CHAIRMAN JAMES: Mr. Jahoda?

MR. JAHODA: I thank you very much for the invitation, Madam Chairman. My name is William Jahoda. For a 15-year period between the mid-1970s until about 1990, I was a full-time member of Chicago's Organized Crime Syndicate. That criminal gang was known amongst ourselves and lawmen alike as The Outfit.

I was active during that period almost exclusively within the framework of illegal gambling enterprises. Personally, I considered myself an employee of the mob's entertainment and hospitality division. During the last decade of my criminal career, I functioned as the managing partner for The Outfit's most expansive and lucrative gambling network.

My duties included the hiring, training and supervision of our sports bookmaking and gambling house employees as well as the responsibility of maintaining accounting records and arranging cash disbursements for members of the operation. Thus, I am considered knowledgeable and credible on gambling issues based on my experience, research and observation.

When I was mopped up, our clientele, employees, confederates and allies included members of the sitting judiciary, city mayors, county sheriffs, municipal police chiefs, and numerous other elected or appointed public officials, not to mention civic leaders, clergymen, show business celebrities and about a dozen former professional athletes.

The axiom we believe in is foolproof, simple and still in place today. It is this: any form of organized gambling is a cold-blooded, zero sum game, mathematically...
designed so that over time the players must end up with a zero and the house must end up with the sum.

At this point, it should be stated that I have no objection to anyone who chooses to gamble fairly and honestly in a legal social setting. Organized gambling, however, is a predatory and dangerously different product because the operator, commonly known as the house, charges a fee or holds a mathematical superiority over the player.

The shift in favor of the house becomes dramatic in real dollars. Licensed horse and dog tracks charge a hidden fee via the parimutuel betting system where the house retains about 20 percent of the total wagers in every race and disburses the remaining 80 percent to the winners.

Mob bookies charge a disclosed fee of 10 percent or more on losing sporting bet operations while Keno operators and gambling houses tend to conceal a higher percentage in favor of the house.

The mob's legacy and fingerprints are all over these examples and more regarding organized gambling. The question is not how did we get here but who led us into this evolving position and why?

Since 1982, organized gambling in this country has been driven and controlled by three major cartels. Their bosses and underlings push the product, establish the territories, provide the distribution and set the market prices.

These cartels are: number one, organized crime; number two, corporate gambling interests; number three, state governments who promote gambling.
Since organized gambling is nothing more than a cleverly marketed form of consumer fraud, I was concerned in the late '70s and early '80s that we, in organized crime, would virtually cannibalize our own market share within 10 years.

If we, as the mob, or Las Vegas as corporate America, for example, were to deteriorate our gambling base as per design, how would we find new revenues? In the case of the Chicago Outfit, our long-range business interests were aided by an ambitious though naive ally, the State House.

Illinois, like many states since, approved a variety of licensed gambling activities through legislation. From then on, there always existed one solid and dependable constant to those of us in organized crime. Any new form or expansion of existing state-controlled licensed gambling always increased our market share.

Simply put, the political dupes are stooges who approved riverboat gambling houses, lotteries, off-track betting sites, Las Vegas nights, et cetera, became our unwitting pimps and front men.

Of most benefit to us in the Chicago gambling underworld were: a) state-funded campaigns that virtually teach the younger generation how to place bets at race tracks; b) mass media advertising blitzes false promoting gambling as opportunity or entertainment; c) the resultant desensitization within the community from the reality that most forms of gambling, whether run by the state, corporations or the mob, are, by their very parasitic nature and actual and potentially dangerous vice.

In Chicago, illegal gambling profits were The Outfit's single largest source of income. It was those revenues
that were then used to fund other criminal activities or enterprises such as prostitution, chop shops, porno stores, burglaries, arson and loan sharking. Other gambling income would be set aside or spent as needed for operating expenses.

Time does not permit me to detail other examples of the corrupt and damage gambling does to the community but I will say that any time an approved gambling house is introduced into a medium-sized metropolitan area, the presence of crime syndicates will be arriving shortly thereafter, or if it's already in place to some degree, it will expand.

Criminals, you see, view public gambling halls and their often gullible patrons as their targets of opportunity. Unfortunately, gambling also produces countless tens of thousands of previously honest law-abiding men and women to commit illegal acts to pay off gambling debts.

And I'm not referring to addiction in any form. I'm not qualified to address that issue and I'm sure you have access to data on that topic from experts.

No, what I'm addressing is the fact that gambling is the only known vice where an otherwise normal, average person can, within an hour, an evening, or a night, lose every worldly possession they've acquired to that point of their life.

