

The Story of the Casino World's Front-Man

by John Hoefle

Running Scared: The Life and Treacherous Times of Las Vegas Casino King Steve Wynn

by John L. Smith

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Running Scared is a carefully written book which its subject, Steven Wynn, nominally one of the most powerful men in Las Vegas, tried hard to stop. Upon reading it, it is easy to see why, for it portrays Wynn as a rage-driven, megalomaniacal front-man, with a reputation for womanizing and cocaine abuse, whose career was steered by mobsters and bankers, funded by dirty money, and aided by the thick layer of corruption which pervades America's casino capital. The picture painted of Wynn is that of a petty tyrant prone to terrorize his underlings, using his mob connections in private to intimidate, while publicly presenting himself as just another brilliant businessman.

That there are higher powers behind Wynn was made clear in a meeting which occurred shortly after Wynn took over the Golden Nugget casino. Wynn owed \$6,000 to a New Jersey man named Milton Stone, who was having trouble collecting. Stone arranged a meeting with Wynn, but was concerned that he might have trouble with Wynn's Sicilian bodyguards, so he asked a Sicilian friend to accompany him.

"Milton Stone was uncomfortable, to the amusement of his Sicilian friend," Smith wrote. "At this point the companion looked at the three men standing about 15 feet away. He spoke to them with a few very private words in Sicilian dialect. Then he focussed his eyes on them and repeated his words.

"Steve Wynn's heads and eyes turned back and forth as though he was watching a tennis match. It was obvious the little speech in Sicilian was causing the bodyguards concern.

"The bodyguards backed away, showing respect. Suddenly Wynn seemed to soften," offering his guests lunch and handing Stone a check. "As for the Sicilian bodyguards, they were tripping all over their feet to shake hands with Stone and his companion as the two men departed."

Wynn's connection to organized crime was cited by Scotland Yard, which shot down Wynn's attempt to enter the casino business in London in the early 1980s.

"The strong inference . . . is that Stephen Wynn . . . has been operating under the aegis of the Genovese family since he first went to Las Vegas in the early 1960s. . . . The connections are so numerous and significant that it would be impossible to accept coincidence as a reasonable explanation," Scotland Yard said in a blistering 1983 report.

The report cited connections between Wynn's father Mike Wynn and the Genovese family, and also cited two meetings between Steve Wynn and Genovese family boss Anthony Salerno in 1982. Scotland Yard cited the FBI as its source for the meetings, though the Bureau remained silent as to whether its surveillance of Salerno's social club showed evidence of the meetings. Wynn denied the meetings ever took place, and later claimed it was a case of mistaken identity. If Scotland

Yard's claim is correct, it provides clear grounds not only for denying Wynn a gambling license in England, but also a case for yanking his Nevada gambling license, and putting him out of the casino business entirely.

"If you get into bed with the American gambling industry, you're getting into bed with the mob," Scotland Yard Inspector Frank Pulley told CBS News' "West 57th" TV magazine broadcast in a subsequent feature on Wynn. "The man has made an untold fortune in an industry which historically has proved to be replete with organized crime. It was invented by the mob, it was modernized by the mob, the mob have put money into it, and they've taken vast amounts of money out of it."

Fronting for the Mob

Steve Wynn got his start in Vegas in 1967, when at 25 he was lent enough money to allow him to buy 3% of the Frontier casino. In 1964, Wynn had met in Chicago with Bankers Life & Casualty President John D. MacArthur, seeking a loan to buy some land. MacArthur turned him down, but called him weeks later to put him in touch with Maurice Friedman, who was putting together investors to expand the Frontier. Friedman, who had known Mike Wynn, was connected to Johnny Roselli, the Chicago mob's man in Vegas, and to Anthony Zerelli, the son of Detroit mob boss Joseph Zerelli. While Wynn put \$45,000 into the casino, the Detroit mob put in \$500,000 for a hidden 30% stake.

In March 1971, a Federal grand jury in Los Angeles indicted Zerelli and several others, including the infamous Em-



Drexel Burnham Lambert's organized-crime specialist, Michael Milken, and the Bellagio Casino in Las Vegas owned and operated by Steven Wynn's MGM Mirage. Wynn and Drexel represented successive steps up on the ladder which links organized crime since Lansky, to the international financial oligarchy which enables it. "If the Teamsters' pension fund funded the old Vegas, Drexel funded the new one" of which Wynn became a leading denizen.

prise Corp. of the Jacobs brothers, for their hidden ownership in the Frontier. All were found guilty. Wynn appeared before the grand jury, but was not indicted.

Before the indictments were handed down, the group sold the Frontier to Howard Hughes. Just days before, Wynn borrowed \$30,000 from the Valley Bank and increased his holdings in the Frontier to 5%, giving him a tidy profit on the sale. Out of a job, Wynn managed some lounge shows for a while, then did a stint as the Vegas distributor for Schenley, the liquor company once owned by bootlegger Louis Rosensteel; Rosensteel and Sam Bronfman had been partners in the liquor business with Meyer Lansky, the chairman of the board of American organized crime and a silent partner in virtually every Las Vegas casino. At the time of Wynn's involvement, Schenley was owned by Meshulum Riklis, the gangster who later figured prominently as one of the so-called "Milken's Monsters."

Thanks to some sweetheart land and business deals that served to build up his bank account and reputation, Wynn began buying stock in the Golden Nugget. By the time Wynn's gambling license was approved in 1973, he was the largest stockholder in the Nugget, followed by El Cortez casino owner Jackie Gaughan and well-known mob figure Jerome Zarowitz, an associate of Anthony Salerno and New England crime boss Raymond Patriarca. Zarowitz and three accomplices had been caught years earlier conspiring to fix the 1946 National Football League championship game. Zarowitz soon sold his shares to Wynn, and Wynn became the boss of the Golden Nugget.

