

# Howard R. Hughes, Jr. and his Influence on the Transition from Gambling to Gaming

by Tyrus Mulkey

I wrote the following term paper in 1994 for a class called "Sociology of Gambling", which I took at UNLV as part of my curriculum to earn a Bachelor of Science in Hotel Administration. Dr. Frey gave me an 'A' and placed the paper on reserve in the Special Collections Department at the UNLV library. It is still there today. I conducted heavy research when I wrote this paper, but, as you can tell by some of Mr. Maheu's comments, there is a lot of inaccuracy out there.

Earlier this year, I was able to spend some time with Mr. Robert A. Maheu, who was Howard Hughes' right-hand man during the Las Vegas chapter of his life. He graciously offered to critique my paper and gave me permission to include his comments in this publication. Thanks Bob! I have indicated his comments in italics with his bolded initials preceding them. While some are exact quotes, others are paraphrased from my memory and, since Mr. Maheu has a heavy hand as a bartender, may not be exact. If I've remembered incorrectly, I apologize. I have no doubt Mr. Maheu will let me know and I'll pass it along!

Thanks again to Mr. Maheu for taking the time to read and critique my paper and spending several afternoons with me going over the details and telling me some great stories of his life. He should write a book. Oh wait, he has – and I highly recom-



mend it. *Next To Hughes*, published by HarperCollins, was printed in 1992. It is often available on ebay.

*"Howard Hughes has put a Good Housekeeping Seal of Approval on Las Vegas gambling and has exorcised the last ghosts of the bad old mobster days."*

Nevada Governor Paul Laxalt 1969

## Introduction

Today's casino business is an industry that is respected throughout the world. Casinos might not have been accredited today had it not been for the actions of an eccentric recluse and a government that was over-anxious to rid the state of a criminal element. The marriage of Howard R. Hughes, Jr. and the State of Nevada brought about changes in ideas, policies, laws, and perceptions for the

gaming industry. A business that was once isolated in the State of Nevada and run by the mob has grown into a nationwide industry that is corporate controlled. It will soon be a half-trillion dollar a year industry; with casinos not only in Nevada, but on riverboats in the Mississippi, on Indian reservations throughout the nation, and land based casinos in a few states. The mob may have run Las Vegas with a strong hand from the forties through the sixties, but they were not capable of transforming the sawdust floored gambling joints of yesterday into the billion dollar gaming resorts of today. It was corporations that were able to raise the capital needed to grow; and the corporations could not have done it without a law that was passed in 1969 to accommodate Howard Hughes and The Hughes Tool Company. [RAM: "Hughes did not need this law and, in fact, opposed it." ToolCo was owned 100% by him, so he didn't need the law. When the law passed, it allowed other deep pocket corporations, like Hilton, to come in and compete with him. Without the law, he had very little competition.]

This paper will examine the events that led to the legitimization of the casino business. In particular, this report will explain why officials in Nevada "bent the rules" to allow Hughes to enter into casino operations and how their decision changed the industry into an acceptable American institution.

## The Transition from Gambling to Gaming

What a difference there is between the gaming industry of today and the gambling business just a short 30 years earlier! In the 1960's, organized crime controlled casinos. Financing came from the pension fund of the Teamster's Union, and "skimming" and cheating were rampant. Today, casinos are operated by corporate management teams. Financing is made possible through the stock market and banking institutions. There is no cheating and the industry enjoys a healthy relationship with both state and federal governments.

These changes happened because of a transition in the industry. The date the transition began cannot be pinpointed. The exact reason is even difficult to say. However, it is safe to assume that it started with a man named Estes Kefauver over fifteen years before the arrival of Howard Hughes.

In the early 1950's, Estes Kefauver was a U. S. Senator from Tennessee. He was chairman of the senate committee investigating the influence that organized crime had on America. The final report issued by the committee was highly critical of gaming regulations in Nevada. In testimony before the committee, Nevada officials admitted that little or no effort had been used to screen applicants. It was a great boost to the career of Senator Kefauver and a black eye to the State of Nevada.<sup>1</sup>

It was the Kefauver hearings that led to the creation of the Gaming Control Board in 1955. The sole responsibility of the board was to keep undesirables out of gaming, but it basically grandfathered in the undesirables that were already in gaming.

