

# Kefauver Committee

## Final Report

### Aug. 31, 1951

U.S. Senate Special Committee  
to Investigate Organized Crime  
in Interstate Commerce

82ND CONGRESS  
1st Session

SENATE

REPORT  
No. 725

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**ORGANIZED CRIME IN**

**INTERSTATE COMMERCE**

**FINAL REPORT  
OF THE SPECIAL COMMITTEE  
TO INVESTIGATE ORGANIZED CRIME  
IN INTERSTATE COMMERCE**

UNITED STATES SENATE  
*PURSUANT TO*  
*S. Res. 202*  
*(81st Cong.)*  
*AS AMENDED BY*  
*S. Res. 60 and S. Res. 129*  
*(82d Cong.)*

*AUGUST 31 (legislative day, AUGUST 27), 1951.*  
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**SPECIAL COMMITTEE TO INVESTIGATE  
ORGANIZED CRIME IN INTERSTATE COMMERCE**  
*(Pursuant to S. Res. 202, 81st Cong.,  
as amended by S. Res. 60, 82d Cong.,  
and S. Res. 120, 82d Cong.)*

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*[Editor's note: Page numbers have been deleted from the text of the report. The numbers are shown above to provide a reference to the original printed report.]*

**FINAL REPORT OF THE  
SPECIAL SENATE COMMITTEE  
TO INVESTIGATE ORGANIZED CRIME  
IN INTERSTATE COMMERCE**

AUGUST 31 (legislative day, AUGUST 27), 1951.  
-Ordered to be printed

Mr. HUNT (for Mr. O'CONNOR), from the Special Committee To Investigate Organized Crime in Interstate Commerce, submitted the following

FINAL REPORT  
[Pursuant to S. Res. 202, 81st Cong.,  
as amended by S. Res. 60, 82d Cong.,  
and S. Res. 129, 82d Cong.]

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**I. GENERAL OBSERVATIONS**

This committee has served as a powerful searchlight, exposing widespread national and local crime conditions to public gaze. Its activities have had a tremendous effect upon the whole field of law enforcement. Everywhere throughout the country citizens, made suddenly aware of the character and ramifications of organized crime, have risen up to demand greater vigilance in stamping out crime and corruption.

In the first phase of its activities ending on May 1, 1951, the committee concentrated primarily on the large cities. Since that date it has directed its attention largely to the field of narcotics and to crime in medium-size cities.

Everywhere it has turned there has followed an enormous increase in local enforcement activity.

In many cities, large and small, visited by the committee, corrupt officials have been forced to resign, grand juries and enforcement officials have doubled their vigilance, and gangsters have gone into hiding. Even Virginia and the District of Columbia, which were not themselves the subject of investigation, have felt the repercussions of the committee's work in adjacent Maryland. In Maryland itself at least four investigations not previously under way are now being conducted largely as the result of the committee's disclosures. In New York, four new investigative bodies not in existence before the committee began, are now at work.

In the field of narcotics, the committee's searchlight has created a Nation-wide awareness of the seriousness of this great evil. As a result,

investigations have been started, court procedures have been modified, remedial laws have been passed, educational programs have been undertaken and the despicable drug peddler has run for cover. The President of the United States only recently has been prompted to call for increased penalties in narcotics cases.

The committee's study of selected samples of medium-size cities was necessarily less spectacular than in the large cities, but a vitally important fact was established, namely, that the same pattern of crime conditions found in the large cities exists in Main Streets throughout America. Crime must be attacked at the local level and it is from the local level that the committee has received a flood of pleas for information, guidance, and help.

When the committee's life ends the man in the street in every local community will want to know what is to take its place.

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## **II. CONCLUSIONS**

### **A. CONSTANT VIGILANCE**

As the result of the committee's activities there exists a great public awareness of the nature and extent of organized crime. The public now knows that the tentacles of organized crime reach into virtually every community throughout the country. It also knows that law enforcement is essentially a local matter calling for constant vigilance at the local level and a strengthening of public and private morality.

People everywhere are pleading for a means of keeping alert to crime conditions and avoiding a return to the state of public complacency and indifference under which gangsterism has thrived for so long. The demand for a permanent force that can, in some measure, replace this committee must be met.

With a view to answering this demand, the committee, in its Third Interim Report, proposed the establishment of a Federal Crime Commission, and a bill to accomplish this has been introduced. The Commission contemplated by this proposal is an independent Federal agency in the executive branch of the Government, organized and staffed independently of other Government agencies, and required to report to the Congress.

This bill is opposed by the Treasury Department and the Department of Justice, and Senator Wiley has expressed his dissent. Although the committee does not recede from the proposal, a realistic approach compels

the committee to recognize that enactment of the bill cannot be accomplished in a short period of time.

In the meantime, it is highly desirable that some action be taken promptly to afford local communities a means of obtaining help in their attacks upon organized crime.

The answer seems to lie partly in the field of local, privately constituted crime commissions. Several of these have been in operation for a number of years and they have shown themselves to be highly effective. They are not investigative or policing agencies. Their function is to observe local crime conditions, to cooperate with civic, educational, and enforcement agencies where possible, and to report to the public any evidence of laxity or corruption.

A great step forward would be accomplished in the field of law enforcement if privately constituted crime commissions of this character could be established in every city in the United States where organized crime presents a serious problem, and if a central agency could be established which would foster the establishment of local commissions and serve as a clearing house and coordinating agency for their information and experience.

Experience has shown that the crime commission movement cannot progress unless it has a national parent body with sufficient prestige and funds to give it drive. It is believed that if Congress fosters the establishment of such an organization, funds from private foundations or philanthropists can be obtained to give it permanent life.

This report contains a commendation for establishment of an organization of this character.

## B. NARCOTICS

1. The illegal sale of narcotic drugs represents an evil of major proportions requiring for its eradication the combined efforts of law enforcement bodies, legislators, educators, and parents. It should be attacked at all levels of the Nation's social structure. If not successfully overcome in the near future, it may do lasting damage to the youth of the Nation.
2. The organized gangster syndicates will unquestionably turn to the sale of narcotic drugs when they are driven out of the presently lucrative field of gambling. As they did at the end of the prohibition era, when bootlegging no longer offered substantial profits, they will turn to another form of illegal activity. Under present conditions, narcotic drugs offer them the most profitable opening. Their protestations that they would not stoop so low are hollow in the light of the recent arrest of

Waxey Gordon in New York City on a narcotics charge.

3. There has been a startling increase in the abuse of drugs by young people, many of whom are unaware of its frightful consequences. They fail to realize that they are dealing with what is, in effect, a contagious disease which brings degradation and slow death to the victim and tragedy to his family and friends.
4. There has been a tendency to shroud the subject of drug addiction in a veil of secrecy. The result is that young people learn about drugs from bad associates or from the drug peddlers in the back streets and alleys, rather than from qualified sources of information. It is for this reason that many young people have tried drugs, innocently unaware of the dangers they face.
5. Addiction is extremely difficult to cure. It is a chronic condition with a high rate of recurrence. If discovered in time, addiction may be prevented, but once it occurs the victim can overcome it only through a painful and bewildering perplexity of treatment entailing difficult physical and psychological readjustment.
6. Members of the public generally are not aware of the fact that voluntary, noncriminal patients may be treated at the United States Public Health Service Hospital at Lexington, Ky., and that patients who cannot afford to pay are treated without charge.
7. The United States Public Health Service Hospitals at Lexington, Ky., and at Fort Worth, Tex., do not have sufficient facilities for caring for all of the women patients in need of treatment. Furthermore, there is not sufficient segregation of young patients from older hardened addicts. There is considerable danger that youngsters going to these institutions for the first time are retarded in their recovery by mingling with the older addicts. If the public should become fully aware of the availability of these hospitals for voluntary patients, it is entirely possible that the demands upon them will increase materially. In that event additional Federal facilities may be required. At the State level, the facilities for treatment appear to be wholly inadequate.
8. The illegal sale of narcotic drugs pays enormous profits to the lowest form of criminal, namely, the peddler who is willing to wreck young lives to satisfy his greed. No penalty is too severe for a criminal of such character. Until recently the courts have been far too lenient toward narcotic violators. Short sentences do not deter the potential peddler and suspended sentences are a waste of judicial effort.
9. The drug representing the greatest problem is heroin, the importation and possession of which are forbidden in the United States. All of the heroin now used in this country is smuggled in from abroad, for the most part by passengers and seamen carrying it off ships on their persons. Because of the ease of concealment, checking its flow through customs search is extremely difficult. Present practices and procedures for canceling the sailing papers of seamen convicted of narcotics violations are unsatisfactory.
10. The most effective means of combating the narcotics problem is

through effective enforcement facilities. The Narcotics Bureau of the Treasury Department is efficient and effective as far as it is able to go, but it is pitifully undermanned considering the enormity of the task assigned to it. With sufficient personnel, the Narcotics Bureau could do more than any other force toward stamping out the illegal importation and sale of narcotic drugs. Most addicts would like to see the traffic stamped out so that it will not be available to them. At the local level, there are too few enforcement officers who have had experience in specialized fields, especially in the field of narcotics. Although the Narcotics Bureau of the Treasury Department works in close cooperation with the authorities, its manpower is not sufficient to permit it to furnish training to local agents.

11. Barbiturate drugs, such as luminal, seconol, amytol, and the other products popularly known as sleeping pills have not yet become an object of organized crime. However, in its study of narcotics the committee learned that their addiction properties when used in large quantities are as severe as those other narcotic drugs. Their sale should be the subject of strict regulation under both State and Federal law.
12. The Commission on Narcotics of the United Nations has made great strides in bringing about cooperation among the nations of the world regarding control of the production of opium and of the manufacture of drugs derived from opium. The countries in which the drugs are manufactured have been fairly successful in limiting the output to the actual medical needs of the world.

On the other hand, the countries where the opium poppy is grown have found it to be impossible, in spite of strenuous efforts, to regulate the quantities planted and cultivated by the farmers. These countries grow enough opium poppy plants to produce 40 times the amount of opium needed for legitimate medical purposes.

It is believed that, whereas in the growing countries the quantity cannot be regulated, complete prohibition against the planting of opium poppy plants could be enforced.

Except in the case of cocaine, which represents a minor problem, adequate synthetic substitutes have been developed for opiate drugs, especially for morphine, which is the principal pain-relieving product. Although the synthetics are easy to produce, it is believed that their manufacture could be regulated within reasonable limits. The medical profession would not be materially handicapped if opium poppy growing were prohibited throughout the world.

### C. CRIME AND CORRUPTION

1. 1. The same pattern of organized crime found in large metropolitan areas exists in the medium-size cities with similar evidence of official

sanction or protection. In some cases the protection is obtained by the payment of bribes to public officials, often on a regular basis pursuant to a carefully conceived system. In other cases, the racketeering elements make substantial contributions to political campaigns of officials who can be relied upon to tolerate their activities. Sometimes these contributions will support a whole slate of officers in more than one political party, giving the racketeers virtual control of the governing body. Democracy vanishes in a captive community because the ordinary citizen for practical purposes has nothing to say about his Government. In many cities, large and small, there is evidence of active and often controlling participation by former bootleggers, gangsters, and hoodlums in the political affairs of the community. In some cases this participation extends to other cities and even to the government of the State. Underworld characters do not engage in politics for the good of the community or the Nation. They do so for the purpose of increasing their power and wealth and gaining greater protection for their illegal activities. Organized crime has been able to flourish and grow largely because of the economic power wielded by gangsters. The ordinary, honest citizen cannot expect to be able to compete in either business or government with persons who obtain wealth and power through illegal means.

2. 2. Wiretapping is a powerful tool in the hands of law-enforcement officers. Federal agents are seriously handicapped in their regular enforcement work by the legal restrictions which presently surround this valuable instrument of investigation. If properly safeguarded by the same restrictions that are imposed by law upon searches and seizures, wiretapping does not infringe upon the right of privacy of the honest citizen. Several States, notably New York, have laws which permit the use of wiretapping pursuant to court order and subject to reasonable safeguards. These laws work satisfactorily and without objection on the part of law-abiding citizens. A similar Federal law would represent an important contribution to law enforcement.

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### **III. RECOMMENDATIONS AND SUGGESTIONS**

#### **A. RECOMMENDATIONS FOR ACTION AT THE FEDERAL LEVEL**

##### **1. Establishment of National Crime Coordinating Council**

In order to keep the searchlight of public vigilance turned upon crime and corruption in a manner that leaves at the local level the basic responsibility for law enforcement and at the same time affords centralized guidance and coordination, the committee proposes the establishment of a privately constituted National Crime Coordinating Council.

The Council would be a body composed of representatives of privately



established local crime commissions. Its first chairman would be designated on an interim basis by the President of the United States to serve until appointment of his successor. As soon as the organization was established it would nominate five persons from whom the President would select a chairman to succeed the interim chairman. The chairman so designated would serve for a term of not more than 2 years at which time the same procedure would be followed for selection of his successor. Congress would appropriate the sum of \$100,000 to be applied as a grant in aid to the Council for the purpose of permitting it to organize and begin its activities. It is not contemplated that the Congress would be called upon for any additional funds. Thereafter, the Council would be expected to obtain its funds from charitable foundations or other private sources.

Solely to provide the mechanics for establishing the Council at the initial stages, the Attorney General of the United States would have the responsibility of drafting its charter and bylaws, arranging for its organizational meetings, and otherwise sponsoring its creation. Local crime commissions now in existence would be invited to serve as its charter members and thereafter it would sponsor throughout the country other local crime commissions which would also become members or chapters of the national organization.

The functions of the Council would be as follows:

- (a) To foster the establishment of privately constituted local crime commissions wherever needed throughout the country.
- (b) To serve as a clearinghouse for information of interest to local crime commissions.
- (c) To inquire into and study such new patterns or innovations in organized crime as may develop and to make the results of its studies available to appropriate agencies and to legislative bodies so that immediate deterrents may be devised.
- (d) To sponsor meetings for the purpose of exchanging ideas and information regarding local crime conditions to which would be invited representatives of local social and civic organizations, religious groups, educational bodies, women's clubs, law enforcement agencies, and all other groups having an interest in crime conditions.

The committee believes that establishment of the proposed National Crime Coordinating Council would constitute a great contribution toward the cause of law enforcement because it would provide at the local level the civic vigilance without which the evil of complacency and indifference

may soon return.

As previously pointed out, this plan differs substantially from the proposal for a Federal Crime Commission as described in the third interim report. The Federal Crime Commission would be an official agency in the executive branch of the Government; whereas the National Crime Coordinating Council would be a private agency serving the local, privately established crime commissions constituting its membership. If the bill now pending in the Senate for establishment of the Federal Crime Commission should be enacted, the official functions of the Commission would not be in conflict with the private activities of the Council, although a demarcation of responsibilities between them might be advisable to avoid duplication of effort.

## 2. Continuation of crime investigation

Section 7 of Senate Resolution 202 as added by Senate Resolution 129 provides that on or before September 1, 1951, this committee "shall transfer all of its files, papers, documents, and other pertinent data to the Senate Committee on Interstate and Foreign Commerce, which committee shall under and by virtue of the authority of section 136 of the Legislative Reorganization Act of 1946, continue the study and surveillance of the subject matter of this resolution."

This committee hopes that the study of organized crime will continue and it is gratified that the Committee on Interstate and Foreign Commerce has already taken cognizance of the foregoing provision. It is suggested that serious consideration be given to the problem presented by the witnesses who have evaded the committee's process.

With regard to the District of Columbia, this committee has, on several occasions, received evidence that the city of Washington may be a pivotal point for gambling operations of considerable size. There is also evidence before this committee of widespread traffic in narcotic drugs within the District. The committee therefore strongly recommends that an appropriate committee of the Senate undertake a thorough investigation of crime conditions in the District of Columbia, including the relationship of such conditions to crime in adjoining areas.

