



# PRESERVATION GROUP

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## the Preservation Group

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### ABOUT

**Company Overview**

**Our Beliefs**

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### SERVICES

**Investment Research**

**Money Management**

### OBSERVATIONS

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Preservation Group   Strategic Asset Allocation   Macroeconomic Research   Investment Research

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## Preservation Group LLC

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### Chin '04

September 19, 2003

It is rare moment when a solution emerges that can address several large-scale problems simultaneously. If current trends remain intact, the Democratic Party is likely to amass hundreds of Presidential candidates before next November with a high probability that not one of them will have a clue as to the nature of or remedies for our nation's long-term challenges. The one man who can solve their dilemma and similar problems facing many states is, as luck would have it, already housed in a Federal facility. His name is Vincenzo 'Vincent' Gigante, better known as Chin.

Born in New York in 1928, he rose through the ranks of the Genovese Organization to become CEO in about 1970. Displaying the sort of restraint that we so miss in our present day CEOs, there was no Gulfstream, no corner office on Park Ave., no Ferrari SUV, no castle in Aspen and no endless river of stock options. Instead, he was content to wander the streets of Greenwich Village in a blue bathrobe and striped pajamas, mumbling quietly to himself and the occasional passer by.

This low key personal style anticipated today's growing vision of leaders as humble men and women of the people, stripped of the vivid arrogance that had become the fashion among the elite in political, corporate, academic and cultural affairs. Chin's more subtle approach was no barrier to results. Here is a man who could get things done and done quickly.

With the income from gambling, tobacco, alcohol and 'settlements' representing the fastest growing revenue source among state and local governments, and with union wage and benefit negotiations dominating the expenditure outlook, there is a clear need for a professional with real experience to manage these processes. Who better than Chin to assure that as the country is blanketed with 'Native American' casinos and state run video poker and lottery parlors, government gets the proper "piece of the action" and that everyone sticks to their assigned territory. If Internet gaming poses a threat to government revenues, the answer will not be found in legislation, but in a few quiet talks among the owners of these sites and Mr. Gigante's close advisors. Surely an accommodation can be reached where the interests of both parties can be served by a reasonable split of revenues. The same could hold true for adult sites, liquor distribution, pharmaceutical sales and the other main Internet cash generators. Just a few diplomatic words along the lines of "this is a nice little business, shame if anything happened to it" would have much greater practical effect than fifty hours of braying by John Kerry or Howard Dean.

The weak points of the tobacco 'settlement' provide a good example of the need for professional oversight. Despite the expertise of the tort bar in the basics of extracting cash for protection or the withdrawal of threat, their ability to construct mechanisms that will keep the cash cows alive while they take the milk is suspect. In painting the industry as the incarnation of evil and maintaining that their sole purpose in bringing suit was to end smoking as we know it, the plaintiffs' attorneys and the governments that were their main clients set up a mechanism whereby the golden goose could actually be done in. Punitive taxation and draconian restrictions on smoking in public and private venues are combining to diminish cigarette use. Revenues are threatened, and with them the futures of more than a few states. Competition from new manufacturers and untaxed outlets looms in the distance.

How much nicer to have had one brief gathering of leaders in the tobacco industry, where just one simple question might have been posed—"You gonna pay up, right?" Think of the benefits in avoiding years of litigation and the constant burden of reminding all of us that this whole effort was undertaken for the public good. Potential competitors and those tempted to avoid proper revenue sharing would think twice before threatening the solvency of our governments. Municipal bond investors could sleep soundly.

With leadership that mumbled softly and carried a big stick, politicians in second rate countries would gain new respect for the U.S. One quick tour of the New Jersey Meadowlands (less than one hour by cement mixer from the U.N.) would be more than sufficient to change the tone of anti-American rhetoric. So many problems, one solution...

Chin '04.

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