In 1959, the Gaming Control Act was passed and the Gaming Commission was created to work with the Gaming Control Board.<sup>2</sup> This new system of gaming control was a step in the right direction, but it was not enough to discourage organized crime from the gambling business.

The pressure to rid the state of organized crime continued to grow. In May of 1963, the FBI sent the Justice Department a two volume document titled "The Skimming Report." It explained skimming and stated that it was taking place at an alarming number of Las Vegas casinos. This embarrassed Nevada by showing the federal government that the rigid license standards and enforcement that were supposed to free the gaming industry of any criminal element were simply myths. Then in the summer of 1966, the Chicago Sun-Times disclosed skimming to the public. This started a barrage of unfavorable publicity that gambling profits in Las Vegas were being funneled into organized crime.<sup>3</sup> The federal government threatened to take action if Nevada did not shape up. The state was not happy about the possibility of federal intervention. Nevada has always preferred to regulate itself. The governor, the State Gaming Control Board, and even a private citizen started thinking of ways to legitimize both Nevada and the casino industry. The pressure was being applied from all sides.

### Howard Robard Hughes, Jr.

Howard Hughes was not a stranger to Las Vegas. Before he became a recluse, he visited Las Vegas several times. [RAM: *He actually spent a lot of time in Las Vegas.*] He was a member of the Hollywood social scene and Las Vegas was one of the hot spots. Perhaps it was the 24 hour activity or the opportunity to blend in

that first caught his attention. Whatever the reason, by the mid 1960's, Hughes was a different man. He was now more interested in privacy than anything else. He was also a restless man.

Hughes had spent most of the previous two years in hiding. As majority stockholder of TWA, he was sued for mismanagement when the airline nearly folded. As a result, management of TWA had been taken away from him by a judge and the new representatives of the airline were trying desperately to subpoena Hughes. [RAM: *"It was not the judge who took away control." Bankers in NY kept raising the interest rates on Howard. They pressured Howard to put his stock into a voting trust. At that time, he owned 78% of TWA stock. When he put his stock in the trust, it was valued at \$10/share. When he was forced to sell, it was at nearly \$83/share. An interesting note is that when TWA was suing Hughes, he was in a position where he paid for both sides of the lawsuit. He was paying 70% of TWA lawyer fees suing him and 100% of his lawyer fees defending himself!.*] He was terrified of being seen in public and because he refused to appear in court, he was ordered to sell all his shares in TWA. It is ironic that this "penalty" earned him a profit of over \$546,500,000!<sup>4</sup> [RAM: *"Not quite correct." He was not ordered to sell the shares.*]

The TWA failure put tremendous pressure on Hughes and his health deteriorated. Not only did he fail at business, but his wife, Jean Peters, was threatening to divorce him. He moved himself and his entourage to Boston under the assumption of seeking medical attention. However, while in Boston, Hughes never saw a doctor. Instead, he plotted where he was going to live and what he was

going to do with his \$546 million. Hughes despised paying taxes and he knew he would have to invest the money in order not to pay taxes. He had bought 25,000 acres of desert near Las Vegas in the early 1950's for the same reason.<sup>5</sup> It cannot be stated that this is the reason Hughes moved to Las Vegas. He was a very private man who did not share his ideas or strategies with anyone. What is known, however, is that he was contacted while in Boston by a Las Vegas man who was embarrassed of his city and its' connection with organized crime.

Hank Greenspun was the publisher of Las Vegas' smaller newspaper, The Sun. He stated publicly that he would like for his children to be able to tell people that they were from Las Vegas without being embarrassed. He notified Hughes that he would be welcome in Las Vegas. He pointed out that Nevada had no personal or corporate taxes, no gift or inheritance tax, and tax on real estate was limited. He also assured Hughes that his privacy would be honored.<sup>6</sup> Whether this was the reason or not, Hughes notified his right hand man, Robert Maheu, that he was going to Las Vegas.