## 3. Coordinate information regarding narcotics

It is recommended that one of the activities of the proposed National Crime Coordinating Council be to serve as a clearinghouse for information regarding local action taken in connection with the illegal sale and use of narcotic drugs.

At the present time, aside from the information on enforcement supplied by the Bureau of Narcotics, there is no central agency to which civic, educational, religious, and enforcement agencies may turn for information regarding the subject of narcotics. Each community is approaching the matter in its own way without having the benefit of experience gained in others. Duplication and waste of effort would be reduced if coordination of activities could be brought about by use of a central clearing agency.

#### 4. Narcotics Bureau training squad

A squad should be organized in the Narcotics Bureau of the Treasury Department having as its function the training of local enforcement officers in the specialized techniques required for narcotics law enforcement. The squad should consist of at least 10 experienced Federal narcotics agents who would furnish instruction to local enforcement agencies everywhere.

Such a program would increase greatly the number of trained narcotics agents serving throughout the country on both Federal and local levels.

#### 5. Increase staff of Narcotics Bureau

The Appropriations Committees and the Congress are to be commended for action in increasing the appropriation of the Narcotics Bureau to provide for 30 additional agents. The studies of this committee, however, indicate that the problem presented by the importation and sale of narcotic drugs has reached such magnitude that at least 40 more agents, in addition to the 30 provided for, are urgently needed. This would cover the enforcement needs as well as the local training program described in the previous recommendation.

Enforcement is the one point in the entire narcotics problem where results of a tangible nature will be evident immediately. Given the men, the Bureau, with the help of local agencies, can do much more to erase this evil than it is able to do under present conditions.

#### 6. Promote narcotics education

A Nation-wide educational program regarding the character and effects of narcotic drugs and the nature and results of addiction should be developed by the Federal Security Agency and made available to educational institutions, civic organizations, and enforcement authorities throughout the country. The objective of the program should be to lift the veil of secrecy from the subject and to bring it out into the open where it can be dealt with in an intelligent and effective manner. The present authority and

funds of the Federal Security Agency are sufficient for this purpose.

#### 7. Increase drug peddlers' penalties

Federal laws increasing the penalties that the courts may impose upon convicted drug peddlers should be enacted without delay.

#### 8. Increase treatment facilities

The facilities for treating drug addicts in Federal institutions should be increased to permit accommodation of more women patients and segregation of young addicts. Public awareness of the fact that the United States Public Health Service Hospital at Lexington, Ky., is open to voluntary patients and that its services are free to those who cannot pay, may result in a substantial increase in patients. In that event the facilities of that hospital should be increased to meet the needs then found to exist.

#### 9. Require notice to seamen's and longshoremen's unions of narcotics convictions

The Narcotics Bureau should notify the appropriate national unions of all narcotics law convictions of seamen and longshoremen in order that the unions may more easily enforce their rules calling for expulsion of such cases.

#### 10. Cancel sailing papers of narcotics violators

The Coast Guard should be empowered and required to cancel the sailing papers of any seaman convicted of a violation of the narcotics laws, irrespective of whether the violation occurred on land or at sea.

#### 11. Prohibit opium production throughout the world

The United States representatives at the United Nations should work toward the adoption of measures that will prohibit the growing of opium poppy plants in any country of the world.

#### 12. Attorney General's Crime Conference

The Attorney General of the United States made a substantial contribution in the effort to combat organized crime in calling an Attorney General's Crime Conference which had its meeting in Washington in February 1950. The importance of the conference was shown by the fact that it was addressed by the President of the United States. It was attended by Federal and local enforcement officers, prosecuting attorneys and by

representatives of municipal, county, State, and Federal officials.

The conference made notable achievements among which were the recommendation for enactment by the Congress of legislation preventing the use for gambling purposes of interstate communication facilities and prohibiting interstate shipment of gambling devices. The legislative committee of the conference in cooperation with the Attorney General prepared bills to effectuate these recommendations. The bill preventing interstate shipment of slot machines was passed by the Eighty-first Congress.

Extensive hearings were held by the Interstate and Foreign Commerce Committee of the Senate, and the wire-service bill was unanimously reported favorably, the report being made by Senator McFarland of Arizona, now majority leader.

The committee strongly recommends that the Attorney General call annual conferences of this kind and that the legislative and other committees of the conference have more frequent sessions to study and propose legislation at both Federal and local levels to combat organized crime.

#### PREVIOUS RECOMMENDATIONS

In addition to the foregoing recommendations, the committee made 22 recommendations in its Third Interim Report. In order to have recommendations of the committee made available in a single place, those contained in the Third Interim Report are set forth below:

I. The Congress through a continuation of this committee should for a further limited period continue to check on organized crime in interstate commerce. The basic function of the committee should be to scrutinize the efforts made by the Federal agencies to suppress interstate criminal operations, and particularly the racket squads described in later recommendations. It will also follow up the legislative recommendations made in this report.

II. A racket squad should be organized in the Justice Department.

III. Appropriate legislation should be enacted to set up an independent Federal Crime Commission in the executive branch of the Government.

IV. The establishment of the Special Fraud Squad by the Bureau of Internal Revenue of the Treasury Department is one of the most effective and useful steps taken to collect taxes from the criminal element.

The committee applauds the Department for this act and recommends that

it be supported with necessary appropriation and that it work in close cooperation with the special racket squad if set up by the Department of Justice as is recommended by the committee. The Bureau of Internal Revenue should maintain on a current and continuing basis a list of known gangsters, racketeers, gamblers, and criminals whose income-tax returns should receive special attention by a squad of trained experts. Procedures leading to prosecution should be streamlined and speeded up.

V. The Bureau of Internal Revenue should enforce the regulations which require taxpayers to keep adequate books and records of income and expenses, against the gamblers, gangsters, and racketeers who are continually flouting them. Violation should be made a felony.

VI. Gambling casinos should be required to maintain daily records of money won and lost to be filed with the Bureau of Internal Revenue. They also should be required to maintain such additional records as shall be prescribed by the Bureau. Officials of the Bureau of Internal Revenue should have access to the premises of gambling casinos and to their books and records at all times. Where the casino is operating illegally, in addition to the aforementioned obligations, the operators of the casino should be required to keep records of all bets and wagers.

VII. The law and the regulations of the Bureau of Internal Revenue should be amended so that no wagering losses, expenses, or disbursements of any kind, including salaries, rent, protection money, etc., incurred in or as a result of illegal gambling shall be deductible for income-tax purposes.

VIII. The transmission of gambling information across State lines by telegraph, telephone, radio, television, or other means of communication or communication facility should be regulated so as to outlaw any service devoted to a substantial extent to providing information used in illegal gambling.

IX. The internal revenue laws and regulations should be amended so as to require any person who has been engaged in an illegitimate business netting in excess \$2,500 a year for any of 5 years previously, to file a net-worth statement of all his assets, along with his income-tax returns.

X. The transmission of bets or wagers, or the transmission of moneys in payment of bets or wagers, across State lines by telegraph, telephone, or any other facilities of interstate communication, or the United States mails, should be prohibited.

XI. The prohibition against the transportation of slot machines in interstate commerce should be extended to include other gambling devices which are susceptible of gangster or racketeer control, such as punchboards,

roulette wheels, etc.

XII. The penalties against the illegal sale, distribution, and smuggling of narcotic drugs should be substantially increased.

XIII. The immigration laws should be amended to facilitate deportation of criminal and other undesirable aliens. To this end, the committee recommends the adoption of the legislative proposal heretofore recommended by the Commissioner of Immigration and contained in section 241 of S. 716 (82d Cong.), now pending before the Senate Judiciary Committee.

XIV. The Immigration Act of February 5, 1917, should be amended to provide punishment for smuggling, concealing, or harboring aliens not entitled by law to enter or reside in the United States.

XV. The Attorney General should be authorized to revoke suspensions of deportation and to make such revocation ground for the cancellation of certificates of naturalization granted aliens who have succeeded in getting their immigration status recognized but who are later found to be ineligible for such relief.

XVI. The personnel of Federal law-enforcement agencies should be materially increased. Consideration should be given to eliminating inequities, in the salaries of law-enforcement officers, many of whom are woefully underpaid for the duties they perform and the risks they undertake.

XVII. The existing Federal law with respect to perjury should be tightened; the committee endorses H. R. 2260 (82d Cong.) and recommends its passage.

XVIII. The Attorney General of the United States should be given authority to grant immunity from prosecution to witnesses whose testimony may be essential to an inquiry conducted by a grand jury, or in the course of a trial or of a congressional investigation.

XIX. The committee favors the passages of legislation providing for constructive service by publication or otherwise upon a witness whose testimony is desired who evades personal service upon him.

XX. The committee favors passage of the legislation recommended by the Alcohol Tax Unit of the Treasury Department to prevent racketeering elements from entering the liquor industry and to eliminate any now in it. The committee also favors passage of legislation which will extend the same Federal protection to local-option States as is now extended to the

wholly dry States against the illicit transportation of liquor into the dry areas.

XXI. The committee recommends that the present Federal regulation and application forms which require a listing of individual owners, partners, and holders of Alcohol Tax Unit permits, be amended, so that, in addition to the present requirements, the names of all beneficial owners be stated: also that the application forms require the disclosure of all previous arrests and convictions. A report should be filed with the Alcohol Tax Unit of every charge in such interests or in management as such occurs.

XXII. The committee recommends that the Interstate Commerce Commission be required by law to consider the moral fitness of applications for certificates of necessity and convenience as one of the standards in acting upon applications for such certificates or transfers of certificates.

A number of the committee's previous recommendations, above, called for administrative action by the Treasury Department and the Department of Justice. The committee is gratified to note that these have been put into effect, and commends both agencies for the constructive way in which they have acted upon both the letter and the spirit of its recommendations. Both the Secretary of the Treasury and the Attorney General, with their staffs, have been consistently helpful and cooperative in every phase of the committee's work.

## B. SUGGESTIONS FOR ACTION BY STATE AND LOCAL GOVERNMENTS

1. Revision of outmoded laws and adoption of uniform laws.--State and local prosecutors sometimes attribute their ineffectiveness in law enforcement to the inadequacy of the laws they are called upon to enforce. The committee therefore suggests that State legislatures might reexamine their criminal laws with a view to correcting any such deficiencies, especially in the fields of gambling and the other illegal activities that have been found to constitute the basis for organized crime. The committee strongly endorses efforts to develop and promulgate uniform State laws on gambling, vice, narcotics, racketeering, and related areas of criminal activity.

2. State legislative or executive investigations.--State legislatures in more cases might profitably appoint legislative committees, with broad subpoena and investigative powers, for the study of organized crime within their borders, perhaps patterning the duties of such committees after those of this committee. The establishment of crime investigating commissions in



the executive branches of State governments is also suggested.

3. Enact laws relating to barbiturates.--The committee suggests that special attention be directed by States to regulation of the sale of barbiturate drugs to require that they be sold on prescription only. Some States have already enacted such laws. These laws should be so drafted as to conform to corresponding Federal legislation which is now pending and uniformity among the States is highly desirable.

4. Provide treatment facilities for addicts.--The committee strongly suggests that local government, civic, educational, and religious groups promptly survey the facilities available for the detection and treatment of addiction, and that, where necessary, additional facilities be provided in order that persons, especially young people, abusing drugs may be discovered at early stages and treated promptly.

5. Conferences of local prosecutors.--State attorneys general should take the initiative wherever possible to insure better coordination among local prosecutors. In a few States attorneys general have had conferences with district and county attorneys for the exchange of views and information and to emphasize the need for close cooperation in dealing with organized criminal activities. The committee urges attorneys general of other States to adopt this practice on a regular basis.

6. Organization of State crime conferences of citizens groups.--The interest currently being shown by public-spirited citizens, educators, religious groups, and civic organizations in the assault on organized crime should be kept alive, and fully utilized. Continuing public support of the activities of enforcement officials is of great importance. Officially sponsored crime conferences, where civic leaders can meet and exchange views with enforcement officials, might well be organized on a State-wide basis from time to time, perhaps in coordination with the activities of the National Crime Coordinating Council described in this report.

7. Use of State income tax data.--Much valuable information on the activities of organized crime is available in State income-tax returns. Special staffs could be organized to screen this material in order to provide local law-enforcement officers with many leads which are not presently available to them.

8. Utilization of Federal occupational-tax data.--Federal occupational-tax returns require disclosure of the identity and activities of liquor dealers, slot-machine operators, the possessors of gangster-type firearms and (if H. R. 4473, now pending before the Senate Finance Committee, is enacted) gamblers. These returns are available to State and local enforcement officials by a special provision of the Internal Revenue Code. They have

not been widely relied upon, and the committee urges local authorities to take advantage of such information wherever it would help them in detecting violations of applicable local laws.

9. Closer relations with Federal enforcement agencies.--State and local enforcement units which deal with organized crime are invited to avail themselves fully of the research and training facilities and the accumulated data which are available in parallel Federal agencies, the Federal Bureau of Investigation, the Narcotics Bureau, and the Alcohol Tax Unit, and to reciprocate with assistance, and a steady flow of suggestions and information to these agencies.

10. Prohibiting political contributions by racketeers.--State legislation similar to that proposed in this report for Federal candidates prohibiting campaign contributions by racketeers might be considered to safeguard the democratic processes at the State level. Gangster participation in local campaign activities has been clearly exposed in a number of instances and remedial action therefore seems appropriate, especially in the case of candidates for offices which involve any aspect of law enforcement.

#### PREVIOUS SUGGESTIONS

In addition to these suggestions, the committee made seven suggestions in its Third Interim Report. In order to have all of the suggestions of the committee to local authorities available in a single place, those contained in the Third Interim Report are set forth below:

I. A committee might well be appointed in each State to make a thorough-going investigation of the problem of organized crime.

II. Grand jury investigations could well be instituted in every community in which wide-open gambling and racketeering conditions exist, so that local responsibility for such conditions can be fixed and determined.

III. It might be advantageous for each State to institute a survey of its law-enforcement agencies with a view toward bringing about greater cooperation between agencies, greater centralization of responsibility for law enforcement of the criminal law, and greater efficiency.

IV. Organization of rackets and special purpose squads in each State with sufficient manpower and authority to make investigations and arrests in connection with organized criminal activities would be helpful. Such squads are particularly desirable on both the State and local levels, in connection with the suppression of narcotics traffic.

V. Each State would do well to analyze the provisions of its criminal law

and its sentencing practices so as to make certain that deterrent sentences are imposed upon offenders engaged in criminal activities connected with organized crime.

VI. Each State should consider legislation making it possible to deprive any establishment of its license which permits gambling games or gambling operations on its premises.

VII. A citizen crime commission charged with the duty of observing the activities of local law-enforcement agencies and with the duty of observing and reporting on local crime conditions would be helpful in each large community.

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#### **IV. BACKGROUND OF THE COMMITTEE**

This committee was created by Senate Resolution 202, Eighty-first Congress, which provided that the committee's authority was to terminate on March 31, 1951. By Senate Resolution 60, Eighty-second Congress, its life was extended to May 1, 1951, and by Senate Resolution 129, Eighty-second Congress, its life was further extended to September 1, 1951.

The members of the committee from its inception have consisted of Senator Estes Kefauver, Democrat, Tennessee; Senator Herbert R. O'Connor, Democrat, Maryland; Senator Lester C. Hunt, Democrat, Wyoming; Senator Charles W. Tobey, Republican, New Hampshire; and Senator Alexander Wiley, Republican, Wisconsin. For the period from the creation of the committee to May 1, 1951, Senator Kefauver acted as chairman, and Senator O'Connor has served as chairman since May 1, 1951.

The activities, findings, and proposals of the committee during Senator Kefauver's chairmanship are set forth in the Third Interim Report dated May 1, 1951. This final report covers the period of Senator O'Connor's chairmanship from May 1, 1951, to September 1, 1951.

