win" the casino must fleece tens or hundreds of thousands of its customers at least to the extent of the same moneterial amount of its "Gross Win!" In summary, the reason for being of a gambling casino is to inflict megamillions of losses on its customers as the only medium for making megamillions of profits or for remaining a viable gambling entity.

Hence, casino gambling, riverboat or land-based, remarkably meets the definition of "gambling" as set forth in a quote from "Easy Money," which is the title of a "Report of the Task Force on Legalized Gambling," sponsored by the City of New York and the 20th. Century Fund, which quote is set forth below:

" Stripped of its theatrical trappings, gambling is nothing more than a consumer swindle!!! Even with willing victims, government still is not justified in embarking on the swindling business. "

Based on the above definition of gambling it's legalization must logically be interpreted as a contradiction, if not a mockery of a key criterion set forth in most, if not all preambles of state constitutions, namely, that a key obligation of government is: "to promote the welfare of the people."

Analysis suggests that the only "positives" (if, indeed, they are in fact) of Riverboat or Land-Based Casino Gambling are: (1) the taxes which gambling casinos must pay to the state and/or local governments; and (2) The limited employment which casinos create.

Juxtapose those two "positives" with the reality cited above that to achieve a "Gross Win" of megamillions or less, the casino must inflict identical net megamillions of dollars of losses on its customers. Then, consider that the customers who in the aggregate bare those megamillions of losses are, for the most part, residents of the host state, or residents of neighboring and other states.

With the above facts in mind, shouldn't it shock or at least jolt state and local authorities, and certainly the average citizen, that we as a state or a city have either promoted or acquiesced in the legalization of casino gambling, which has the imperative to inflict massive losses on our own citizens or neighboring state's citizens, just to make a profit and shouldn't there be just at least a twinge of conscience in accepting the tax "pay off" which makes it possible to operate within a state what is tantamount to a gross consumer swindle?

### Video Poker Gambling

Video Poker Gambling was legalized in Louisiana in 1991. And it didn't take the mob long to claim its share of video poker profits.

The efforts of a 3-plus years length of investigation by the FBI and the La. State Police's Organized Crime Task Force resulted in convictions in 1995 and 1996 of all 24 defendants identified as members and/or associates of the New Orleans Marcello organized crime family and/or the New York Gambino and Genevese organized crime families. All defendants have been sentenced and are serving time.

They were, in the aggregate, guilty of multiple types of violations such as the RICO statute, mail fraud, wire fraud, racketeering, operating an illegal gambling business, etc. The three mafia families' members who were indicted were accused of attempting to infiltrate the video poker industry. They were said to have used front men in Louisiana firms to skim large amounts of money from video poker profits and funnel that money to those mafia families.

Not only had the mob been able to skim large amounts of money from video poker profits, but the mob in the process managed successfully to corrupt a member of the La. state legislature, who, incidentally, was also convicted and sentenced.

A second FBI investigation netted four convictions resulting from the alleged taking of bribes by a Louisiana state senator for the alleged purpose of blocking anti-video poker legislation. The 3 other defendants included 2 owners of a truck stop video poker operation, an attorney for one of the two defendants, and the state senator.

Aside from its vulnerability to ready corruption, video poker gambling in Louisiana seems to have gained the reputation of being the crack cocaine of gambling addiction. An article in the August, 1996 edition of the Journal of the Louisiana Medical Society, entitled: "Pathological Gambling in Louisiana-- An Epidemiological Perspective," revealed that the prevalence rate for problem and pathological addiction among the 18 through 21 year age group was a staggering 14.3% in Louisiana. That is a figure 3 times larger than the adult prevalence rate identified as 4.8%. The important point is that the favorite gambling for those young people was video poker. Hence, video poker, at least, in La. has all the ingredients for breeding youth for membership in the area's criminal community, and for devastating innumerable lives in the process.

State Lotteries

Any comment of crime linkage with state lotteries for the most part would revolve primarily around its method of operation and the safeguards implemented to prevent fraud. A primary goal would appear to be instituting methods of the prevention of corruption in its operation.

It would appear that both state lotteries and video poker carry gambling practically to every doorstep. And it seems both are likely responsible for the inculcation of millions in this nation into the habit of gambling, who would not otherwise have been attracted throughout their lifetime. The lottery is such a astronomically long-shot, that, here again, one should wonder how responsible government would consider victimizing the millions of citizens who have come to play lottery.

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