Excerpt from:
David G. Schwartz. Roll the Bones: The History of Gambling. Casino Edition. Las Vegas: Winchester Books, 2013.
For more information about the book, go here:
http://www.rollthebonesbook.com
This excerpt, from chapter 10, “A Place in the Sun,” talks about how organized crime gained a foothold in Las Vegas casinos in the 1950s and 1960s. It answers the question, Why was the mob so successful in infiltrating those casinos?

**From Mayfield Road to the Mojave**

In a few years the Flamingo would be surpassed by an even swankier resort, the Desert Inn, a casino that proved to be a true pioneer. Its founder was Wilbur Clark, an affable gambling operator who had worked the national circuit of illegal casinos from Saratoga to San Diego. He had dreams of greatness,and chafing at the newfound intolerance for California gambling, Clark moved to Las Vegas, where he bought into a score of gambling clubs, including the small Player’s Club on the Los Angeles Highway. In 1945, he opened the downtown Monte Carlo Club on the site of the original Northern Club, and bought a majority share of the El Rancho Vegas. In 1946 he sold both to begin building a predictably luxurious resort on the Los Angeles Highway.

Clark started with high hopes but soon ran out of funds. Midway through the project in 1949, desperate for capital, and denied loans from traditional avenues, he turned to a group of Cleveland businessmen and gambling operators headed by Moe Dalitz. The group, which grew out of Cleveland’s Mayfield Road Gang, also included Ruby Kolod, Morris Kleinman, and Sam Tucker. All of these men had made livings as bootleggers or illegal gambling operators and were rumored to have ties to the criminal underworld. In return for over $1.3 million in capital, the Cleveland group received a 74 percent interest of the casino. Now decades removed from the lawless Prohibition years, the members of the Dalitz syndicate hoped to find in Las Vegas one thing that their various enterprises could not give them in the East: respectability.

When the casino finally opened in 1950, Moe Dalitz was clearly in charge, though Clark's name blazed across the marquee. All-star entertainers graced the Painted Desert room, and gamblers filled the casino. With its 300 guest rooms, a lavish casino, and the third-floor Skyroom lounge, the resort was an immediate hit. Clark proved an affable host, and become the goodwill ambassador not just of the Desert Inn but of Las Vegas itself. Meanwhile, Dalitz and his associates, particularly his manager, Allard Roen, a sharp, college-educated star on the rise, planned to make Las Vegas more than a gambling haunt: they wanted to transform it into one of America's leading vacation resorts. The addition of the Desert Inn golf course in 1952 gave the Strip its first 18-hole golf course, drawing an entirely new class of wealthy vacationers to Las Vegas. The construction of the

As can be seen from this photo of the Desert Inn in the early 1950s, Las Vegas Strip casino resorts presented gambling in the context of a relaxing vacation, a far cry from the down-and-dirty illegal urban gambling of the previous generation.

Desert Inn Estates, country club homes around the course, was an early attempt at residential living on the Strip. The Desert Inn lit the way for the development of a stretch of roadway that would, in a few short years, become truly world famous.

Even more than the Flamingo, the Desert Inn demonstrated the complex connections between the legal casinos of Nevada and organized crime. The relationship between gambling and the mob was, at the time, about a century old. Illegal gambling syndicates first appeared in the 1850s, when serious illicit play—and the police departments that were charged with suppressing it—first appeared (see chapter 8).

In the Gilded Age, cities grew bigger—and wealthier—and gambling prospered. Men like John Morrissey, Pat Herne, and Ruben Parsons became wealthy and, often, powerful thanks to their income from gambling halls, though they had a regrettable tendency to squander their ill-gotten gains on faro or the stock market. All the same, corporate ownership—of a type—solidified its grip on the gambling market. Syndicate members owned shares in a variety of illegal houses around town, or in several cities. Lesser shareholders worked as managers, while the top figures merely added their capital and influence with the police and courts. Those who didn't join the syndicate found themselves targeted by the police, who found they could satisfy two masters with one raid: the genteel public, which demanded that "vice" be contained, and the gambling syndicate members, who were happy to feed a competitor to the wolves while their own houses ran undisturbed. This classic "bootlegger and Baptist" coalition kept anti-gambling agitators and wealthy gambling bosses equally happy.

Gambling syndicates, thanks to their access to money and the urban criminal underworld, became politically powerful. But they were soon to change. In the progressive era, legal gambling in the United States reached its lowest ebb—by 1912, all gambling was illegal save betting on horse racing in Maryland and Kentucky. Competition over the race wire (telegraph race betting) franchise led to murder and bombings in several cities. But things were about to get much worse, thanks to another round of prohibitory legislation. National Prohibition, directed against alcohol, created a new breed of syndicate criminal, the bootlegger, who would come to dominate gambling as well. The men who seized opportunity in the wild period were, for the most part, born between 1895 and 1905. As organized crime historian Mark Haller argues, these "wealthy and ambitious upstarts" swiftly overtook the older gambling syndicates, often folding them into their bootlegging operations. Frank Costello, Lucky Luciano, and Dutch Schultz are a few of the more notorious, though they had several less infamous partners and rivals.