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#### **V. STAFF AND ORGANIZATION**

As of May 1, 1951, the committee's chief counsel and all but two of the members of its legal and investigative staff had resigned, having served for the periods for which they had committed themselves. It therefore became necessary for the committee to rebuild its staff anew. In view of the brief life available for the committee's work, it was necessary to create

a staff large enough to do a highly concentrated job in a short period of time, tapering off as investigative projects were completed.

Richard G. Moser was appointed chief counsel on May 14, 1951, and Downey Rice remained as associate counsel. George H. Martin remained as director of information and James M. Hepbron was drafted by Senator O'Connor to serve on a voluntary basis as administrative assistant. A new staff of lawyers was selected consisting of the following: John P. Campbell, Edgar H. Farrell, Jr., Robert E. Frisch, Lawrence C. Goddard, Rufus G. King, Jr., R. P. S. McDonnell, Robert F. Morten, Roswell B. Perkins, Norman Polski, Wallace Reidt, and Nicholas John Stathis.

In addition, three lawyers who had served previously with the committee assisted it from time to time on a per diem basis. These were Joseph L. Nellis, Alfred M. Klein, and John J. Winberry. Another former associate counsel, George Robinson, now with the Army Air Force, also provided assistance on occasions.

Investigators were selected from various sources. Col. Elmer F. Munshower, superintendent of the Maryland State Police, loaned two detectives to the committee, namely, Murray E. Jackson and Thomas S. Smith. The New York City Police Department, through the co-operation of former commissioner (now United States judge Thomas F. Murphy and later of Commissioner George Monaghan, loaned the committee four members of that force, namely, Detectives Terence J. Harvey, Jr., Ellsworth Monahan, and Sherman Willse; and Police-woman Georgette Carroll. The Department of Public Safety of Newark, N. J., through Commissioner James B. Keenan, made the Services of Detective Michael G. Jordan available to the committee for a short period of time.

The Narcotics Bureau of the United States Treasury Department, through the courtesy of Commissioner Harry J. Anslinger, supplied the committee with the services of Charles Siragusa, who acted as chief investigator, and it also made available from time to time the services of Agent John T. Cusack.

The Alcohol Tax Unit of the Bureau of Internal Revenue, through the courtesy of Mr. Dwight Avis, loaned to the committee two investigators, namely, Jacob E. Erkillia and Michael A. Pessolano.

From the Bureau of Internal Revenue, through the cooperation of Mr. George Schoeneman, former Commissioner of Internal Revenue, the services of Raymond L. Adams, an internal-revenue conferee, were made available to the committee. Mr. Edward J. Fitzgerald, public-relations expert of the United States Public Health Service, served the committee on a part-time basis through the cooperation of Surgeon General Leonard A.

Scheele.

In addition, the committee employed the following independent investigators: William D. Amis, Fred V. Bruch, Joseph R. Bucher, Francis X. Mulrean, and Robert Rehman.

Mr. Wayne C. Grover of the Bureau of Archives made available the services of Paul Soules, a systems expert, who undertook the difficult assignment of placing in readily usable form the large mass of documents, reports, and correspondence which the committee had accumulated during the previous year. The Department of Justice loaned the committee Mrs. Paul Soules, who served as assistant filing clerk.

The rebuilding of the entire staff on short notice presented an organizational problem of considerable difficulty falling mainly on the shoulders of the chief counsel who was engaged simultaneously in preparing for the committee a program of investigations and hearings to be completed within the then remaining period of 3 1/2 months.

Deserved tribute is paid at this point to the extraordinarily devoted and efficient work performed by the members of the Crime Committee staff, oftentimes under the most trying conditions. In the very limited time available normal schedules were completely forgotten. No committee staff ever addressed itself more painstakingly to the duties at hand.

To the leadership of the committee's chief counsel, Richard G. Moser, must be attributed in great measure the excellent results achieved by the staff under his direction. It would not have been possible to have found a chief counsel better equipped by the standards of learning, keen insight into the vast complexity of questions involved, or a more conscientious devotion to the fulfillment of this important assignment. Mr. Moser did not seek this post but the committee records officially its unanimous conviction that his contribution to the public service has been exemplary and will have lasting beneficial results.

Mr. James M. Hepbron, who served on a voluntary basis as administrative assistant to the committee, brought to the investigation a wealth of valuable experience gained through his many years as the guiding figure of the Baltimore Criminal Justice Commission, and in the service of the United States Navy Intelligence. His mature judgment in the handling of administrative matters, and his assistance in the direction of various phases of the investigative work, were of the utmost value. He merits public commendation for his wholly satisfactory handling of vital segments of the committee's functions.

Downey Rice, associate counsel, who had been with the committee from

the beginning of its activities, was an unerring source of competent advice. His investigative talents and his technique of examination of witnesses at hearings assisted immeasurably in the development of testimony of importance to this committee's program. Helpful in like manner was George H. Martin, director of information, who also served in an investigative capacity on many occasions throughout the committee's activities. The many other members of the legal staff, as well as the clerical assistants, were uniformly capable and helpful. They well merit our thorough commendation.

The committee also wishes to acknowledge the splendid cooperation accorded by August J. Bourbon, administrative assistant to Senator O'Connor, and also by Julius N. Cahn, executive assistant to Senator Wiley, of Wisconsin. Both of these gentlemen rendered invaluable assistance during the life of the committee and were of the utmost help in connection with the committee's report.

The committee likewise would be remiss in the extreme if it failed to acknowledge gratefully the very valuable and continuing assistance and advice given by Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, and his assistant, Mr. Louis B. Nichols, and by Mr. Harry J. Anslinger, Commissioner of Narcotics of the Treasury Department, and his deputy, Mr. George W. Cunningham.

The committee had the benefit of their wide knowledge of crime conditions throughout the country in the planning of its program and throughout its activities, and their unfailing courtesy and helpfulness contributed vastly to the committee's accomplishments.

The committee also acknowledges the cooperation and able assistance furnished to it by Frank S. Hogan, district attorney of New York County, N. Y., and Miles F. McDonald, district attorney of Kings County, N. Y., and the members of their staffs.

The committee again records its deep appreciation for the great contributions made to its work by the distinguished group of lawyers and judges who constitute the American Bar Association Commission on Organized Crime of which Hon. Robert P. Patterson is chairman and Judge Morris Ploscowe is executive director.

The member telephone companies of the Bell System and the American Telephone & Telegraph Co. continued to display commendable willingness to further the causes and aims of the committee by frequent and sometimes costly research into their records, the utilization of which contributed in great measure toward the unraveling of the interstate

ramifications of the rackets explored.

Thousands of communications have been received from public-spirited citizens offering encouragement and constructive suggestions. The committee takes this opportunity publicly to thank these correspondents and to acknowledge their interest and support:

The newsmen who have followed the committee's career also deserve a hearty word of thanks for their courtesy and patience. Their work, as a link between the committee and the American public, has contributed immeasurably to the achievements described in this report.

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## **VI. PROGRAM**

The committee adopted as the basic program for its new staff the following subjects:

1. Illegal narcotic drugs.
2. Crime in medium-size cities.
3. Crime in large cities.
4. Local effects of national crime investigation.
5. Introduction of corrective legislation.

The selection of places to be investigated (including cities within States represented by the five members of the committee) was a decision unanimously concurred in by the members. Similar unanimity has characterized every major decision of the committee from its inception.

A summary of the committee's objective under each of the foregoing headings is set forth below.

1. Illegal narcotic drugs.--From every corner of the country there came rumblings of an insidious evil beginning to eat its way into the fiber of the Nation's youth. Shocking stories were reaching the committee of young people, confused and unnerved, turning to the use of narcotic drugs, either as a form of pleasure or as an escape from psychological strains they could not master. It was obvious that these young people were wholly ignorant of the disastrous effects of narcotic addiction upon their lives and their families and that they failed to realize that narcotic addiction requires long hospitalization in a secured institution withdrawn from ordinary living.

Unchecked addiction and its concomitant craving result in a life of degradation and crime. These young victims were the innocent prey of the lowest form of criminal known to society, the drug peddler.

It seemed clear to the committee that if its legislative program should be successful in driving organized gangster syndicates out of the field of gambling, these racketeers would ultimately turn to other forms of illegal business activity just as they had turned from bootlegging to monopolized gambling. Many a hoodlum has stated with pride that he had never stooped to the sale of drugs, but he said that only because gambling was a sufficiently profitable source of income. Deprived of gambling, he would have no difficulty in adjusting his resilient conscience to the sale of drugs. No better example of this can be found than the case of Waxey Gordon, once notorious bootlegger, then a racketeer gambler, and recently arrested for drug peddling.

The evils of monopolized gambling are great. Many a family has been driven to poverty and many a child has been unnecessarily deprived of life's opportunities because his parents, tempted by a distant hope of sudden wealth but ignorant of the enormity of the odds against them, have gambled away the family's pay envelope. But these evils are nothing compared with the sorrow and tragedy to individuals and families alike resulting from drug addiction.

Accordingly, the committee undertook an intensive study of the whole field of narcotic drugs, including the following:

- (i) the types of narcotic drugs;
- (ii) the laws restricting their importation, sale, and use;
- (iii) the cause and nature of drug addiction;
- (iv) the extent of drug use by young people;
- (v) the methods of illegal importation and sale; and
- (vi) the possible remedies.

The results of its study are set forth under an appropriate heading in this report.

2. Crime in medium-size cities.-The work of the committee as described in the Third Interim Report showed the existence of organized gangster syndicates exercising monopolistic control over illegal gambling operations in most of the large cities of the country. It showed that the



mobs which had their beginnings in the prosperous bootlegging combines of the prohibition era had turned from the illicit liquor traffic to the equally lucrative field of illegal gambling, often operating under corrupt official sanction.

The committee decided that its work in this field would not be complete without a study of the less conspicuous but equally important field of gangster operations in medium-size cities. It had received a flood of requests from every type of community for investigation of local crime conditions. As only a small fraction of these requests could be satisfied in the short time available and in any event only those presenting interstate aspects, the committee decided to select a few medium-size cities as samples. Those selected were the resort town of Atlantic City, N. J.; the suburban towns across the river from Cincinnati, namely Newport and Covington, Ky.; the mining town of Scranton, Pa.; and the industrial city of Reading, Pa.

These cities were selected not because they are considered to be more crime ridden than other communities of their size but because they seemed to be representative samples of many other communities throughout the country and their comparative proximity to Washington made investigation more feasible in the light of the shortness of time and limited funds at the committee's disposal.

The committee's objective was to ascertain whether there exists in medium-size cities the same pattern of gambling operations as was found in the large cities.

A detailed description of the committee's activities with respect to each of these communities appears further on in this report.

3. Unfinished investigation of large cities.-At the conclusion of the committee's hearings in March, there remained a certain amount of unfinished business. In New York, Irving Sherman, a close friend of Ambassador William O'Dwyer, had eluded the committee's search. The New York story was not considered complete without his testimony. Abner Zwillman, former bootlegger and underworld character of substantial importance, who had avoided appearance before the committee in March until the last minute, had testified at that time, but because of the pressure of time the whole story had not been told. Further investigation of his background, connections, and influence was considered desirable.

In Miami, Sheriff James Sullivan, who had been removed from office as the result of the charges made against him by witnesses appearing before the committee, had been reinstated. This called for further investigation of the Florida criminal picture. Seven witnesses from Chicago and Cleveland

who had been arrested pursuant to Senate warrants, had not been heard.

Baltimore, Md., hub of one of the great horse-racing centers of the world, was one large city which had not been investigated, but which seemed to require study in view of its proximity to Washington, D. C., and in view of the committee's previous emphasis on the Continental News Service which has an important distributing outlet in that city. The committee decided to include in its program not only Baltimore but also Anne Arundel County and Prince Georges County of Maryland.

A summary of the results of these projects is set forth later in this report.

4. Local effects of national crime investigation.-It is apparent from a review of the huge mass of correspondence received by the committee that the publicity given to its hearings had profound effect upon law enforcement throughout the country. Everywhere people were rising up to demand that police and prosecutors exert greater vigilance in tracking down and convicting the criminals who thrive under the protective umbrella of official corruption. There arose a national awareness of the fact that gambling, although perhaps relatively harmless when conducted on an individual basis, could become, in the hands of monopolistic gangster syndicates operating across State lines, a cause of general breakdown in law enforcement leading not only to laxity in all branches of crime prevention but also to a decline in the quality and integrity of local government government.

It was also apparent that public interest in law enforcement would continue only so long as a spotlight, such as is created by the activities of this committee, was directed at the problem. When the committee goes out of existence, there is serious danger that public complacency and indifference will take the place of the present state of vigilance. Obviously, local governments cannot be expected to turn the spotlight on themselves; the pressure must come from an outside force that is not subject to improper local influences.

In some cities the problem has been approached by establishment of crime commissions privately operated and financed. In others, existing civic organizations have attempted to place the pressure of vigilance upon public officials.

The committee felt that it should give attention to a study of this problem with a view to arriving at a solution that would be helpful from a long-range standpoint. This report sets forth a description of the Nation-wide effects of the committee's work and its studies regarding the possibility of avoiding a return to a state of public apathy toward law enforcement.

5. Enactment of corrective legislation.-The committee considered one of its major responsibilities to be the preparation and introduction of legislation in line with the proposals contained in its Third Interim Report, as well as such additional legislation as its further investigative work might indicate to be desirable. In spite of the heavy schedule of the Eighty-second Congress, the committee decided to proceed with its legislative program and to press for its enactment. Its progress in this regard is reported below.

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## **VII. THE FINDINGS OF THE COMMITTEE**

### **A. PRACTICAL RESULTS OF COMMITTEE'S WORK**

The basic function of this committee was to study the interstate aspects of organized crime. However, its activities had the practical effect of turning a high-powered searchlight, not only on interstate crime conditions but also its byproduct, local crime conditions all over the Nation.

Through the medium of television, the citizens of the country for the first time had it driven home to them with dramatic and startling impact that top-ranking hoodlums and underworld leaders were in their midst and were not story-book characters.

Some controversy has arisen by reason of the committee's decision to permit televising of some of its hearings but it is undeniable that this modern medium of communication was a particularly potent factor in arousing the public from its apathy. The result has been an overwhelming demand for reform in the entire field of law enforcement.

Prosecutors and police have been rigorously prodded in areas where laxity in law enforcement had become an accepted thing. In other sectors where vigilance already had been exercised by prosecuting and policing agencies, still tighter measures were invoked against the law-breakers.

Underworld figures who had been regarded as immune from prosecution have found it expedient to take long vacations from their usual sinister activities. Not a few of them have been impelled to take indefinite holidays in places far removed from their usual haunts.

The public reaction to exposure of the evils to which the committee devoted its attention has been exceedingly healthy.

In its Third Interim Report the committee set forth a series of seven suggestions to State and local authorities designed to promote improvement in local law-enforcement conditions. The reaction to these

suggestions has been very encouraging and the committee is tremendously heartened by the splendid display of interest on the part of State and local authorities in countless areas from coast to coast.

Although the committee has found that crime and lawlessness are not confined to the larger cities of the United States, it is an inescapable fact that the larger cities are considered to be the underworld strong-holds. It has been gratifying to the committee to note that in practically every State in the country where there is a city with a population in excess of 500,000, positive action has been taken along the lines suggested by the committee.

Privately constituted crime commissions have either been organized or revitalized in a vast number of communities and in these sections where such commissions have not been formed, similar activities are being undertaken by civic organizations having the same broad objective.

The American Bar Association Commission on Organized Crime will submit its report to the American Bar Association at its annual meeting in September. Its work and recommendations have already been of great assistance to the committee and to local groups and legislatures. Its report will be awaited with great interest. In the field of uniform laws and other efforts to combat crime particularly at the local level, this commission can continue to be of substantial assistance. The committee hopes greatly that it will be continued as a permanent commission of the American Bar Association.

Grand jury activity has attained a new vigor probably unknown heretofore on such a wide scale. Indictments are pouring forth in ever-increasing numbers as illicit enterprises and corruption receive closer scrutiny.