Robert Maheu played an integral role of Hughes' Las Vegas operations.<sup>7</sup> He had recently left long time positions with the CIA and FBI and was now working for Hughes. His duties with the CIA included counter espionage, Washington politics, and assisting members of organized crime in a failed assassination attempt on Cuban leader Fidel Castro.<sup>8</sup> [RAM: *I left the FBI in 1947. In 1954, I started Robert A Maheu & Associates and continued a relationship with the CIA. The CIA was my 1st client. I did not assist organized crime, I assisted the CIA*

*in the Castro deal, which was in 1958/59. I moved to CA. in 1961 to work for Hughes.*] While Robert Maheu's life is extremely interesting, it is beyond the scope of this paper and is only mentioned to stress the complicated and involved acquaintances and circumstances that led to Hughes becoming a casino owner. Hughes was a very political man and, indeed, politics makes strange bedfellows. Maheu was very "politically connected", and he constantly used those connections for the benefit of Howard Hughes.

From the beginning, Maheu had to make special request to his contacts to accommodate Hughes. Las Vegas hotels are not in the hotel business, they simply provide rooms to people who are there to gamble. When Hughes insisted on occupying an entire floor and the rooms directly beneath his, no hotel wanted him. Maheu contacted Washington attorney Ed Morgan, a friend. Morgan represented Jimmy Hoffa of the Teamster's Union. The Teamster's had financed Cleveland mobster Moe Dalitz in acquiring the operating rights to the Desert Inn.<sup>9</sup> (The physical property was actually owned by Harry Helmsley.)<sup>10</sup> Hoffa asked Dalitz to let Hughes stay there. Dalitz reluctantly agreed, but only on the condition that Hughes would be out by mid December. The holidays have traditionally been the busiest time of year for the casinos and the Desert Inn had a group of high rollers coming in for New Year's Eve and needed the rooms. In the early morning hours of November 27, 1966, Howard Hughes arrived by private train and was transported to the top floor of the Desert Inn. Only a handful of people knew he had arrived.<sup>11</sup>

Howard Hughes not only disliked paying taxes, he also despised the

mob. Actually, he had absolute contempt for the underworld. The hoods were wary of him and the mob bosses knew how he felt about them.<sup>12</sup> Hughes was furious when he found out that Dalitz owned the Desert Inn. [RAM: "Wrong!" Howard knew Dalitz owned the DI. He knew Dalitz's background. He did not dislike the mob, he even asked Moe for advice several times.] As the holiday season grew closer, Hughes refused to leave and Dalitz kept raising the rates.<sup>13</sup> Dalitz became frustrated when his demands that Hughes leave fell on deaf ears. Dalitz told Hank Greenspun he was fed up and ready to sell. Greenspun notified Ed Morgan, the Washington attorney, and Morgan called Robert Maheu.<sup>14</sup>

Dalitz's partner in the Desert Inn was Ruby Kolod, who had recently been convicted on federal conspiracy charges growing out of an extortion case. The Nevada Gaming Control Board was determined to force Kolod out of the gambling business. Maheu contacted John Roselli, an important mob boss in Las Vegas who was associated with Maheu during the Castro assassination attempt, and together they persuaded Kolod to sell to Hughes. Over the next several months, Maheu and Dalitz negotiated the multi-million dollar deal. Maheu had never met Howard Hughes, and did not have written authorization from Hughes to represent him.<sup>15</sup> The wheels were in motion.

## The Gaming License

Because tourism is the industry that supports the entire state, it is imperative that the public perception of Nevada, and gambling, is positive. The recent hostile publicity was discouraging tourism. Nevada needed a way to repair the state's tarnished image. In January 1967, Paul Laxalt



took office as Governor of Nevada and decided to be Hughes' ally. The Justice Department was still cracking down on mob involvement in casinos and Laxalt felt that Hughes' presence would discourage further investigations.<sup>16</sup>