After Prohibition's 1933 repeal, some bootleggers stayed in the liquor business and "went legit," while others drifted into other forms of organized crime—prostitution, loan sharking, narcotics, and union racketeering. A large share, however, concentrated on gambling, be it illegal casinos, race and sports betting, or lotteries. Gambling was ideal because it was in demand and, for the most part, socially acceptable, though still illegal. It certainly didn't have the stigma of drug-running or prostitution, and was less messy than taking over unions or loan sharking. For men who wanted to live well off the proceeds of crime, it was an ideal business. They developed a variety of illegal gambling enterprises, including illegal horse-betting (pool rooms), sports betting and book-making, slot machine routes, illegal casinos, and the numbers.

But starting in the 1940s and intensifying in the 1950s, illegal gambling became less acceptable, partly because of the violence between rival criminal enterprises. As investigative journalists and crusading public officials put the pieces of the organized crime picture together, they realized that gambling operations were not innocuous—that they funded other, less savory branches of organized crime. Many "boss gamblers," facing grand juries and newly-aggressive prosecutors at home, decided to head for greener pastures. Around 1950, the most succulent acreage seemed to be a growing resort city in the Nevada desert.

Let's say you're building a new casino in 1957. A man associated with a notorious organized crime family offers to invest substantially in your project. Why on earth would you say yes?

For three reasons: finance, marketing, and debt collection. In each of these, a casino with a mob "affiliation" had a definite advantage over a "clean" casino.

In a lucky coincidence, Nevada needed this influx of talent and capital: mainstream financiers were reluctant to invest in such an inherently risky business. Hospitality businesses are, by their nature, less secure investments than residential or commercial real estate. While banks, pension funds, and insurance companies took the occasional flyer on a hotel, they drew the line at casinos. A new casino cost anywhere between two and ten million dollars to build by the mid-1950s. Few former illegal operators had that kind of cash lying around the house. So they had to turn to other sources: their old friends "back East" who remained in "the rackets" and had substantial sums of illicit, untaxed income that were mostly untapped.

These deep-pocketed mobsters, who had a better understanding of the profit potential in Las Vegas, were more than willing to finance casinos—if they could get a cut. In addition, there was no better training camp for casino managers than illegal operations. So early on, state officials made an uneasy truce with casino men who had checkered pasts. Being accused—or even convicted—of a gambling-related offense wouldn't disqualify an applicant, though being publicly linked to more serious crimes might.

In the 1950s, the Nevada Gaming Control Board was just getting established, and its investigative abilities were not as wide-ranging as they later would become. As long as each of the official investors and principals looked clean, investigators did not look much deeper. So organized criminal figures, some of them quite notorious, became sub rosa investors in many Strip casinos. Meyer Lansky, who had a substantial interest in the Flamingo until it was sold to Kirk Kerkorian in 1967, is the most famous, though countless others had similar arrangements with other casinos.

To deliver "dividends" to these silent partners, casino managers engaged in scrupulously methodical skimming. By systematically under-reporting casino income and diverting the excess cash to organized crime, skimmers both deprived the state of its fare share of gaming revenue taxes and contributed to the growth of organized crime. There are no reliable figures on the exact magnitude of the skim, but anecdotal evidence suggests that, on average, somewhere between 5 and 15 percent of total revenues were not reported, with some of this distributed among employees and the bulk heading off to parts unknown. Forced to choose between a 100 percent share of nothing and an 85 percent share of a prospering business, the rational decision must be the latter one. Advantage to the mob.

Even if a hypothetical casino man had enough money to build his casino, he still needed to fill it with customers. Casino marketing was, in those days, an underdeveloped discipline. National print advertising specifically excluded any reference to gambling, lest it fall afoul of federal or local anti-gambling laws. Casinos had no databases of preferred players, no direct mail promotions, and no way of connecting with potential players. In this period, serious gamblers were responsible for the lion's share of a casino's business. So, without real advertising, how could a casino owner in Las Vegas lure big players to his doorstep?

Junkets were a perfect solution: casinos outsourced their marketing. They let a third party organize a group trip for several "big gamblers" from a city. The junket organizer found the players, arranged credit, and chaperoned the trip.

It sounds perfectly above-board, but there was one problem: who would know the gamblers in a city where gambling was illegal better than the people who ran the illegal games? So many junket operators were drawn from the ranks of gambling entrepreneurs who necessarily had working relationships with local mob bosses. Even a casino in which organized crime figures held no direct interest might choose to work with junket operators with questionable ties. Advantage again to the mob.

The final connection between gambling and the mob, debt collection, owes a debt to the law itself—in this case a piece of English common law codified by the Statute of Anne in 1710. According to this bit of law, debts arising from any wager could not legally be collected. So gamblers owed debts could not sue to ensure their payment.

This made perfect sense when gambling wasn't legal: by their very nature, these debts were not legally accrued. But even after Nevada legalized "wide open" gambling (in both 1869 and 1931), the state did not make gambling debts collectable. So casinos owed money had little legal recourse if a player welshed on his markers: they could deny future credit, but they couldn't recover a penny in the courts.

Imagine now that you're a player with credit lines at two casinos, one "clean" and one "mobbed up." You rack up $100,000 in debt at both, but only have $100,000 in ready cash to satisfy the casinos. Neither casino can legally lay a hand on that $100,000, but the casino with less savory friends willing to collect their debts can exercise a stronger persuasion that the strictly law-abiding one. Advantage yet again to the mob.