Formation of special racket squads has been reported on all levels, Federal, State, and local. The Bureau of Internal Revenue has swung into concentrated action with racket squads operating across the Nation and reports of commendable progress in investigations of tax evasion by gangsters and racketeers have already been noted.

Crime legislation received special attention in nearly every State legislature which held 1951 sessions. Eleven States have taken steps to tighten their narcotics laws; eight have imposed new controls on horse racing and other sports events; five have introduced new book-making laws. Ten States have revised their laws to give better control of gambling, and one, Iowa, has put into effect the Wisconsin-Minnesota type of restriction (providing for cancellation of all licenses for any public premise where gambling is allowed), which the committee specifically urged in its Third Interim Report.

Four legislatures have provided new plans for assuring better centralized control of local law enforcement; three have tightened and improved grand jury procedures. The uniform laws drafted in the 1930's to give better control over interstate activities received new impetus, and were the subject of legislative action in nine States.

North Carolina and Texas, as the forty-seventh and forty-eighth States to ratify the Interstate Probation and Parole Compact., extended that excellent measure throughout the United States. Nearly a dozen States took steps to create special legislative or executive agencies to study crime problems.

In California a study committee on organized crime has been authorized by the Governor and the legislature and is scheduled to take action within a short time. Wholesome results of grand jury investigations in southern California have been high lighted by one grand jury report in Los Angeles which named 60 persons as defendants in connection with a \$7,000,000 bookmaking operation.

Suspected violations of California's State income-tax laws are being given close study and demands have been forthcoming for increased penalties for narcotics violations.

Mickey Cohen, the notorious west coast hoodlum, has been convicted of income-tax evasion and has been sentenced to 5 years in prison and fined \$10,000. The committee, during its California hearings, spent considerable time in an inquiry into his activities.

As a result of the committee's spotlighting of conditions in New York State, Governor Thomas E. Dewey named a five-man crime commission that has been active for months. Saratoga, to which this committee devoted considerable attention during its New York hearings in March, is the scene of a protracted investigation which already has produced some indictments and the resignation of the sheriff.

In New York City a crime commission organized under the chairmanship of Mr. Spruelle Braden, formerly Ambassador to Argentina, also is actively functioning. The attorney general of New York, like this committee, has been making a lengthy investigation of the narcotics evil and James J. Moran, close friend of former Mayor William O'Dwyer, was compelled to resign his lifetime position as water commissioner to which O'Dwyer had appointed him, and he has been convicted of perjury in connection with his testimony before this committee. Disclosures before this committee that he had chauffeured Irving Sherman, friend of O'Dwyer and Frank Costello, from LaGuardia Airport, forced Deputy Chief Police Inspector Abraham Goldman into retirement. The police department in

New York City has undergone a drastic overhauling marked by the application for retirement of 505 members of the department to avoid having to comply with a new law requiring 30 days notice of intent to retire.

In New Jersey, Joseph Doto, alias Joe Adonis, labeled by this committee as a coleader with Frank Costello of the east coast underworld, has been sent to prison, along with several of his associates. Racket squads are operating at the State level. The liquor licensing authority has the power to revoke licenses where gambling is permitted, and a padlocking law has been drafted to close such places permanently.

In New England a privately constituted crime commission with branches in several States has been organized. In Maine a 5-month secret probe financed by the Governor's office had produced 146 indictments in Cumberland County, the State's most populous areas, as of May 30, 1951. The legislature adopted a new gambling law making bookmaking, lottery, numbers, and similar offenses felonies instead of misdemeanors and providing stiffer fines and prison sentences.

In Connecticut the State police commissioner and the Governor took prompt action to prevent gamblers and racketeers driven from other States from seeking refuge in Connecticut. The Connecticut Legislature stiffened the penalties for sale of narcotics to minors, and in New Britain a big-time bookie was fined and imprisoned for 1 year.

In Delaware the legislature also took prompt action and enacted measures improving the procedure for search and seizure, increasing penalties for bookmaking and gambling, and making jail sentences mandatory for second offenses.

The legislature in Florida adopted six bills designed to deal more effectively with gambling, including more stringent regulation of the wire service. Unfortunately, one bill - which would have outlawed the printing of scratch sheets, wallboards; and other detailed horse-race information, was vetoed by the Governor.

Increased law-enforcement activity was reported by the attorney general of Illinois. In that State some 1,200 slot machines were seized and destroyed by the State police and two large bookmaking establishments -- one grossing more than \$6,000,000 a year, were raided and closed. A withdrawal of utility transmission facilities forced 28 others out of business.

In East St. Louis, Ill., scene of widespread operations in the past, gambling was dealt a terrific blow. The police commissioner who had tolerated bad

conditions in the past was soundly defeated when he sought reelection and a new sheriff was elected.

Police activity in Chicago against the gambling element has proceeded on a constant and sustained basis over a period of months and the Chicago Crime Commission has won a notable victory by persuading the legislature to pass a bill permitting grand juries to stay in session for 3 months instead of 1.

Crime committees and good government commissions have been organized in several Indiana cities and slot machines that formerly were operated openly in a number of sections have been forced into storage.

In Iowa the legislature passed a law whereby any firm convicted of operating gambling slot machines, pinball machines, or punchboards, would automatically be deprived of all of its licenses to operate any type of business.

The attorney general of Kansas has made an exhaustive survey of law-enforcement machinery in the State and the legislature made an appropriation to support the peace officers school at the University of Kansas, although it killed legislation sponsored by the attorney general which would have made slot machines, punchboards, pinball, and other such machines illegal.

Citizens groups previously organized in northern Kentucky to fight organized gambling and crime continue to be active and have made their weight felt.

In Louisiana organized gambling in Jefferson Parish has ceased to exist in accordance with the promise made to this committee by the sheriff but gambling is reported to be continuing in St. Bernard Parish. Slot machines which formerly were found in practically every kind of business establishment in Louisiana continue to remain in storage. Five contempt actions grew out of the committee's hearings in New Orleans. Although the case against "Dandy Phil" Kastel, associate of Frank Costello, has been dismissed, other contempt proceedings have been more successful. John J. Fogerty, co-owner and operator of the wire service, entered a plea of nolo contendere and was given a fine while Carlos Marcello, recognized kingpin of Louisiana racketeering, has been convicted and has received a sentence of 6 months in prison and a fine of \$500. The cases against Marcello's brother, Anthony, and against Joseph Poretto still remain to be tried.

The committee's investigations into conditions in Maryland drove bookmakers and other gamblers under cover, and sale of scratch sheets

and other materials used by the gambling element is reported to have become almost nonexistent. A legislative committee was authorized by the legislature to set up a committee to study crime and the State prosecutor has submitted a recommendation for a new search and seizure law. In Baltimore, the Mayor set up a special committee to combat the narcotics evil and a special narcotics squad was established in the police department. The State's attorney secured a \$10,000 fund for use in narcotics cases. A Baltimore police lieutenant whose dealings with a known gambler were exposed by this committee was removed from office. There was a general intensification of law-enforcement activity throughout the city and the State.

In Michigan, the legislature restored the so-called "one-man grand jury" and there have been increased activities in narcotics law enforcements.

The attorney general of Mississippi has advised that the suggestions of the committee for action on the State level will be presented to the legislature of that State when it convenes in 1952.

Reports from Missouri indicate that crime investigations have been launched by a State senate committee and by several special grand juries. In Jasper County, a grand jury investigation led to the resignation of the prosecuting attorney and a magistrate. The State senate committee looked with favor on the suggestions of this committee for centralization of responsibility for enforcement of criminal laws and for a survey of the various State law-enforcement agencies. The Kansas City Police Department now has a racket squad whose primary duty is the enforcement of the gambling laws. In both Kansas City and St. Louis, the authorities and the crime commissions concentrated their fire on the wire service, and Pioneer News Service went out of business.

The attorney general of New Hampshire sought legislation to make prison sentences mandatory in certain types of gambling cases and backed a uniform narcotics law.

In Ohio, Governor Lausche has launched a program to strike hard at those guilty of peddling drugs to school children; and in Cincinnati, the highly favorable reaction to the exposure of organized crime has revitalized an agreement with the telephone company for removal of service where gambling operations are suspected.

Grand jury investigations have been reported in several areas in North Dakota and Oregon, and in some sections of Pennsylvania. In South Carolina, the Charleston Chamber of Commerce has decided to organize a local crime commission, and activities against organized criminal elements in Texas are worthy of considerable praise. Notable among the



achievements in Texas was the conference called by the attorney general in March which was attended by district and county attorneys from all parts of the State. The legislature furnished commendable cooperation by enacting practically all of the legislation recommended by the group, which included bills outlawing possession of slot machines, punchboards, and policy games. The attorney general sought and secured injunctions against both the telegraph and telephone companies, prohibiting gambling information from being disseminated over their wires. Grand juries have been active and a crime investigating committee of the legislature has been functioning. Citizens in many parts of Texas have voluntarily begun the formation of local crime commissions.

The National Junior Chamber of Commerce at its annual meeting praised this committee for its accomplishments and adopted the study of organized crime as its major project for the ensuing year.

The committee is proud of the part it has played in helping to bring about this fine record of accomplishment on the local level, although it realizes that there still remains a great deal to be done.

## **B. ILLEGAL NARCOTIC DRUGS**

### Introduction

The illegal traffic in narcotic drugs exemplifies organized crime at its devastating worst. It represents one of the great tragedies of our times, especially when it preys upon young people who are ignorant of drug addiction not only upon themselves as individuals but also upon the family and society as a whole. .

Addiction resulting from an ignorant or depraved attempt to obtain temporary pleasure is an inexcusable tragedy. Drug addiction is a form of contagious disease with a high recurrence. Anyone who starts abusing a drug for whatever reason is immediately exposed to a serious danger of becoming addicted. Addiction occurs in a very short time and once it occurs there is no going back. The addict's whole life changes from one of usefulness and normalcy to one of suffering and degradation and in many cases, eventually to crime. One of the great contributions that could be made to the welfare of the young people of today would be to bring home to them the cold fact that narcotic drugs are to be avoided like the plague.

Against this backdrop of tragedy, the picture of the dope peddler promoting drug addiction in order to create new customers is nothing short of revolting.

A parade of witnesses representing every sector of the narcotics problem came before the committee. Physicians explained the properties of drugs, the course of addiction, the clinical processes of its treatment, and the psychological after-effects. Citizens of aroused communities described alarming local situations and told of efforts to stem the evil of narcotics abuse. Heartbroken parents described the tragedies that had befallen their children through drug addiction. Enforcement agents bared the workings of the international network through which illegal drugs move and the fabulous amounts of money involved in the traffic.

The committee traveled to the Maryland House of Correction, the Woman's Prison of Maryland near Baltimore, and to the United States Public Health Service Hospital, Lexington, Ky., to hear the story first-hand from prisoners serving time for narcotics violations and from patients under treatment for addiction. The professional nonaddict peddlers told of giving "for free" enough heroin to get new customers "hooked," i.e., dependent on drugs; and of employing addicts as "testers" to judge the quality of the merchandise at the wholesale level. Nervous teen-agers, still jittery following withdrawal of narcotics, spoke haltingly of the confusion and the futile misery of the drug habit. Some had suffered enough for a dozen lives, yet they were not old enough to vote.

From the testimony of these witnesses and from other data submitted for study, the committee formulated the observations that comprise the body of this report on the illegal narcotics market and the extensive many-sided problems it presents.

### **(a) The drugs of addiction**

The drugs usually abused to the point of addiction are grouped as stimulants and depressants, according to the effects they produce on the behavior of the user.

Of the stimulants, the most common and most dangerous is cocaine, derived from the leaves of the coca plant growing in South America and Java. In large doses, cocaine incites a transient reaction, followed by extreme nervous discomfort, irritability, and paranoid delusions that make the user a menace to those around him. Among the other stimulant drugs are benzedrine, dexedrine, and mescaline, a drug used by the Indians in the southwestern United States to "help them see God."

The depressants, on the other hand, relieve tension and nervous disturbance, producing a false and temporary feeling of well-being. They are used medically as pain relievers (called "analgesics") and many of them are necessary and extremely valuable for this purpose. They include

opium and its derivatives such as morphine, heroin, dilaudid, codein, and metapon, to mention a few. They also include synthetic pain relievers such as demerol, methadon, and the new levo-iso-methadon. The depressants also include alcohol and marijuana. The bromides and barbiturates are classed as hypnotic drugs.

Frequently addicts take a depressant and a stimulant simultaneously, the depressant serving as an antidote for the dangerous and unpleasant effects of the stimulant. Known as a "speedball," one of these concoctions is a mixture of heroin and cocaine. The former relieves tension and anxiety; the latter furnishes the concurrent feeling of well-being and subdues fatigue. Some addicts engage in the viciously dangerous practice of spending long hours balancing the exciting effects of the cocaine with the restful euphoria of the heroin.

According to Federal law, the habit-forming drugs, those for which the Government provides addiction treatment facilities, are cocaine, coca leaves, codein, dicodid, hycodan, dilaudid, heroin, marijuana, laudanum, demerol, isonipecaine, methadon, metapon, morphine, opium, pantopon, paregoric, mescaline, and other drugs that may be designated by the President. These statutes do not encompass alcohol, the barbiturates, or the bromides.

### **(b) Laws relating to narcotic drugs**

Recognizing the profound seriousness of the rapidly growing drug-addiction problem, Congress passed in 1914 the first comprehensive Federal narcotics law -- the Harrison Act. Under the provisions of this law, commerce in medicinal and other legitimate narcotics was legalized and controlled under the Federal taxing power. By the same mechanism, illicit traffic in opium and its derivatives and in the coca leaf and its derivatives (cocaine) was outlawed.

The Miller-Jones Act, passed in 1922, established a system of import and export permits and restricted the import of raw narcotic material to medical needs. By an amendment adopted in 1924 the dangerous and currently popular heroin was forbidden entrance to this country as was also opium for use in manufacturing heroin.

The Opium Poppy Act of 1942 insures against the growing of opium poppies in the United States.

Controls on the traffic in marijuana were imposed by the Marijuana Tax Act of August 2, 1937. It provides an occupational tax on all persons legally permitted to produce, sell or deal in marijuana. There is also a

heavy transfer levy when unauthorized individuals are involved in a marijuana transaction.

On the state and municipal levels, uniform laws and ordinances help to control the traffic in narcotics within their jurisdictions. Forty-two states have enacted the Uniform Narcotic Drug Act and two others have the equivalent. The only states which do not have restrictive legislation are Kansas, Massachusetts, New Hampshire and Washington. Recent enactments in Illinois and New York have stiffened the penalties for sales to minors.

### **(c) Cause and nature of addiction**

The crux of the narcotics problem lies not in the drugs themselves but in the persons who abuse them. Addiction involves taking drugs in excessive quantities.

Some individuals by reason of their physical and psychological make-up can become addicted to drugs more easily than others. Persons easily addicted are referred to as "addiction prone." There are some individuals who are relatively immune to addiction. The difficulty is that no one knows for certain whether he is addiction prone until after he has become addicted and then it is too late.

The most a victim can expect from treatment is to be taken off the drug and furnished psychological aid to remain off it. Medicines given during treatment do no more than relieve the tortures of withdrawal. No one, however strong his psychological framework, should run the risk of ruining his life and the lives of his friends and family by using any narcotic drug except under the strictest medical control. Prescribed in proper amounts, narcotic drugs are important aid in the practice of medicine and serve the humanitarian purpose of helping to alleviate the pain of the suffering. They should not be denied those who need them merely because of their addicting qualities. Until a nonaddicting pain reliever is discovered, physicians must use narcotics. Those who divert the stream of legitimate narcotics for their own selfish gain, actually rob the sick and the injured.