The negotiations between Hughes and Dalitz were finally settled in March of 1967 for \$13,250,000.<sup>17</sup> Hughes applied for a gaming license. He also started political maneuvers. Hughes had read in the paper that Nevada officials desperately wanted a new medical school, but did not have the money, Hughes notified Laxalt that he would give \$4 - 6 million to establish Nevada's first medical school. Two days before the Gaming Control Board met to decide Hughes' license, Laxalt announced Hughes' donation.<sup>18</sup>

The Gaming Control Board has strict requirements for approving gaming licenses. This includes an in-depth personal investigation of the applicant, submission of financial statements, fingerprints and photographs of the applicant, and a personal appearance before the board. Basically, an applicant is subject to "full disclosure" of his life to the board.<sup>19</sup>

Howard Hughes was an exception. He is the only person to receive a gaming license without appearing before the board. He never submitted a photograph and an old set of fingerprints was used. Gaming Control Board Chairman Alan Abner admitted no Nevada gaming authorities had ever met Howard Hughes. He stated, "Howard Hughes' life and background are well known to this board and he is considered highly qualified."<sup>20</sup>

Two days after Laxalt announced

Hughes' intention of donating money for a medical school, the Nevada State Senate sponsored and enacted a resolution praising Hughes for his generous offer to give the Silver State a medical school. That same day, Hughes' incomplete application for a gaming license was unanimously approved.<sup>21</sup> The next day, the Clark County Licensing Board granted the local license. Effective 12:01 A.M. on April 1, 1967, Howard Hughes, 61 years old, was Nevada's newest casino boss. No one in the Hughes' organization was investigated or had any experience in gaming. [RAM: "I was investigated and licensed." *When I was fired, the 7 casinos operated over 2 years without a license. I was asked to transfer my license to the Board of Directors of ToolCo, but refused.*] No one in Nevada government had proof that Hughes was even alive.<sup>22</sup> Governor Laxalt stated that Hughes' donation for a medical school "had nothing to do with the application for a gaming license."<sup>23</sup>

### Buying Las Vegas

In July of 1967, Hughes bought the Sands for \$14.6 million. His buying spree had begun. The Frontier was his next purchase. The sale was made on September 22, 1967. However, the license was not approved until two months later. In a special midnight meeting using a conference call, the Gaming Control Board, without all of the members present, granted Hughes the license for the Frontier. He then bought the Castaways (\$3 million) and the Silver Slipper (\$5.3 million). In September 1968, Hughes bought the half built Landmark (\$17.3 million), but it was not approved until January of 1969.<sup>24</sup> [RAM: *Sequence is wrong. DI, Sands, Castaways, Frontier (Bought land & building first, then the license), Slipper, Landmark, then*

*Harold's Club in early 1969.*] Within one year, Hughes had spent \$65 million in Las Vegas. His hotels – the sixth, eighth, twelfth, and fourteenth largest on the Las Vegas strip – had 2000 rooms, representing twenty percent of all hotel accommodations on the strip. Hughes was advised by his attorneys not to buy any more casinos for fear of federal intervention concerning antitrust laws.<sup>25</sup> [RAM: *Howard's attorneys did not want him to get involved in a lawsuit with the government.*]

### Hughes as a Casino Owner

Howard Hughes was the first to admit he knew nothing about operating a casino. His first move was to find someone to run the Desert Inn for him. He chose Moe Dalitz! Dalitz ran the casino operations for Hughes without salary. [RAM: *Dalitz only ran the hotel for the two week interim period from the close of sale in mid March until April 1st when Hughes took over at the start of the new quarter.*] He stated he thought Hughes was good for the gambling industry and the state of Nevada and was happy to help him.<sup>26</sup> This is ironic considering the feelings Hughes had for the mob bosses.

When Hughes started acquiring other properties, he took more of an interest in operations and started implementing new policies. [RAM: "Wrong." *I immediately set up the cages with full accountability. I brought in Haskins and Sells, which is now Deloitte and Touché, to control the cages, so no one else, from the old-timers to any of Howard's representatives, including me, were allowed in the cage. To this day, I have never been inside a casino cage.*] When Hughes bought the Sands, he tightened security at both the Sands and the Desert Inn. He

allowed no skimming. Before Hughes, the mob had skimmed off thousands in undeclared revenue. Now, the casinos were as tightly run as any banking institution. He had security watch the dealers so they could not steal and he installed hidden cameras. Hughes stopped the traditional use of cocktail waitresses or showgirls as prostitutes. He forbade the girls to have sex with the high rollers.<sup>27</sup> The business decisions made by Hughes during his stay in Las Vegas changed the industry.