Using the Nugget as his base, and backed, as we shall see, by some very big money, Wynn set out to transform the casino business. Under Wynn, the Golden Nugget would establish a casino in Atlantic City, and play a major role in turning Las Vegas into a family resort. In 1989, he opened his first megacasino, the 3,000-room Mirage, followed by the 2,900-room Treasure Island in 1993. In 1994 the company, now renamed Mirage Resorts, announced the Monte Carlo, a joint venture with Gold Strike, and began work on the Freemont Street Experience. He also announced his plushiest casino to date, the Bellagio.

Wynn was not the only one building resort-casinos. The 5,000-room MGM Grand, built by Kirk Kerkorian, opened in 1993, and a year later announced New York, New York in partnership with Primadonna Resorts. Circus Circus, which opened the 4,000-room Excalibur in 1990, was followed by the Luxor, while Bally built Paris. By 2002, Las Vegas had some 126,787 hotel and motel rooms—up from 90,000 in 1995—and over 35 million visitors a year, giving the casinos a reported \$6 billion in gambling revenue.

Follow the Money

To say that organized crime controls Las Vegas is to state the obvious, but organized crime itself has undergone a striking transformation since the days of Prohibition, and therein lies the real story. The casino business is basically the money-laundering arm of what *EIR* identified in 1978 as Dope, Inc., and as the market for illegal drugs has expanded, so has the laundry. The driving force of this transformation inside organized crime was Meyer Lansky, the godfather of both Las Vegas and Atlantic City, who helped forge competing crime gangs into the National Crime Syndicate on behalf of the international financial oligarchy. Some of the gangsters turned “legit,” like Sam Bronfman and Louis Rosensteel, while others were put out to pasture. This process was aided by the arrest of many top mobsters at the infamous 1957 Apalachin mob summit, which wiped out much of Lansky’s opposition in one convenient swoop, and by the 1967 change in Nevada law which allowed corporations to own several casinos. That allowed Howard Hughes to move into Las Vegas in a big way, eventually owning seven casinos; Hughes, at the time, was a recluse whose operations were run by Robert Maheu, an FBI/CIA agent closely tied to Lansky’s Resorts International casino in the Bahamas. The Maheu/Hughes incursion was aided by the FBI, which created a task force to bust up the opposition to the transformation.

The second wave of corporate gambling began in the late 1970s, with the rise of Michael Milken and the Drexel Burnham Lambert junk-bond machine. Drexel funded a virtual Who’s Who of Las Vegas: Bally’s, Caesar’s Palace, Circus Circus, Harrah’s, Holiday Inn, Sahara Resorts, Sands, Showboat, Riviera, and Tropicana. As Smith put it, if the Teamsters’ pension fund funded the old Vegas, Drexel funded the new one, and one of the primary beneficiaries

was Steve Wynn.

After being vetted by John D. MacArthur in 1964, Wynn was taken under the wing of E. Parry Thomas of the Bank of Las Vegas. Thomas was a Mormon who had served in intelligence during World War II, and his bank lent to casinos when others would not. Smith, a reporter for the *Las Vegas Review-Journal*, calls Thomas “the single most important banking figure in the history of Las Vegas.” “In some circles,” Smith said, “he was considered Mr. Las Vegas; in others, a hoodlum banker.” Thomas was Wynn’s mentor, helping him buy into the Frontier, getting him the Schenley distributorship, and helping orchestrate the takeover of the Golden Nugget.

By 1978, as the established boss of the Nugget, Wynn was looking to expand into Atlantic City, and his college pal Stanley Zaks of Zenith Insurance introduced him to the man who could help make it happen, Zaks’ cousin Michael Milken. Over the next two years, Milken provided Wynn with \$160 million in financing to upgrade the Nugget, and supplied half a billion dollars to build the Mirage. Wynn became one of the stars at Drexel’s annual “Predator’s Ball.” By the time it collapsed, Drexel had poured some \$5 billion into Las Vegas and Reno, and another \$2.5 billion into Atlantic City.

While much effort has gone into creating the myth that Milken ran the junk-bond business, the real controllers of the operation were the Rothschild and Morgan banks, whose dope and dirty-money networks provided the cash which fuelled the junk-bond machine. Milken and Wynn worked together, because they were both fronts for the same operation, junior partners in a much larger organized-crime family.

Crash and Burn

The building boom in Vegas inevitably resulted in overcapacity, with each new palace taking business from its predecessors. By the end of 1998, the building of the Mirage and the Bellagio had nearly doubled Mirage Resorts’ debt load, and the revenue was falling short. The Bellagio took business from Mirage, and the Venetian, Mandalay Bay, and Paris took business from Bellagio, leaving Mirage Resorts ripe for takeover. In 2000, Kirk Kerkorian’s MGM Grand “appeared like an invading army on the horizon” and made a \$6.7 billion hostile offer for Mirage. Within 12 days, Mirage belonged to Kerkorian, and Steve Wynn was pushed out.

Wynn subsequently announced he would build an even more lavish casino than Bellagio, to be named La Rève. Ground was broken on the \$1.85 billion project in November 2002, and the opening is scheduled for 2005. La Rève will include a man-made mountain, in addition to its mountain of debt. To pay for it all, Wynn Resorts plans a \$408 million initial public offering and \$1 million in bank loans from a consortium led by Deutsche Bank, Bear Stearns, and Bank of America. Bear Stearns is the investment bank of Meyer Lansky’s Resorts International and of Wynn’s arch-rival, Donald Trump.