Although the therapeutic use of opium traces back some 6,000 years, nonmedical addiction dates only to the latter part of the nineteenth century when the "social use" of opium for its euphoric effect became known in India and China. Many of the cure-all patent medicines so popular in the United States at the turn of the century had opium as their principal ingredient. These preparations were later banned from public sale by the

Federal narcotics control legislation.

Most habitual users of narcotics have psychoneuroses and personality disorders of varying degree, ranging from those of the criminal psychopath to the immature thrill seeker who craves extraordinary excitement. Addiction prones experience difficulty adapting themselves to the ordinary pressures and tensions of living. They may be extremely dependent or unusually hostile, incapable of entering into normal human relationships. In their discomfort, they frequently suffer obscure symptoms of indeterminable origin.

The average human being has normal defenses with which to cope with life's disappointments, frustrations, and conflict. But the potential addict lacks this natural ability to battle successfully against emotional problems and the anxieties they engender. If he looks to narcotics to ease his pain, subdue his disturbance, and escape his problems, he may find in drugs the substitute for his weak defenses. The feeling that "all is well" gives him a paper crutch of power and security and he is on the way to a heavy drug habit that only a life of crime can maintain. This is the weak, irresponsible creature on whom the parasitic illicit narcotic trader feeds and grows rich.

The course of addiction is easily illustrated by the testimony of individuals who were addicted to heroin. As one 17-year-old boy described it, he was associating with boys older than who were using drugs. They urged him to try it, telling him he would get a kick out of it. They assured him he would not become "hooked" if he merely "sniffed" or "snorted" it. He tried snorting and did not like it. Later he tried again and did not mind it so much. Then the older boys explained to him that it was cheaper to take heroin in the veins because the effect was greater with a smaller quantity. So he tried "mainlining," that is, shooting the drug directly into his veins with a hypodermic needle. He tried this a few times and one morning he awoke feeling very sick. He took a shot and felt well again. From then on he was "hooked."

The boy had developed a physical dependency on the drug and had to keep taking it in ever increasing quantities to avoid being sick. He no longer took it for pleasure, he had to have it. He became irregular and inefficient at his job and finally had to quit. Finding drugs became a full-time job. For money, he borrowed, stole and forged Government checks. He said there was nothing he would not have done for drugs. He ended up in a Federal prison where he was taken off the drug and allowed to go through the painful suffering of withdrawal.

This is not an isolated case. The same story is told by hundreds of addicts who blame their predicament on bad company and inadequate surroundings. Without exception, they say that the addict's life is one of

perpetual misery and if they had realized in advance what they were headed for, they would have avoided drugs like a dangerous disease.

#### **(d) Use of drugs by young people**

In the past 24 months, America has been jolted to its foundations by the discovery that youngsters, especially in the larger cities, are using narcotic drugs, many to the point of addiction. New York, Chicago, Baltimore, and Washington, D. C., saw big increases in the number of under-age drug users coming to the attention of the police. In a large number of cases, these young people were engaging in crime for the sole purpose of supporting their drug habit.

The United States Public Health Service Hospital at Lexington, Ky., the larger of the two Federal hospitals devoted chiefly to treating addicts, compared the year 1946 when patients below the age of 21 represented 3 percent of the patients in the hospital, with the early part of 1951 when, with a higher total patient count, the proportion of young patients had climbed to 18 percent. Nearly three-quarters of these youngsters had no record of criminality or delinquency prior to addiction. Testimony from an experienced social worker on the situation in New York City revealed that the narcotics problem cuts across all social and economic lines. A young negro addict from Chicago said, "There is no segregation in the use of dope."

The committee interviewed many of these youngsters, among them a 19-year-old boy who quit school, throwing away a full scholarship in an eastern university, because of narcotics. To support his habit, he stole Government pension checks. A midwestern college freshman said he dropped out in the middle of his first semester and shortly thereafter was arrested for stealing money from the mails, all because of dope. Another collegian revealed that he and his friends grew marijuana in a yard and dried it in the oven of their apartment before rolling it into cigarettes. Girls in their late teens with narcotic addiction lasting several years, admitted that they had resorted to prostitution rather than endure the horror of going without drugs.

While many of these boys and girls do not evidence the character and personality disorders of the veteran addict, they have proven themselves susceptible to drugs, at least enough to continue taking narcotics to the point of becoming "hooked." Representing the carefree, thrill-seeking youth, they told the committee that they started on narcotics or "junk" as they sometimes call it, out of curiosity, because their friends were doing it and because they didn't want to be considered "square" or unsophisticated.

Youngsters place great value on "belonging" in their group. They resent the rejection that would go with being labeled "chicken" by their associates in the playground, ice-cream parlor, or on the street corner. So they tend to follow the leader who unfortunately turns out to be a hoodlum or emotionally twisted "bebopper", bent on introducing them to the pseudo pleasures of smoking marijuana and shooting heroin.

Mr. James R. Dumpson, consultant on correction and delinquency of New York's welfare council, described the situation in east Harlem as follows:

Social workers dealing with gangs all report that the rate of marijuana usage is at least 50 percent with this being a very conservative figure in their estimation. These include youths 13 years of age, and you have many indications that the age of this type of addiction is lowering steadily. In fact, one minister reported that several 9-year-old boys had been approached by peddlers attempting to have them take the drug \* \* \*.

In a social athletic club in one of the blocks with a membership of about 50 boys, at least 18 to 20 were known to be regular heroin users.

Dr. Lois Higgins, director of the crime prevention bureau in Chicago, cited statistics on the growth of the narcotic problem in her home city. In 1948, 136 out of 738 arrests were under 21. The following year, under-age persons accounted for 203 of 2,230 narcotic arrests. Of the total of 4,437 narcotic arrests in 1950, 1,107 were under 21. And for the period January 1 to late June 1951, Dr. Higgins gave a figure of 989 under-age narcotic arrests.

The path to addiction ran practically the same throughout the testimony taken from young addicts. In their own vernacular, Mr. Dumpson put it this way: "They say they go from sneaky Pete to pot to horse to banging." In ordinary language this describes the popular sequence --drinking wine, smoking "reefers" or marijuana cigarettes (sometimes starting at the age of 13 or 14) then sniffing or "snorting" heroin, finally injecting it directly into the vein.

Cutting across the thousands of words of testimony, the committee concludes that these youngsters are mildly neurotic. Addiction among our youth is a problem the seriousness of which cannot be under-estimated especially in the world's present state of instability. Many adolescents are mildly neurotic and therefore somewhat addiction prone. Under present conditions, even post adolescent young people are under unnatural strain. Boys of draft age and the friends who surround them feel great uncertainty as to what the future holds for them. Their lives are engulfed in an atmosphere of crisis.

Much was said in the testimony as to the role of the parents. The love and affection of intelligent parents does much to give a child the feeling of security that will keep him away from drugs. Where a sense of security cannot be attained, supervision of the child's activities and immediate attention to any evidence of drug use is essential.

Medical authorities believe that most of the young people who have been exposed to drugs are sufficiently intelligent to be capable of complete rehabilitation if the problem is tackled promptly. Without exception the addicts who testified stressed the belief that if they had known the horrors of drug addiction, the suffering, the personal degradation and the crime, to say nothing of the discomfort and bewildering perplexity of treatment for addiction, they never would have played with drugs. They have learned that "It can't happen to me" is a cruel hoax.

The committee believes that drug addiction should be treated as a contagious disease and that its sufferers should be treated as patients, not as criminals. It also believes that like any disease it can be attacked with greater vigor if brought out in the open and discussed in a forthright manner. If by education the young people of the Nation can be made aware of the true character of narcotic drugs and the dangers of addiction, they will become strong fighters in the campaign against the evil.

#### **(e) Methods of illegal importation and sale**

The narcotic drugs lend themselves conveniently to illicit traffic. A fortune in narcotics can be carried in one pocket. Easy to handle, transport, and conceal, drugs slip quickly through the underworld's serpentine labyrinth, making it extremely difficult for enforcement officers to track down the carriers.

Narcotics have a ready market of insatiable consumers who keep coming back for more, often several times a day. The amount an addict will use depends solely on the amount he can get. He will "shoot" all he has available.

Narcotics move in a seller's market where the customer is always wrong. Dope peddlers charge all the money in the buyer's pocket, keeping him financially, as well as physically, enslaved. Witnesses told the committee how in Baltimore the identical quality and quantity of heroin sold for three times the amount charged in Washington. Drug sellers swindle their customers, adulterating the merchandise to almost nothing, heedless of the suffering they inflict on their victims. An addict who "squeals" to the authorities is likely to get a "hot shot" (a highly concentrated or poisoned dosage) the next time he comes to the peddler for his drug. The helpless



addict struggles along from day to day a captive of the greedy criminals who have him hopelessly trapped.

Most American addicts, including practically all of the younger group, use heroin, the drug banned by law from the United States since 1924. Since heroin is the drug peddled on street corners through organized crime syndicates, its traffic presents the most serious aspect of the narcotic problem. Morphine and the opiate synthetics are more commonly diverted from legitimate channels, often by forging prescriptions and stealing from drugstores. The committee heard several addicted nurses and pharmacists tell how they obtained medicinal drugs in this manner.

Heroin is a fine white powder legitimately manufactured for medical use in several countries including Italy, Turkey, and China. However, through illegal dealings, a substantial part of this legal output, after it leaves the factory, finds its way to the United States, concealed on the persons and in the luggage of crewmen and passengers coming in from abroad.

In Italy, a kilogram (a fraction over 2 pounds) of heroin sells on the illicit market for from \$1,000 to \$1,500. Transported overseas and landed safely in the United States, its value leaps to \$6,000 to \$10,000. Once inside this country, it is divided and diluted with milk sugar, traveling many miles and the price doubling each time it changes hands. As the price soars the quality dwindles, so that the final concoction as it reaches the hands of the addict in capsule form consists of not over 2 percent pure heroin. It is handled under the crudest of conditions with no attention being given to cleanliness or antisepsis and when the addict uses it, he has no idea how much poison, contamination, or germ matter he is shooting into his blood stream.

More than a million of these capsules are made from a kilo. Thus, along the route from the back door of the factory in Italy to addicts' blood, the illicit heroin pays a dividend of at least \$1,000 for every dollar invested.

Some peddlers deal in 1-ounce quantities which they can buy for as little as \$50 to \$100 for an ounce, depending on how good their "connection" is. On American soil, this ounce is worth over \$200 and by the time it is watered down and parceled out to other peddlers, it may bring as much as \$5,000.

Experienced enforcement officers believe that the present influx of heroin from abroad is managed by the Mafia with Charles "Lucky" Luciano, notorious gangster, vice king, and racketeer deported convict, now resident in Italy, as the operating head. His chief lieutenant is believed to be an Italian resident named Joseph Pici and one of his principal contacts in the United States is believed to be Joseph Biondo, former small-time

New York politician who visited Luciano a few months ago and is now a fugitive.

World-wide in scope, the Mafia is believed to derive the major source of its income from the distribution and smuggling of narcotics. An undercover agent of the Treasury Department's Bureau of Narcotics testified at length before the committee just after his return from an extended assignment in Italy. Asked whether Luciano is the kingpin of the Mafia, the agent responded that if "Lucky" isn't the kingpin, "he is one of the royal family," that he receives large sums of money from American gangsters and that he certainly wields influence in Mafia policy matters. To the question "Is Lucky Luciano the kingpin of the narcotics traffic in the United States?" he answered, "The United States and Italy." The agent further revealed that in Mafia circles, Luciano enjoys the honorable title "Don," a symbol of the respect and esteem the membership holds for him.

In sworn statements made by Luciano to the Italian police, he claims to be a poor man. He says he brought with him from America about \$22,500 and since coming to Italy he has received from time to time other sums of money averaging a few thousands of dollars each as gifts from old friends in the United States. Since his present residence in Italy, which dates from 1947, Luciano was interested in a pastry shop in Palermo, but he claims that after 2 1/2 years the business failed and he lost 7,500,000 lire. He says he has no other commercial activities in Italy, although he plays the horses frequently. He said, "All of the money which I brought to Italy and that which I have received subsequently from my friends in America, I have spent about 500,000 lire a month, I expect, which comes from the United States and not from activities in Italy, because all of the business affairs I have tried to conduct in Italy have come to a bad end."

In Italy, Luciano is close to Nicolai Gentile, well known in New York rackets, who while under indictment for a narcotics charge, jumped bail and fled to Italy in the early 1940's. Gentile also enjoys the Mafia title of "Don". Joseph Pici, Luciano's narcotics lieutenant, is currently a codefendant with Luciano in a narcotics investigation being conducted by the Italian Government. Pici previously had lived in the United States, but was deported on a white slave conviction. Several years ago, he smuggled himself into the United States, bringing with him 15 kilos of heroin which he delivered to the Kansas City Mafia organization. Pici's current whereabouts are unknown.

Other deportees now in Italy who are believed to be associated with Luciano include Ralph Liguori and Gaetano Chiofalo, alias Charlie Young.

A narcotics agent testifying before the committee described a heroin

transaction and the role played in it by the Mafia and Luciano's henchmen. He told of 28-year-old Frank Callace of the One Hundred Seventh Street mob in New York, sent to Italy in April of 1951 to pick up some heroin. Callace first contacted his uncle of the same name who had previously fled the United States because he was wanted by the FBI. The uncle and nephew, both of whom are considered members of the Mafia, met in Palermo and proceeded to Milan where they met in a hotel to talk quantity and price of heroin. They checked out of the hotel shortly after returning to Palermo. Then they received a telephone call from Pici, Luciano's lieutenant, and backtracked to Milan. The younger Callace was arrested in the Rome airport en route to Palermo with a suitcase containing three kilos of heroin. The police had been tipped off by an anonymous telephone call.

Internal circulation.-- Mystery and secrecy enshrouds the movement of illegal narcotics within the United States. The innocent looking white powder travels hundreds of miles from dockside to consumer, usually carried by hand.

Small peddlers make periodic trips to their "connections" (mostly in other localities) buying just an ounce or two at a time in order not to keep a supply on hand. One witness, a very small-time peddler, told of making evening calls on his "connection" in another city. After the money passed, the "connection" left and would not return until the following morning with the order. So, in this case, the deal included a night's lodging.

On the high level, the "big shot" of course never enters the picture visibly; except perhaps to be seen talking to his boys. He makes no deliveries and accepts no money direct from a purchaser. He merely finances the deal, reaping the lion's share of the profits. The assistants to the big shot after seeing the customer's money and assuring themselves of his intent to buy, usually go by air to the source (usually in New York) and bring back enough stock to fill the order. Seldom are large stores cached in the city from which distribution is being made.

A narcotics agent related to the committee a fascinating story of undercover work in 1950. Posing as a peddler, he helped track down several top operators of a major narcotics syndicate of which San Antonio, Detroit, Chicago, and New York were the key cities. The agent gained the confidence of a peddler named Robert Kimball, the Texas link of the chain. Following arrest for illegal sale of narcotics, Kimball expressed willingness to cooperate with the Narcotics Bureau in bringing his associates to justice. He and the agent purported to become partners.

Kimball's practice had been to import marijuana from Mexico and sell it to connections in Detroit, Chicago, and New York, who in turn supplied him with heroin for outlets in Fort Worth, Dallas, Galveston, New Orleans,

San Diego, Hollywood, and San Francisco. In an effort to buy a kilo, Kimball and the agent made nearly a dozen trips to the syndicate's headquarter cities, making ounce purchases along the way. The big shipment eluded them for weeks, but meanwhile they met other eager buyers with pipelines to Cleveland, Topeka, Kansas City. In the course of their travels, they were offered an "in" to an illegal gold transaction, but the profit wasn't big enough for them to accept. Early in December, Kimball was murdered in Texas by a former night club partner. From that point, the agent carried on alone, acting as the sole Texas contact for the syndicate. Late in December in a New York hotel room, he succeeded in arresting Anthony Pisciotta of the high echelon of the syndicate as Pisciotta was making delivery of two kilos of heroin. A half dozen other members were arrested simultaneously. The "master mind" of the syndicate is still free and one of the other leaders known as "Fat Sam" escaped to Florida where he is believed to be in hiding now.