Profit was never a main concern for the Hughes organization in any of his business ventures, including Las Vegas. [RAM: "Not quite right." Hughes' ToolCo, always made money. Hughes Aircraft also made money until Howard stuck his finger in it.] This showed as his casinos never made any money. Most Las Vegas casinos were earning 10 - 25% profit, but Hughes' casinos earned 1%.<sup>28</sup> The Landmark, Castaways, and Frontier all lost money under Hughes' ownership. Only the Desert Inn and the Sands made money out of all his 1967 purchases. But their combined profits for 1967 and 1968 totaled less than \$5 million. This was a fraction of what the Sands alone had formerly earned in a single year.<sup>29</sup> The reasons Hughes did not make money in his casinos are only speculative. It could have been that Hughes appointed executives from his other industries to run the casinos. These executives knew nothing about the gambling business. Nepotism was rampant, and it is believed that skimming and stealing were widespread.<sup>30</sup> Nevertheless, Nevada had a hero and there were people ready to defend him when others were ready to condemn him.

## Doubt

It was during the spending spree in

early 1968 that trouble began. When Hughes attempted to purchase the Stardust, the Department of Justice intervened, saying that Hughes would be in "violation of anti-trust laws." Governor Laxalt and the Clark County District Attorney rebutted. They said the Justice Department had no jurisdiction because the purchase did not involve interstate commerce. At the same time that Laxalt was defending Hughes, he and the Gaming Commission started to show concern that Hughes was not doing a good job with his casinos. They also expressed concern about a possible monopoly.<sup>31</sup> Others in the industry were concerned as well. According to a casino worker employed at the Frontier when Hughes purchased it, "Hughes ruined this town! It used to be no problem changing jobs. Overnight, Hughes came in and if you got fired, you were banned from half the casinos in town."<sup>32</sup> While this was happening, a small group of state legislators called for an investigation of state licensing practices. The legislators were concerned with Hughes' casinos and also about the mysterious circumstances under which the gaming license was issued for the Frontier.<sup>33</sup> Hughes' political expertise surfaced.

Howard Hughes knew how to play the game. He was used to getting what he wanted and this was no exception. Hughes used political ties and public relations to turn things favorably. Hughes first turned to Governor Laxalt. After a lengthy talk on the phone, the governor publicly boasted of Hughes' Nevada interest. His praise of the invisible casino owner was effusive. Laxalt said Hughes' presence, "has added a degree of credibility to the state that it would have taken years of advertising to secure. Let's face it, Nevada has an image problem -- the typical feeling

is that sin is rampant here. Anything this man does, from the gaming industry all the way down the line, will be good for Nevada."<sup>34</sup>

Next, Hughes bombarded the news media with great things he was going to do for the State of Nevada. He proposed building an electronics industry, expanding his hotels into large scale resorts, turning McCarran airport into a major hub for supersonic air travel, and building a high speed train to Southern California. [RAM: Hughes was going to buy McCarran, build a supersonic air travel airport near Jean, then connect the two with a high speed train. I actually signed a contract to buy McCarran.] For twenty years, Nevada had tried unsuccessfully to encourage an industrial development boom, and now, overnight, Howard Hughes did it.<sup>35</sup> There was a public outcry of praise for Hughes. "Hughes has made a major contribution to the state by forcing other industrialists to take an objective look at Nevada's potential. This, along with the nationwide publicity Howard Hughes has generated since his arrival, promises to give our economy a giant boost," said the Las Vegas Review Journal. It went on to say, "We have managed to acquire a super salesman as a resident, and the results will undoubtedly be exciting and profitable."<sup>36</sup> Las Vegas Sun publisher Hank Greenspun came to Hughes' defense and publicly supported the sale of the Stardust.<sup>37</sup> The usually savvy New York Daily News did a feature story suggesting that Hughes had gone to Las Vegas to drive out organized crime.<sup>38</sup>