That's why all forms of gambling among private citizens are not legal; are, in fact, against the law in almost every case in every one of our 50 states. And why is that? Is it because, among other reason, gambling operators often prey on the weak and the poor? Not entirely.
It's also because we, as a culture, have learned through precedent and compassion, that there are times when people need laws to protect them from themselves.

This is one reason why our forefathers banned dueling and why contemporary jurists drafted laws against attempted suicide and illegal drug use and why anti-gambling felony laws remain on the books from coast to coast today, for the reason that gambling isn't dangerous because it's illegal but gambling is illegal because it's dangerous.

The mob bosses understood that. I suspect most of the operators who run the other cartels today are observing the same reality, as well they should.

After all the camouflage is removed, the harsh truth is that every form of organized gambling is either a replica, a knock-off or a jazzed-up model of every betting scam the mob trotted out before an unsuspecting public in the barren Las Vegas nightscape 50 years ago.

Today the scene has been altered dramatically. This month and next, Vegas gaming interests will spend millions in California to block tribal wagering expansions that appear on that state's November ballot.

Meanwhile, some tribes, which the mob has been trying to partner up with in its scheme since the early 1980s, are proving themselves more progressive than the rest of the gambling crews. Some tribes allow 18- and 19-year old boys and girls to blow their allowance or their tuition money at their tables.

And the latecomers to this twisted dance, the state governing bodies who approve lotteries and riverboats, are learning the hard way, that unlike Las Vegas, they can't import...
the money and then export the attendant social costs. So now they find themselves strip mining, overgrazing and clear-cutting their own citizens.

An exhibit I submitted in advance details how 10,000 college kids putting $100 each into a common betting pool of $1 million can turn that amount into two pizzas and a six-pack if they play state lotteries in one afternoon.

I also forwarded to this commission copies of full-page cigarette ads which were put in on the inside back cover of Life magazine in the early 1950s. One ad launched cigarette smoking as pleasing to the throat while a prominent singer of the day describes how much fun smoking can be.

The second ad depicts the tobacco industry's first targeted pitch to the female market and concludes with copy stating that researchers who talked to -- picture this -- 110,000 doctors said that the medical community's cigarette of choice was the brand sponsored in the ad.

As we all know now, smoking is not exactly about relaxation, comfort and, quote, fun, unquote. The gambling industry is using the same ploys and blatant dodges, maybe even the same ad agencies today, some 40 years later, to peddle a more dangerous product to our society.

When I came down to this wonderful city yesterday -- and by the way, I should say I'm not familiar with the circumstances here in Mississippi -- I forgot how beautiful this state was. Mississippi just might be fortunate enough to be another one of those states that can import the money and export the problem but that could be determined by experts.
When I was coming through Atlanta and I ran into a friend of mine, a formal journalist, and he says, hey, B, what's going on with the mob?

And I told him, Danny, you know, Gotti goes to the can, he gets boxed up and the media moves on; the caravan moves on to the next topic, but don't think for a minute that because John Gotti's out of the picture -- and I never thought he was the guy in the first place -- I don't claim to know; I don't -- but if history has taught us anything, is that a Pope, a premier, a prince, a president can die in a heartbeat. Life changes in a heartbeat. They have to be replaced.

And I'm reminded -- and this is not anecdotal, this is based on fact -- and I'll be brief -- I don't want this young lady to beat me up with that stop sign.

CHAIRMAN JAMES: And if she won't, I will.

MR. JAHODA: I'm in trouble. This is based on fact. When I was doing some undercover work, working with some fine treasury agents in Chicago -- this conversation took place in 1989 -- we were running a wire against the underboss of the Chicago Outfit.

He was mentioning that the Chicago Police Chief -- and here's a guy who, at the time, is in charge of over 10,000 lawmen -- was in our pocket. He was going to try to shift a few people around to take the heat off of the gambling enterprises because this is an era in Chicago -- I was more worried about getting arrested for jaywalking than for bookmaking.

But as I explained to Dan, to show him that the mob is alive and thriving in Chicago, that police chief, I just
learned, is now a candidate to be the sheriff in Cook County. And so I just want to let him and you know, the mob does thrive.

And in closing --

CHAIRMAN JAMES: Thank you.

MR. JAHODA: -- this is the very first opportunity I've had to sit next to Mr. Margolis in a public setting. He was the head of the most prestigious law enforcement agency in the State of Illinois during several of my more lucrative earning years as a mob guy.

I just want to take this opportunity to say to Mr. Margolis, thank you.

CHAIRMAN JAMES: He's alive and well here in Mississippi. Thank you very much.