Since the time of that testimony, newspapers all over the country have been filled with stories of further major arrests connecting the illegal dope trade with organized crime, national and international.

The July 28 papers featured the breaking up of a \$30,000,000 combination narcotics and counterfeiting ring. This group made and sold bogus American currency or goof money with which they bought illegal drugs. A tie-up between this group on one side and the Mafia-Luciano mob and a French underworld mob on the other, is suspected. It is believed that 50 pounds of pure heroin were smuggled into the United States each month by agents of the ring.

On August 1, 1951, narcotics agents and the New York City police closed in on Irving Wexler, more familiarly known as Waxey Gordon, former beer baron and wartime black marketeer, now turned dope dealer. The committee had known of this case but had stayed away from it to give the Narcotics Bureau a free hand. Waxey was caught with 2 pounds of heroin reportedly destined for coast-to-coast trade. It is believed that his market centered on the west coast and that he was in the process of expanding eastward. Whether his market linked with or worked in competition to the Luciano enterprises is not known to the committee.

The press painted a dramatic picture of the underworld big shot, now a fourth offender, kneeling on a sidewalk of New York, begging the arresting officer, "Please kill me, shoot me. I'm an old man and I'm through. Don't take me in for junk. \* \* \*" Meanwhile, his minions offered the policemen \$25,000 to let "I[...]" go. Gordon and his associates were held for a total of \$500,000 bail.

On August 4, 1951, the story of an international combine employing

couriers to carry narcotics of Italian origin on airflights from New York to Canada, broke with the arrest of five men carrying \$20,000 worth of heroin. Thought to be the biggest narcotics syndicate in Canadian history, this group is allegedly linked with the international cartel headed by Luciano.

It is of interest to observe that only two or three of the characters involved in all of these dope empires, were themselves addicts.

#### **(f) Possible remedies**

The committee has come to the conclusion that illegal narcotic drugs constitute an evil of great magnitude. The problem calls for vigorous and effective action at all levels of our social and governmental system.

The problem should be attacked from many different angles with the hope that the combined effect will be to stop the spread of illegal drug use and perhaps eventually reduce it to controllable proportions. The committee suggests the following approaches:

(i) Sociological approach.--The deep-seated sense of personal insecurity which causes an individual to be addiction-prone may be the result of any one or more of a number of complex forces. Personal tragedy, unidentified childhood frustrations, family discord, poverty, loss of employment, and similar factors contribute to this. Perhaps the congenital character of the individual's nervous system is as important a factor as any. The addict seldom feels that he is to blame for his predicament and in large measure he is right. His affliction is caused by forces he cannot understand or control. He is sick and should be treated as such.

Obviously any action which has the effect of improving living conditions, strengthening the home environment and generally contributing to the security of the individual will help eliminate the causes of drug addiction.

(ii) Education.-The committee does not subscribe to the theory that public discussion of drug addiction should be avoided to protect nonaddicts from being tempted to try drugs. As in the case of venereal diseases, the attack upon which has been greatly enhanced by public knowledge, the committee believes that much will be gained by a carefully devised program of education designed to make the people of the Nation aware of the true facts regarding the excessive use of narcotic drugs.

Most of the objection to public discussion is based upon a danger which the committee believes can be avoided in a well-conceived educational program. There is no doubt that a drug user before he is actually "hooked"

experiences a temporary pleasurable sensation and it is this sensation that might tempt others to try it. Improved emphasis on this sensation should be avoided and the true facts with regard to it should be brought out.

Actually, the sensation is extremely short-lived and is ordinarily followed by addiction within a period of from 10 days to 3 weeks of repeated use. Once addiction sets in, the victim cannot go back and from then on he takes the drug not for pleasure but for the sole purpose of avoiding the dread sickness caused by his physical need for the drug.

The committee believes that education should start in the schools and social organizations of the country and should be carried from there to the home. The basic responsibility for such a program rests on the shoulders of the country's educational leaders who should carry it forward at the local level.

(iii) Treatment facilities.--Medical science has not yet found a specific for the cure for drug addiction. Much has been accomplished in this direction at the United States Public Health Service Hospitals at Lexington, Ky., and Fort Worth, Tex., but the only available treatment is to take the addict gradually off the drug and thereafter, through psychiatric treatment, to attempt to help him overcome the deep-seated weaknesses that contributed to his illness.

The Lexington and Fort Worth hospitals are minimum-secured institution with modern hospital facilities to treat narcotic addiction and any other chronic or addict condition from which the patients may be suffering. Although these hospitals were established to receive Federal prisoners who are also addicted to drugs, they also admit nonprisoner addicts as voluntary patients. There are no separate accommodations for prisoner and nonprisoner patients. These hospitals are excellently managed under the supervision of Dr. Victor H. Vogel and Dr. Richard B. Holt, medical officer in charge at Lexington and Fort Worth, respectively.

Facilities for the treatment of addiction at State and community levels are extremely limited. The establishment of local clinical resources, at least for putting new drug users under immediate treatment, may preclude the tragedy of addiction in many cases.

Perhaps the greatest weakness in the field of treatment lies in the lack of facilities for following up patients after they leave the hospital.

Actual rehabilitation of the addict covers a span of years, not merely the 4 to 6 months spent in the controlled hospital environment. Supervision of the patient is necessary for a long period beyond the direct treatment phase. It is wasteful to spend millions of dollars each year caring for these

addicts if they are to go back among people who are abusing drugs and thus be exposed to the temptation of starting again.

The United States Public Health Service has prepared and is hoping to undertake a program of local follow-up on a trial basis in New York or Chicago or both. The plan is to send teams of social workers and psychiatrists to those cities to maintain contact with former patients and assist them in using community facilities to help them rebuild their lives.

Local communities over the Nation can make real contributions toward insuring the rehabilitation of addicts by providing adequate mental health services where they may seek and receive understanding and intelligent advice. Too often the former addict will seek the answer to his dilemma in narcotics, lacking a secure source of counsel. One worthwhile utilization of community funds might consist of providing transportation for addicts to proper treatment centers.

(iv) Increased penalties.--Bills are now pending in Congress, two sponsored by members of this committee, proposing sharp increases in the fines and prison sentences that may be imposed for violation of the Federal narcotics laws. Efforts should be made to enact legislation along these lines.

The committee believes that casting the shadow of steep penalties over the path of the dope peddler will do much to deter him. A criminal bent upon performing an illegal act always weighs the risks against the rewards. At present the financial reward to the peddler seems to outbalance the fear of a 1- or 2-year prison term with a fair chance of having his sentence suspended.

In this connection, much can be accomplished by making judges aware of the seriousness of the crime of drug peddling. A judge passing upon an individual case is often tempted to be lenient, but if he appreciates the true relationship between the case before him and the over-all aspects of the drug evil, he will be more likely to mete out the punishment that is deserved.

(v) Increased enforcement.--Old-time addicts who have spent their lives struggling to escape from the drug habit say that the best solution to the problem is to kill the source of supply. They say that as long as the drug is available to them, they are not able to resist it.

The Narcotics Bureau of the Treasury Department has a staff of 180 skillful agents serving long hours in what is probably the most hazardous type of enforcement work. Under present conditions this number of men is discouragingly small. Mr. Harry J. Anslinger, head of the Bureau, is

convinced that with twice the force he could stamp out the peddling of narcotic drugs. The committee believes he is right.

(vi) Port and border control.--The committee was impressed with the futility of attempting to stop the flow of heroin through customs search at the borders. The drug is so easy to conceal that finding it on the person of a passenger or sailor or in the many hiding places aboard ship is virtually impossible. The type of search that is required to find hidden drugs is often obnoxious to the person being searched and, even when done on a sampling basis, it gives rise to some resentment.

However, the committee feels that the present procedures of the Customs Bureau in this regard should be continued as a deterrent to drug smuggling.

It appears that one of the principal methods of smuggling heroin into the country is on the persons of sailors, especially those on ships of foreign registry. It is believed that this accounts for the present flow of drugs from abroad into the port of New York. The committee believes that customs inspection should be directed particularly at these ships and their crews, at least until the present influx has been checked.

American sailors and longshoremen for the most part belong to unions which have strict rules regarding the smuggling of drugs. A man convicted of a narcotics violation is subject to discharge from the union and the union leaders who testified before the committee said that these rules are strictly enforced. They also testified that drug smuggling is extremely repugnant to most American seamen and longshoremen and that a man known to be smuggling is likely to be forced off the job by his fellow workers.

There appears to be one step that the Coast Guard could take that would be helpful in the case of seamen. As long as a seaman has his sailing papers, it is difficult for the unions to keep him from working. If a seaman is convicted of a narcotics violation which occurred aboard ship, the Coast Guard will lift his papers. Apparently, this is not true if the violation occurred on shore.

In view of the serious character of a narcotics violation, irrespective of whether it occurs at sea or on shore, and considering the fact that seamen are believed to be an important source of importation, the committee believes that a man convicted of this crime is not fit to hold sailing papers. It believes that the Coast Guard should extend its practice in this regard to men convicted of narcotics-law violations occurring on land.

Another step that the committee believes would help in the enforcement of



union rules would be for the Narcotics Bureau to inform both the appropriate national unions and the Coast Guard of all narcotic convictions involving seamen and longshoremen. In the case of the unions, this information could be passed along to the locals in the regular publications.

(vii) Revised court procedures.--Early in April of 1951, Chicago's chief justice of the municipal court, Edward S. Scheffler, issued an order designating a specific courtroom for the special purpose of hearing all cases in which narcotics are in any way involved. Special prosecutors were assigned to the narcotics court, the first of its kind to be created, by the State's attorney for Cook County and the corporation counsel of the city of Chicago. In addition, the Chicago Board of Health appointed a full-time psychiatrist to serve this court. There are also present a social worker and representatives of the Crime Prevention Bureau. This appears to be an experiment worth watching and studying with a view to putting similar arrangements into effect in other jurisdictions. It is a step in the direction of treating the addict, as a patient rather than a criminal.

(viii) Mexican border.--Information has reached the committee to the effect that in towns across the Mexican border where Americans may come and go without restriction, a dangerous situation has arisen involving narcotic drugs. Many youngsters are visiting these towns for the sole purpose of obtaining drugs, including marijuana and heroin, which can be purchased on the street. Restrictions on narcotic drugs under our law are of little benefit to the citizens of border communities if their children are able and perhaps encouraged to cross freely into Mexico where the drugs are readily available.

The Committee believes that the appropriate agencies of the Federal Government should study this problem with a view to finding a solution. The answer may lie in prohibiting minors to cross the border when not accompanied by their parents.

(ix) World-wide prohibition of opium poppy growing.--Opium, which is the raw material from which heroin, morphine, and similar drugs are manufactured, is produced in China, India, Iran, and Turkey. Experience has shown that neither the United Nations nor the nations themselves are able to control the amount of opium poppy plants grown. They grow about 40 times the amount required to satisfy medical needs of the world.

Most of the countries have been wholly cooperative, although there is some doubt as to the attitude of Communist China. When the United States representative on the Commission on Narcotic Drugs of the United Nations called attention to the large heroin manufacture in Communist China, the Russian delegate tried unsuccessfully to have his remarks

stricken from the record.

Nevertheless, experience has shown that the manufacture of opiates, as distinguished from the growing of opium poppy plants, can be controlled within reasonable limits. Accordingly, a great step forward would be accomplished if the growing of these plants could be completely prohibited.

This, of course, is feasible only if there are adequate synthetic substitutes for the medicinal opiates. In this connection, the committee heard the testimony of Dr. Henry K. Beecher, of Harvard University, head of the department of anaesthesia of Massachusetts General Hospital. He told the committee that methadon and levoisomethadon, newly developed products, are not only adequate substitutes, but in many ways superior to morphine as pain-relieving drugs. He said, "I shouldn't be worried at all if there were no morphine." Dr. Beecher said that adequate synthetic substitutes for codeine have not yet been developed but he considers codeine to be a minor problem compared with morphine.

The committee is satisfied that these synthetic substitutes make the manufacture of morphine entirely unnecessary and that nothing of importance would be lost to the medical profession or to the people of the world if the growing of opium poppy plants were wholly prohibited in every country.

The very existence of opium appears to be the root of one of the greatest evils known to man and the committee strongly urges the Department of State and the United States delegates to the Commission on Narcotics of the United Nations to make strenuous efforts to bring about a world-wide prohibition against the growing of the plant from which opium is extracted.

## **C. CRIME IN MEDIUM-SIZE CITIES**

### **Introduction**

As previously stated, the medium-size cities selected for investigation by the committee were Atlantic City, N.J.; Newport and Covington, Ky.; Scranton, Pa.; and Reading, Pa. These cities represent population centers of approximately 100,000.

The purpose of the study was to ascertain whether the pattern of crime found to exist in the large cities also prevailed in smaller communities. As it would have been impossible to investigate all medium-size cities, the

committee selected these five as samples.

The committee found that the same crime pattern does exist in these cities as in the large metropolitan areas. The Accardos, the Guziks, and the Costellos who direct the big-city syndicates have their counterparts in the smaller cities. Territories may be more restricted, but the modus operandi of the small-town racketeers is virtually a carbon copy of that followed by the big-city mobs.

As in the larger cities, small-city organized gambling is controlled by former bootleggers, and the emphasis is on illegal bookmaking which is dependent upon the wire service emanating from Continental Press Service, controlled by the old Capone syndicate.

Gambler-politico-police alliances are readily discernible. The strong inferences of bribery of the police and marked overtones of large contributions by the mobs to political campaigns, all for the purpose of insuring noninterference with gambling operations, are the causes of the existing breakdown of law-enforcement machinery. Repeatedly the committee was told that candidates for public office who were not "liberal" toward gambling simply could not be elected.

Frequently officials said that they adopted the "liberal" policy because their constituents want to gamble; but the inference is strong that the lure of the mob's racket-financed political machine was more attractive than the vote of the ordinary law-abiding citizen.

Some public officials strongly insisted, as a point in their favor, that the presence of racketeers from other cities was never tolerated. The record does not support this claim. Such law-enforcement activity as is undertaken against these outside interests is probably more motivated by demands of the entrenched local mobs to be protected against competition than by a wholesome desire to rid the community of undesirables.

An unfortunate attitude that helps nurture organized crime is the feeling that bookmaking and other gambling violations do not warrant imprisonments. Statutes and municipal ordinances are ignored by public officials who state that their days are filled with traffic problems, paper work, complaints about mischievous boys, etc. They are also ignored by sheriffs who claim to be tax collectors only. Instead, official warnings or unofficial word that "the heat is on" are issued sporadically. In some cities, the custom has grown up of having all gambling cease when grand juries are in session.

The acute myopia which beset the duly constituted law-enforcement officials must be provocative to informed citizens, to whom wide-open

gambling violations are so readily apparent. Is it any wonder that disrespect for law and constituted authority inevitably follows in the wake of continued and studied disregard of the obvious?

The committee also found in these small cities the same buckpassing of responsibility that appeared in the large cities. The district attorneys disavow responsibility for enforcement and insist that they are prosecutors only; the State police stay out of cities except under rare circumstances, while city authorities close their eyes.

Small-scale bookmaking in local communities may seem innocuous, but it is part of a huge gangster monopoly that reaches its tentacles into every corner of the Nation. A bookmaker cannot do business without prompt racing information. And this he cannot obtain except through the interstate monopoly of the mob-controlled Continental Press Service which obtains the news from the track illegally, and broadcasts it through an elaborate system of wigwag, telephone and telegraph. The \$2 bet placed with a local "bookie" is a contribution to a \$5,000,000,000 mobster operation.

Similar considerations apply to other types of gambling. It is believed that if local judges and prosecutors could be made aware of the interstate aspects of gambling operations and the serious effect which their sanction has upon the whole structure of law enforcement, they would view such violations more seriously. Similarly, the people of the smaller communities throughout the country should realize that the official toleration of criminal activity, however small and innocuous it may appear on the surface, contributes to interstate gangster syndicates and leads to a pervasive lowering of governmental standards and integrity.