The state legislators backed down and on April 30, 1968 the Gaming Commission approved Hughes' license for the Stardust. The Justice Department expressed concern and requested Hughes delay the \$30.5

million purchase for ninety days while they investigated. In August of that year, the purchase plans were voluntarily terminated.<sup>39</sup> President Lyndon Johnson's administration was not friendly with Hughes. [RAM: "Not true." Johnson was not Howard's choice to be President, but, once he was there, the relationship was good. Larry O'Brien was close to Johnson.] Richard Nixon had been supported by Hughes for years. When he was elected president, his attorney general, John Mitchell, overruled his own department and gave Hughes the okay to purchase his sixth and seventh casinos. [RAM: *The Stardust deal never went through. John Mitchell ruled on the Landmark, which they were able to buy because of the bankruptcy. Mitchell wasn't in power when the Stardust decision was made.*] The Landmark deal went through, and, by 1970, with the last acquisition, Harold's Club in Reno, Hughes became Nevada's number one gaming boss.<sup>40</sup> Doubt was no match for politics.

### Problem Solved

The original problem for Nevada was a strong influence on the gaming industry from organized crime. This led to threatened federal intervention and a lack of respect from the nation. The state wanted Hughes to give respect to the industry by cleaning out the mob. His personal finances and ability to operate a casino were never a concern. In this respect, the arrival of Howard Hughes was a tremendous success.

Positive reaction was not only heard in Nevada, but throughout the nation. In the 1968 Las Vegas Report published by the Las Vegas Chamber of Commerce, the city's future was discussed in a section titled Tomorrow. It stated, "The unseen

hand of one of the world's greatest industrialists has steadied the city's economic outlook and brought to it a financial and industrial solidarity never before experienced."<sup>41</sup> One year later, in the report of 1969, the Chamber of Commerce President's message said, "The emergence of the corporate structure within our world-famous resort hotels signifies further expansion of the successful tourism-convention industry."<sup>42</sup> The Tomorrow section then went on to state, "The image is changing. The rousing flamboyance of the gambler is giving way to the ordered solidarity of the corporation."<sup>43</sup> The immediate reaction by the Chamber was flattering to Hughes and was not a surprise.

However, a cover story from United States Equity Research in 1992 gave indirect credit to what Howard Hughes accomplished twenty-five years earlier. It stated, "Adding further momentum and credibility to gaming is the growing dominance of large, well-recognized publicly held firms.....Public Corporations now own most casinos - more than subtly eliminating ties to the netherworld of organized crime." It went on to say, "With gaming more credible as a corporate activity, the industry has steadily broadened its' appeal and market interest."<sup>44</sup>

Whether by accident or intent, Hughes' transformation of Las Vegas was a success. It will never be known why he came to Nevada. [RAM: *Howard told me that he was a small fish in a big pond in CA and he was tired of it. He wanted to be a big fish in a small pond, where he could do a lot of stuff. There was a lot of competition for political attention in CA with the movie studios and oil companies and banks, whereas there was no competition in NV.*] It could have been Nevada's tax-free status. Maybe

it was the letter written by Mr. Greenspun, or, perhaps, he kept Las Vegas in the back of his mind ever since being fascinated by a casino in Brussels at the tender age of nineteen.<sup>45</sup> Whatever the reason, the state's decision to accept him with open arms was a wise one. The transition from the mob to the corporation may have eventually happened, but Hughes and the cooperative Gaming Control Board were able to do it virtually overnight.