The committee's findings with respect to each of the smaller cities investigated are set forth immediately hereinafter:

#### **(a) ATLANTIC CITY**

Atlantic City, N. J., is a resort town with a permanent population of 60,000 and a summer influx of 150,000 visitors. Its geographical isolation from the rest of the State has permitted the local machine to run it largely without interference from State-wide law-enforcement agencies.

The city is riddled with rackets, including nearly every known type of gambling operation. Its famous Boardwalk is lined with stands operating devices purporting to be games of skill but looked upon by their customers as games of chance. It contains two substantial numbers syndicates and nearly every cigar store is a front for a book-maker.

Atlantic City also has a race track which represents an important source of revenue to the State. Anyone in Atlantic City can go to the track and bet; yet off-track bookmaking is permitted by the local police to flourish on a wide scale. Every dollar bet with a book-maker represents a loss of tax revenue to the State, and yet the State authorities show very little interest in seeing that local gambling laws are enforced.

When this committee moved into Atlantic City at the height of the tourist season, numbers runners and "bookies" ran for cover and a storm of protest arose from the politicians and racketeers (both of whom seem to think alike in Atlantic City) to the effect that business would be ruined. To their chagrin, Atlantic City has had the biggest year in its history. The gate at the race track and the pari-mutuel betting have reached a new high.

The exposure of crime conditions in Atlantic City already has produced a movement by civic groups to free the city from the clutches of a machine which operates with amazing discipline. This machine has two heads, one the political boss of Atlantic County and the other the rackets boss of Atlantic City. The tracks showing the operating relationship between the two are cleverly concealed, but the true bosses are known to be close personal friends and they are frequently seen with their heads together at all hours of the day or night.

The political head is Frank S. Farley, State Senator for Atlantic County at a salary of \$3,000 a year, treasurer of Atlantic County at a salary of \$6,000 a year, and chairman of the Atlantic County Republican Committee. Because of the rule of senatorial courtesy and his strong influence no judgeship or any other State office in the county can be filled without his approval of the appointee. His influence over the administration of Atlantic City is also potent. His law firm is counsel to the race-track association at a retainer of \$20,000 a year, and he has been extremely active in connection with all bills in the legislature affecting race tracks.

The rackets head is Herman "Stumpy" Orman, owner of the Cosmopolitan Hotel, which has served for many years as a rendezvous for political figures and perhaps underworld characters as well.

Stumpy Orman is a gambler with former bootlegging connections who, until recently, toted a gun under a permit for which Senator Farley was once a sponsor. His only income records consist of a little black book which he produced before the committee and then suddenly snatched back, refusing thereafter to reveal its contents. Anonymous letters received by the committee indicate that that little book would show the entire racket operation in Atlantic City, with an accounting of how much each racketeer owes for protection. Whether this is true may never be known, but it is clear that Stumpy Orman has a great deal to say about the running of the

Atlantic City police force, and there was testimony before the committee to the effect that no one can run numbers, make book, or obtain a license for a Boardwalk game until he clears with Stumpy.

Stumpy Orman has the convenient type of memory. In testimony before the committee he was able to recite without hesitation the name and title of practically every public official of Atlantic City and Atlantic County. His knowledge of local government and personalities was excellent. On the other hand, with regard to financial matters, he was unable to remember transactions that had occurred only a few months before. Bank deposits sent by him from New York to Atlantic City aggregating over \$40,000 during a short period in 1936 had completely vanished from his memory. When asked about bank deposits made in recent years amounting to \$16,000 or more a year in excess of his gross income for tax purposes, he refused to answer on the ground that the answer might incriminate him.

There have been three large numbers operations in Atlantic City. One operated in part of the "white" area under a partnership consisting of Fred Masucci and Ben Rubenstein, with a net profit running as high as \$38,000 a year. The second operated in the "colored" areas with a gross profit of about \$175,000 a year. This was formerly operated by Harold Scheper, but because of illness he has had to divide the operation among several of his lieutenants. The third was operated by Harry "Cherry" Haggerty. Scheper and Haggerty are both on probation as the result of gambling convictions obtained in 1947 by a special prosecutor sent to Atlantic County by the Governor. They report to Vincent Lane, the assistant probation clerk. It is Lane's duty to ascertain whether his probationers are complying with the law, but he told the committee he never saw anything to indicate that these men were carrying on, under his very nose, numbers operations of large proportions.

The administration of the police department of Atlantic City shows definite signs of deliberate laxity, creating an almost inescapable suspicion of official alliance with law violators. The director of public safety is an elderly man who is unable to devote much time or energy to his job. The actual head is the assistant director, who is an intimate of Senator Farley and Stumpy Orman. The chief of police is a man who is obviously putty in the hands of others. He has very little to do with the administration of the police force and frequently learns of important changes after they have occurred. He professed complete ignorance of any bookmaking or other gambling in Atlantic City and claimed not to know how the numbers racket runs. The true facts known to practically every other member of the department are that there are approximately 200 bookmakers operating in Atlantic City with lay-off arrangements with bookmakers in other cities as far away as Baltimore.

The police department has a rackets squad which has orders from the chief to stamp out all gambling but which never seems to be able to find any.

The only arrests of gambling violators seem to have been made through the efforts of a group of patrolmen on the force known as the "Four Horsemen." These consist of Francis B. Gribbin, Jack Portock, and Frederick J. Warlich, plus one or more others of the younger members of the force who help out from time to time. These men have undertaken a crusade against protected gambling in Atlantic City. Although their crusade was sparked initially by reprisals practiced against them for their leadership in a policemen's and firemen's pay-raise campaign and by opposition to their campaign on the part of the city administration, the committee was deeply impressed by their honesty, sincerity, and extraordinary courage.

These men have faced underworld threats of bodily harm to themselves and their families and severe reprisals from the police department itself, all designed to compel them to refrain from making gambling arrests. But they have remained undaunted. Nothing could have been more obvious than the manner in which they were punished by their superiors for their vigor in enforcing the gambling laws. Their treatment perhaps more than anything else clarifies the close alliance between the underworld and the official administration of Atlantic City. The forces against them were working in complete harmony at every stage.

The conclusive proof occurred when Stumpy Orman personally interceded and agreed, in return for their agreement to leave the gamblers alone, to have them transferred back to their original posts from the lonely, outlying beats to which they had been shifted as punishment. On the advice of a Special Deputy Attorney General of the United States, they accepted this "deal" as a test and within a matter of 4 hours they had been restored to their posts. In the face of this uncontradicted testimony, the conclusion is inescapable that Stumpy Orman has controlled the Atlantic City Police Department in the interest of the underworld gambling fraternity.

The committee cannot too strongly express its praise of these courageous policemen for the great contribution they have made to law enforcement and good government and for their willingness to face ever kind of threat, punishment, and reprisal for the good of their cause.

The committee was also favorably impressed by the testimony of Francis L. Smith, former operator of a Boardwalk game. Smith frankly admitted that he had been "in the rackets" most of his life, and there is some possibility that he was motivated by resentment at the treatment he had received when he tried to obtain a license for a new game. However, he testified before the committee twice, once in executive session and once in

an open hearing, and on each occasion he testified in a forthright, unhesitating manner such as to cause the committee to believe he was telling the truth. Further credence is given to his testimony by the fact that Senator Farley, against whom Smith made serious charges, was urgently invited by the committee to appear before it to refute the charges and he failed to appear.

Smith testified that in order to obtain a license to operate a Boardwalk game he paid the license fee of \$1,000 plus an additional \$1,000 in cash "under the table" to Joseph McBeth, the treasurer of the Republican County Committee. He also testified to a \$250 cash payment directly to Senator Farley made in Farley's kitchen in order to keep operating. Furthermore, he stated that in order to get the license in any event he had to obtain clearance from Stumpy Orman, and there was some indication that Orman resented his having gone directly to Farley in the first instance.

Although Smith's testimony might be attacked on the basis of his background as a former small-time racketeer, the committee feels that it should be given great weight, in view of the fact that it stands uncontradicted and is entirely consistent with the testimony of other witnesses whose testimony cannot be doubted. It establishes a definite link between Farley, the city administration, and Orman. If other residents of Atlantic City were willing to show the same courage as Smith in coming forward with information, the link would probably be forged in a manner that could not be questioned on any ground.

The most amazing testimony given at the Atlantic City hearings was that relating to the race-wire service. The only race-wire drop coming into Atlantic City is at radio station WOND, which broadcasts racing news received from Transradio News, a distributor for the gangster-controlled Continental News Service. Many reports were received to the effect that Lester Burdick, a salesman for the station, was receiving weekly payments from bookmakers for racing news. The question that came to mind was how Burdick could charge book-makers for information anyone can receive over the radio.

It then appeared that Burdick was executive clerk of the State senate, appointed through the efforts of Senator Farley, and that he had been seen with Stumpy Orman. Investigation revealed that he drove two Cadillacs (one a 1951 model), owned a \$20,000 home, spent \$1,000 in 1950 for suits costing \$200 each, and paid nearly \$2,900 in 1950 toward the operating expenses of Station WOND. At the same time his 1950 income had been less than \$1,900, and his average income for the last 5 years had been less than \$3,000 a year.

The answer to this mystery was given through the testimony of a small



cigar-store owner in Atlantic City who testified that he rented his back room to a bookmaker who told him that, if a man driving a red Cadillac came into the store and asked for a package of Philip Morris cigarettes he should give the man a \$10 bill along with the cigarettes. The man came in every Thursday while the bookmaker was operating and received the \$10. He later learned that the man was Lester Burdick.

When Burdick was confronted with this testimony and asked if it was true, he refused to answer on the ground that it might incriminate him. He gave the same answer when asked whether he had not made similar collections all over town and whether he had not threatened recalcitrant bookmakers with "police visits" if they did not pay.

Shortly after the hearings Burdick was removed as executive clerk of the State senate, and the committee is informed that the matter is now under consideration by the grand jury.

#### **(b) KENTUCKY**

Campbell County, Ky., of which Newport is the county seat, is directly across the river from Cincinnati, and many residents and visitors of Cincinnati are accustomed to go there for the purpose of visiting the lush gambling casinos that have operated openly in Campbell, County for many years. Kenton County, Ky., of which Covington is the county seat, adjoins Campbell County and presents a parallel situation. At the time the committee's investigators visited this area, the gambling operations in both counties, especially Campbell, were so open that the casual visitor would gain the impression that gambling is legal in Kentucky.

The fact is that Kentucky gambling laws are very strict. It is a felony under Kentucky law to "set up, keep, manage, operate, or conduct" any gambling device or contrivance. The penalty is a \$500 fine and a mandatory prison sentence of to 3 years, plus permanent loss of suffrage and of the right to hold public office. However, not a single successful prosecution under this law has been reported in either of these counties and not one defendant has gone to jail.

The committee had held hearings in Cleveland on January 17, 18, and 19, 1951, at which it received testimony to the effect that the Cleveland gambling syndicate, having been driven out of Cleveland, had moved into Campbell and Kenton Counties. Accordingly, upon the extension of the committee's life until September 1, it was determined to investigate these northern Kentucky counties.

The committee found that the city of Newport under a new reform

administration is making fast strides toward honest law enforcement, despite obstruction on the part of the chief of police and some of his subordinates. On the other hand, the rest of Campbell County was found to be wide open.

The committee's investigators visited the Beverly Hills Country Club, the Latin Quarter, the Yorkshire Club, and the Alexandria Club, all in Campbell County, and found them to be operating openly. At the Beverly Hills Country Club, about 150 persons were observed, in the casino where there were four dice tables, two roulette wheels, a black-jack table, and chuck-a-luck table. About 100 persons were observed in the Latin Quarter which featured three or four dice tables and two roulette wheels. An investigator for the committee was barred from the gaming room at the Yorkshire and told there were no games in progress, but he noticed in the parking lot far more cars than were needed to transport the four or five persons in the dining room.

At the Alexandria he found approximately 250 persons and announcements being made on the public address system that the blackjack table was open. There was also a chuck-a-luck table in the place.

In Kenton County the situation was similar, except that the establishments were smaller and operated more surreptitiously. Those in operation were the Lookout House, the Kentucky Club, the 514 Club, the Kenton Club, the Press Club, the Gold Horseshoe, and the Turf Club.

The committee conducted open hearings in Washington on July 23, 1951, regarding conditions in Kenton and Campbell Counties and heard a graphic description of the futile efforts by church and civic groups to secure better law enforcement. It appears that Kentucky has a quaint custom under which all gambling ceases during the three periods of the year when the grand jury is in session. The grand juries purport to investigate gambling and find none taking place. Grand juries are in session for a total of about 27 days each year and the rest of the time gambling continues unhindered.

Kent County has been flooded with slot machines for years and it was estimated on one occasion that there were 1,500 machines in operation. Gambling has been a paramount factor in a number of court cases arising out of domestic difficulties.

In March 1950, a meeting was held in Covington attended by representatives of a civic association, law enforcement officials, and the press of Kenton County. All those present subscribed to this statement:

We who have met and conferred concerning commercialized organized

gambling and law enforcement conditions in Kentucky agree to cooperate full-heartedly in the enforcement of the law. We agree that commercialized organized gambling must cease throughout the county immediately.

This pledge subsequently turned out to be meaningless as far as the public officials were concerned. Six months later, a news article reported that Covington led the State in the number of slot machine receipts issued by the Government, with 163 listed as having paid the Federal tax. Included was a payment of \$5,000 by the Lookout House on 50 machines. As of May 1950, according to the report of the McFarland committee, wire service was being supplied to 111 bookmakers in Covington.

On January 22, 1951, shortly after the committee's hearings in Cleveland, the Kenton County Protestant Association sent a letter to Judge Joseph Goodenough and Commonwealth Attorney James Quill demanding a full-scale grand jury investigation of gambling. Enclosed was the list of slot machine owners and the judge was reminded of the existence of a permanent injunction outstanding against the Lookout House. The judge and the commonwealth attorney discussed the matter and agreed that it was the commonwealth attorney's responsibility to enforce the injunction. Nothing was ever done about it.

A representative of the Kenton County Protestant Association spent 55 minutes before the grand jury giving testimony about three dozen places that were violating the law. He told the grand jury he had seen slot machines and other gambling in practically all of these establishments, but the grand jury and the commonwealth attorney manifested no interest in the documentary he had with him and no indictments were returned. As soon as the grand jury adjourned, gambling was resumed.

Frequent threats of bodily harm were made against a civic leader who was spearheading a campaign against the gambling interests. Also, the plate glass front door of his home twice has been the target for containers of filth. On one occasion, gamblers operating through the Tavern Owners Association which had made a pledge of \$52,000 toward the local hospital building drive, to be paid at the rate of \$1,500 a month, threatened to discontinue payments on the pledge unless those promoting the campaign against gambling were persuaded "to lay off."

W. Sharon Florer, executive secretary of the Kenton County Protestant Association, testified that two large industrial concerns that would have employed hundreds of persons refused to locate plants in or around Covington merely because of the community's reputation as a center of wide-open gambling.

Leonard J. Connor, sergeant at arms of the-Kentucky State Senate since 1942, member of the elections commission for Kenton County, has operated the Turf Club in Covington since 1937. In his testimony before the committee, he admitted that he had carried on a book-making operation in the Turf Club since 1937 and that he paid \$28.60 a week for wire service to a man he knew only as "Red." He said he had arranged for the wire service through W. R. Cullen of Cincinnati. He also admitted owning four slot machines purchased in 1940 or 1941 in Cincinnati but he said he stored them in his cellar in June 1951 when the grand jury was in session and the committee opened its inquiry. He said his brother was once arrested in connection with the bookmaking operation at the Turf Club; that after that the place had gone along undisturbed for years.