### 1969 Corporate Gaming Act

Prior to 1969, anyone that owned even part of a casino had to be licensed. With a public corporation, the licensing of thousands of stockholders was impossible.<sup>46</sup> This was not a concern prior to Hughes arrival, because corporations were not interested in owning casinos. Hughes never actually purchased casinos; His company, Hughes Tool Company, bought the properties. [RAM: "ToolCo did not buy all the properties." ] This was not a problem when Hughes purchased the casinos. However, when he decided to divest ownership in Toolco, problems arose. The Corporate Gaming Act was approved to accommodate Toolco's multiple ownership.<sup>47</sup> [RAM: *Again, Howard fought this. He could see that it was the genesis of him not being the biggest.*]

The regulation was retroactive to July 1, 1967. Regulation 15.030, paragraph 1, subsection (a), states the policy is "To broaden the opportunity for investment in gaming through the pooling of capital in corporate form."<sup>48</sup>

Regulation 15.060, paragraph 1, subsection (c) made it all possible. It states, "Only those that own 5% or more of the equity securities of the



corporation must be licensed.”<sup>49</sup> This opened the door for corporations to enter into gaming, further legitimizing the industry.

Hilton was one of the first jump at the opportunity. Previously, Hilton could not have entered the gaming industry because anyone who owned Hilton stock would have had to be licensed. This would have been an impossible task considering the thousands of stockholders in the Hilton organization. Only having to license those with 5% or more ownership made it possible for Hilton to enter gaming. [RAM: *The directors must also be licensed.*]

### Good-Bye Howard Hughes

In 1970, Hughes disappeared as quickly as he had arrived. Hughes did not like the boom he had created. Hughes felt that being in Nevada was putting too much pressure on him. Because he owned so much of the state, every little thing that happened in Nevada affected him. Governor Laxalt did not seek re-election. Hughes supported Howard Fike. When Fike lost to Mike O’Callaghan, Hughes was distressed. At about the same time, Hughes suspected Robert Maheu of stealing from him and fired him. (Maheu was later declared innocent in court and won a multi-million dollar suit against Hughes.)<sup>50</sup> Hughes decided to leave. On Thanksgiving Eve, Hughes moved to the Bahamas. Only a handful of people knew he was gone.

Hughes’ interest in casinos disappeared as quickly as he did. He came out of seclusion on March 17, 1973 to meet with Governor O’Callaghan and Gaming Control Chairman Philip Hannifin in London concerning the licensing of his attorney Chester Davis, who was now on Toolco’s

Board of Directors.<sup>51</sup> [RAM: *Mike and Phil went to Howard because his casinos had been operating without a license since I had been fired.*] It was his last display of concern for his casino interests.

The condition of the Desert Inn reflected Hughes attitude for the industry he had changed. “By the end of October 1974, ninety rooms in the once-lavish Desert Inn had been closed by the Department of Health, and Howard Hughes had become the first slum hotel owner on the glittering Las Vegas Strip.”<sup>52</sup>

Howard Hughes died April 5, 1976.

### Summa Corporation

Before Hughes died, his top aides persuaded him to form a new corporation. Summa was formed. After Hughes died, Summa took over his Nevada operations. Hughes had owned seven casinos, the local CBS affiliate KLAS-TV, several air-transport facilities, the 548 acre Krupp ranch, several houses, substantial parcels of land, and nearly 28,000 acres of raw desert.<sup>53</sup>

Summa improved the Desert Inn and the rest of the casinos before selling them.<sup>54</sup> Summa now concentrates on land development and is a respected corporation in Nevada. The 28,000 acres of desert is called Summerlin today.

### Conclusion

The casino industry of the 1990’s is substantially different than the casino business of the 1960’s. Organized crime has been replaced by corporations. Casinos are no longer considered a Pariah industry. They are being legalized across the nation, and have the respect of the financial world as

well as the government.

Howard Hughes was the predecessor of the corporation. Hughes was a legitimate and respected industrialist who had just profited \$546,500,000 from a legally forced sale of TWA. Hughes wanted to buy Las Vegas because Nevada was a tax-free state.<sup>56</sup> The state government and the Gaming Control Board were eager to rid the state of the criminal element to prevent federal intervention. Consequently, Hughes was given special treatment by the State and the Board. The casino industry experienced incredible growth during the Hughes years. From 1966 to 1976, Nevada’s taxable gaming revenue increased 258%.<sup>57</sup> Hughes is not credited with this growth directly. His casinos never made money. What Hughes did do was open the door for corporations to enter into the gaming business, bringing with them standard accounting practices and corporate controls. This legitimized the industry and Wall St. took notice. Today, casinos are financed through public stock offerings. This brought in a new era of casino proliferation throughout the nation, and in 1993, the gaming business broke its’ previous growth records. Handle was up 17.12% to \$394 billion and revenue rose 14.2% to \$34.7 billion.<sup>58</sup> The mob could not have achieved these results.

Hughes was a terrible businessman. He never had profit as a goal. Officials came to doubt his ability to operate casinos. However, Hughes was a great manipulator of politics. [RAM: *“He sure was!”*] He convinced his critics that the legitimization of the industry and the state was more important than his daily operations. They wisely agreed and let him have his way. The 1969 Corporate Gaming Law was enacted to accommodate The Hughes Tool Company,

but it allowed other corporations to enter the business. [RAM: “Wrong again, he did not need the corporate law.”] When Howard Hughes died, his Summa Corporation sold his casino interests and now concentrates on land development. Summa is a respected corporation, continuing to do great things for Nevada.

The original problem was solved. Nevada is no longer considered an outlaw state and the gaming industry is respected and trusted. The union of Howard Hughes and Nevada’s gaming industry was a success.

It would be naive to think that members of organized crime would just pack up their bags and leave behind a cash business as profitable

as the casino business. It is also not possible to say that they are still involved with gaming. However, if the mob is still connected with casino gaming, they are forced to do business under a new set of rules. These rules include disclosing income, paying taxes, and answering to the Securities and Exchange Commission. Whether or not the corporation is mob-influenced is not the issue. The issue is that the gaming industry is successful. The industry employs tens of thousands of people, provides entertainment to hundreds of thousands of Americans and foreign tourists, and pays millions of dollars in taxes, both at state and federal levels. This would not have happened had the mob kept control of the casino business.

Howard Hughes lost millions of dollars during the Las Vegas chapter of his life. [RAM: “Wrong as hell.” *The DI was bought for \$12.3 million, the Sands was bought for \$23+ million. They were sold later without the accompanying land for \$116 million.*] The state, the industry, and many individuals profited handsomely by his presence in Nevada. Hughes himself probably never realized that his actions would help the gaming industry prosper into a nationwide, acceptable form of entertainment.

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<sup>1</sup> Kilby, Jim. 1993. *Casino Management*. Las Vegas, NV. Kinko’s Packet.

<sup>2</sup> *Ibid.*

<sup>3</sup> Barlett, Donald L., Steele, James B. 1979. *Empire: the life, legend, and madness of Howard Hughes*. New York, NY: Norton.291.

<sup>4</sup> Presswood, Gary A. 1992. *Howard Hughes, alive and well in Las Vegas?* Las Vegas, NV.10.

<sup>5</sup> Dietrich, Noah. 1972. *Howard, the amazing. Mr. Hughes*. Greenwich, Cn: Fawcett. 4.

<sup>6</sup> Davenport, Elaine., Eddy, Paul. 1976. *The Hughes Papers*. New York, NY: Ballantine.23.

<sup>7</sup> Presswood, Gary A. 1992. *Howard Hughes, alive and well in Las Vegas?* Las Vegas, NV. 12.

<sup>8</sup> Barlett, Donald L., Steele, James B. 1979. *Empire: the life legend, and madness of Howard Hughes*. New York, NY: Norton.281.

<sup>9</sup> *Ibid.*286.

<sup>10</sup> Higham, Charles. 1993. *Howard Hughes : the secret life*. New York, NY: Putnam’s.217.

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<sup>13</sup> Higham, Charles. 1993. *Howard Hughes: the secret life*. New York, NY: Putnam’s.217.

<sup>14</sup> Barlett, Donald L., Steele, James B. 1979. *Empire: the life, legend, and madness of Howard Hughes*. New York, NY: Norton.286.

<sup>15</sup> *Ibid.*

<sup>16</sup> *Ibid.*292.

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<sup>18</sup> Gerber, Albert Benjamin. 1967. *Bashful billionaire: the story of Howard Hughes*. New York, NY: L. Stuart.

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