This public official further testified that his income from gambling far exceeded that from his bar. He estimated that the handbook averaged a gross of about \$1,300 a week in race-track bets and that the slot machines were good for \$6,000 to \$7,000 a year. Asked if he intended to open up again, Connor replied that he hadn't made up his mind, he was "just waiting."

Testimony of the most amazing character was received from Theodore Hageman, field agent for the Kentucky State Alcohol Board. Mr. Hageman insisted that operation of a gambling establishment or the commission of any other violation of law was no basis for refusing a liquor license. The form of application for a liquor license or renewal contains a question whether there are any gambling or any gambling devices on the premises. Hageman testified that "almost 100 percent" of the applicants answer this question in the affirmative.

Where gambling is found on licensed premises, Mr. Hageman said, "We are not instructed to interfere with them, and have not been doing so." He maintained that the board never suspends licenses for gambling alone, although it may sometimes be included in general charges of disorder. He does not consider it his duty to bring gambling violations to the attention of the alcoholic beverage control board.

Hageman acknowledged that he had been active in political campaigns including one in 1950 of which he was chairman. He admitted he collected between \$7,500 and \$8,000 from liquor licensees "who desire to make contribution" and he estimated that 20 or 25 licensees had come through with donations.

Hageman's present salary is \$3,840 a year and he testified that the most he ever earned was during his tenure as city manager of Covington when he was paid \$5,000 annually. He ran twice for sheriff and was defeated, his out-of-pocket expenses in each campaign, according to his own testimony,

approximating \$5,000 to \$6,000. Yet he fixes his net worth at \$40,000, which includes a new unencumbered home which cost him \$23,960 in 1948, two automobiles, Government bonds, other securities and some cash.

Hageman's testimony was especially interesting in the light of what the committee was told by John J. Moloney, who became a city commissioner in Covington in January 1950. Mr. Moloney, who is to be commended for his earnest efforts in behalf of honest law enforcement, testified that a month after he went into office he was approached by Hageman, who advised him that he was eligible to participate in a "profit-sharing plan" conducted by the gambling interests for high appointive of elective officials. Hageman said Moloney might just as well take the money because people would say he was doing it anyway. Moloney rejected this offer but was told to let Hageman know if he should change his mind.

Mr. Moloney said that he gradually became aware of the presence of the Cleveland syndicate in the Covington gambling set-up and was glad to see that the committee eventually had proved him to be right. He has made several attempts to drive organized and syndicated gambling out of Covington, but all of these attempts have been unsuccessful. In the spring of 1950 he prepared a statement that he intended to release at a commission meeting, demanding that organized gambling be driven out of Covington, and showed it to Mayor William Rolfes. The mayor became perturbed and told Moloney "this will put us all on the spot," urging, him to withhold it, which he did for the time being.

Next, Mr. Moloney wrote a letter to the city manager demanding that the gamblers be forced to cease operations and to move their equipment out of the city. An order to this effect was issued by the city manager but there was only partial compliance on the day fixed for the cessation. At about the same time, Mr. Moloney was approached by a friend, who said he had been authorized to tell Moloney that he could have complete control of the police department, all hiring, firing, and promotions, and could also have the final word on all hiring and firing in the gambling establishments if he would terminate his campaign to drive out gambling.

Mr. Moloney refused and continued thereafter to try to persuade his colleagues on the commission to go along with his campaign for a clean-up. But he has been completely ignored in this effort. Mr. Moloney testified that he was told that the mayor was to receive \$150 a week, the commissioners \$100 a week, and the city detectives \$150 a month, if they would not interfere with gambling.

Mr. Moloney also related to the committee the story of a police officer who seized two slot machines in a Covington place of business. Cliff

Brown, an associate of Brink and representative of the slot machine syndicate, rushed into the police station and berated the patrolman for his act in front of his superior officer. The patrolman not long after was suspended on a charge of drinking on duty and thereafter was harassed to the point where he quit the department.

In February of this year, Mr. Moloney received another indirect approach and this time a figure of \$50,000 was mentioned. Whether this was a bona fide offer Mr. Moloney was unable to determine. He frequently received telephone calls threatening him for his activities and he produced two anonymous letters which had been sent to him. One of these said, "This is a warning. You had better not close Covington gambling. You and your friends will be dead. Your body will be among the missing. Leave gambling the way it is."

Judge Joseph Goodenough of the Kenton County court was questioned about gambling in the light of a permanent injunction granted by his predecessor in 1939 against a number of gambling establishments. No judicial notice is taken of this injunction and the Commonwealth attorney never takes steps to enforce it, although it would serve as a quick basis for stopping gambling.

Judge Goodenough asserted that the crime record of Kenton County is good. But he admitted that up until January of this year gambling in Kenton County had been "openly notorious." He knew that before January, slot machines, bookmaking, and the Lookout House casino were running. The committee had no difficulty in finding that they were operating after the first of January.

Admitting that there are never any prosecutions under the felony statute for gambling, Judge Goodenough could not explain why grand juries refused to indict. He admitted that it might be possible to indict the Cleveland mobsters under the conspiracy statute and it was suggested to Judge Goodenough that the grand jury might be "inspired" to look back into operations by the syndicate. The jurist replied, "I am not so much interested in what has gone on as I am in keeping gambling out of Kenton County, as a judge. Now my conduct, of necessity, must be restricted. I am a judge, sir."

Mr. Quill, in his testimony, admitted his authorship of the report of the May grand jury. The committee found it difficult to reconcile obviously contradictory portions of the report. In one section, the grand jury observed that "gambling had gone haywire" in the county, and in another it said that "at the time of our original convening, the only gambling in the county was slot machines and handbooks." Requested to explain the grand jury's failure to do anything about conditions it recognized had existed,

Mr. Quill claimed that the grand jury felt it "unjust and inequitable" to return indictments for conduct that had been acceptable for years.

The following colloquy between Senator O'Connor, chairman of the committee, and Mr. Quill throws interesting light on the attitude of this enforcement officer:

Q. Mr. Quill, you are an experienced prosecuting officer and a man of wide experience generally, having been in the legislature and otherwise. It is very apparent that you are quite conversant with conditions generally and you are a man of ability. \* \* \* I am asking you for a simple fact, whether you do not agree with us that widespread gambling activities such as have been shown here to have existed and are admitted could not exist without the connivance and the protection of law-enforcement officials.\* \* \* \* \* \*

A. I would say permitted or suffered to happen. I know I tolerated a good bit of it simply because it had been there since I was born and I knew that was the way the community had grown and that is what it had all these years. I felt to improve that condition takes not only law enforcement but takes education.\* \* \* \* \* \*

Q. Mr. Quill, wouldn't you think also that such widespread gambling operation with a large amount of money being realized from the operations could easily lead to corruption and to graft on the part of the police and other enforcement officials?

A. I certainly think it could, sir, yes, and maybe in many cases does.

Q. And do you think it might have possibly existed in this case?

A. I would certainly say it was within the realm of possibility.\* \* \* \* \* \*

Mr. Quill admitted that he had never made any effort to subpoena the partnership books and records of the Lookout House in Covington which is owned and operated by James H. Brink. The committee had subpoenaed these records and found that for the 2-year period of 1948 and 1949, the partners' shares had been as follows: Marion Brink, wife of James H. Brink \$33,860; B. W. Brink, \$16,930; Charles V. Carr, \$16,935; Mitchell Meyer, \$20,858; John Croft, \$10,429; Samuel Schroeder, \$39,583; Louis Rothkopf, \$41,765; Morris Kleinman, \$41,765; Moe Dalitz, \$41,765; Louise Tucker, wife of Samuel Tucker, \$41,765; and Charles Polizzi, \$33,352. Several of these names will be recognized as those of the Cleveland mob which had moved into Covington and Newport. Brink has testified that the mob sold their interests to him as of the end of 1950.

Mr. Quill said he had no idea that the profits of this establishment ran so high until they were dug up and publicized by this committee.

Mr. Quill told the committee that when he first became commonwealth attorney "there was very little sympathy" for enforcement of gambling laws, but that, as a result of this committee's exposure of the Lookout House as a syndicate operation, "people became exercised and the laws are easy to enforce now." He was reminded that the people were exercised as far back as 1939, as evidenced by the injunction that nobody bothered to enforce. His reply was that this was an action brought by the attorney general of Kentucky and the primary responsibility for its enforcement rested with the attorney general.

Mr. Quill asserted that gambling at the Lookout House ceased after the committee's Cleveland hearings and that he would have pressed contempt proceedings under the injunction had operations there continued. He professed to have no personal knowledge of gambling at the Lookout House since he became commonwealth attorney but acknowledged that several years ago, while he was a member of the legislature, he had lost \$40 in a dice game there.

Sheriff Henry A. Berndt of Kenton County, when asked whether he was the chief law enforcement officer of the county, retorted: "I am the chief law enforcement officer. I am the chief fire marshal. I am the chief dog catcher. I am the chief tax collector. I guess I have probably 150 duties according to the statute." Berndt said he had nine deputies, six of whom collect taxes. The other three serve processes. Berndt obeys the statute requiring inspections insofar as it is possible. The chief deputy, he said, does the work when he can be spared from his other duties, otherwise there are no inspections. No gambling was ever found during the inspections.

"We do not really try to make any attempt at law enforcing," Berndt said bluntly. He claimed that he repeatedly had told the grand jury that his office could not do so and at the same time perform its other duties, too. Berndt never heard of the Cleveland syndicate until the committee exposed their interests in northern Kentucky. He has not been on the lookout for any of the members, would not know them if he saw them, and would not know where to start looking for them.

Chief of Police Alfred Schild of Covington testified that his chief of detectives and other members of his staff had been looking for the source of the race wire service for 4 or 5 months without success. He has never been inside the Kentucky Club in Covington so he does not know what is going on there, although he did know of a \$75,000 robbery there at one time. This was the biggest haul by gunmen in the history of the city but he



did not consider that it required any personal investigation by him.

It was Schild who told the committee that gambling clubs in Kenton County advertised in the Kentucky Peace Officers Association magazine. Asked if he thought it was all right for the magazine to accept advertisements from gamblers, Schild asserted that "they didn't advertise as gamblers," and besides they advertised in other magazines, as well.

Schild could not tell the committee how the gamblers receive "tip-offs" about impending raids. He conceded that his department had a rule requiring that all warrants be registered at headquarters before being served. "I don't know why. It's been a rule for years and years," he added. Schild testified that he was a friend of John Rigney but professed not to know that Rigney was a leader of the slot machine syndicate, a matter of common knowledge in Covington.

Turning to Campbell County, the committee heard testimony describing the commendable efforts being made to restore order in the field of law enforcement in the city of Newport, while conditions in the county surrounding Newport are allowed to run wild.

A reform administration came into control of the city government of Newport in January 1950. Three officials of that administration testified before the committee, namely, City Solicitor Fred Warren, City Manager Malcolm Rhoads, and City Commissioner Charles J. Eha.

Mr. Warren testified regarding the injunction proceedings brought by the attorney general of Kentucky against the gambling interests in Campbell County in 1943 resulting in a permanent injunction. He said that during the period of the litigation all gambling was eradicated. After the injunction was obtained, however, gambling gradually was resumed and continued unchecked until 1950. He testified that no explanation was ever given as to why no move was made to enforce the mandate of the court and he expressed the opinion that gambling casinos could not have operated too openly and regularly and for such protracted periods without protection.

Commissioner Eha, who was one of the candidates supported by the Newport Civic Association, related some of the difficulties experienced by the reform group in its war against the gambling interests. He declared that the citizens are now aware that the city is better off without gambling. He, too, has received threats because of his activities against gambling. City Manager Rhoads, who had been a witness at the committee's Cleveland hearings, testified again in June and July. At an executive session of the committee held on June 20, he indicated some surprise when informed that a committee investigator had found gambling in the Alexandria Club just a

couple of weeks before. When he returned for the July 23 hearing, Mr. Rhoads told the committee that he was certain that gambling had ceased there because two detectives had been stationed in the place between 10 p.m. and 2 a.m. every night to make sure no gambling went on. He said the city has had some difficulty because of "tip-offs" of projected raids but an effort is being made to determine their source.

The Bobben Realty Co. clearing house bookmaking operation has been broken up and a similar outfit has been routed from the Finance Building in recent weeks. Mr. Rhoads said he has been trying to break up the wire service to bookmakers but the Ace Research Service has moved from its former location and he has been unable to learn the source from which the wire service now emanates.

Mr. Rhoads reiterated a statement he gave to the committee in Cleveland that he did not feel he could place any confidence in Chief George Gugel of the Newport Police Department. He has tried to cure the situation, he explained, by bypassing Gugel and using men in the department he knows to be reliable. The gamblers, he said, had also made efforts to buy him off. He told of a telephone call he received in which he was informed that if he would let things alone the gambling interests would be willing to pay \$1,000 a week. The same figure, he declared, was repeated to him soon after the incident by a visitor to his office who he knew was not connected with the rackets. Telephone calls and letters containing threats of harm to him and members of his family also have been received by Mr. Rhoads.

The gambling interests, according to Mr. Rhoads, first try "to buy what they want." If unsuccessful they move into the second stage, which is to harass officials moving against their operations. The third is a smear campaign impugning the integrity of those who oppose gambling activities.

Gambling in Newport in 1949 enjoyed somewhat of a blessing from the administration then in power which adopted legislation levying certain taxes on the gambling interests. The tax bill for the Yorkshire was \$8,090.40 under this measure, clearing houses paid \$500, and bookmakers were assessed \$250. The city treasury was enriched to the extent of \$50,109.99 in 1949 but, on the eve of its departure from office, the former administration repealed the taxing ordinance. Mr. Rhoads said that the new administration would never have tolerated the special taxing system because "I cannot see any difference between a city and an individual taking graft."

Suppression of gambling has helped business in Newport, according to Mr. Rhoads. Bank deposits are higher and there has been a substantial increase in inquiries from industrial enterprises interested in the possibility

of erecting plants there.

Chief of Police Gugel when called as a witness, also expressed surprise that a committee investigator had found gambling in the Alexandria Club in June because his men had told him there was none. Since the Cleveland hearings, Gugel said, he has been endeavoring to get rid of all gambling. When pressed to define specifically what course of action he was pursuing, Gugel replied, "Still issuing orders to my subordinates." Gugel was asked what he had done about the Ace Research Service, which supplied wire service to more than 100 bookmakers in Covington and more than 60 in Newport. He said he sent his detectives to the outfit's headquarters but they could not find anything.

Lack of cooperation on the part of Chief Gugel serves as an obstacle to law enforcement in Newport. However, the city administration is to be congratulated on the progress it is making. It is a pity that the law enforcement officers of the rest of Campbell County cannot be persuaded to follow the excellent example of the city of Newport.

William J. Wise, Commonwealth attorney of Campbell County for almost 9 years, was called upon to explain the widespread commercialized gambling in his section. He said, "I suppose it was just like Topsy, it just grew up. It has been in existence long before I appeared on the political scene, and I suppose it has existed by sufferance, at least that is my opinion." He confessed that he was "generally aware" of the operations of the casinos, but insisted that he has told every grand jury it was their prerogative to investigate them, although none ever did. He did succeed in getting an indictment against one member of the Cleveland syndicate, Samuel Tucker, 5 or 6 years ago, but Tucker was acquitted.

The committee's investigation showed that the Beverly Hills Country Club had gross receipts of \$975,000 for 1948 and 1949, a net of \$426,199 for that period, distributed to the following: Samuel Tucker, Moe Dalitz, Rothkopf, and Kleinman, \$44,019 each; Charles Polizzi, \$32,014; T. J. McGinty, \$34,301; John Croft, \$26,583; Harry Potter, \$20,008; Mitchell Meyer, \$17,150; Samuel Schroeder, \$54,024; and Marion Brink, \$40,017. In addition, Tucker was paid a salary of \$10,000 annually from 1945 to 1948, Meyer and Potter were paid \$3,900 each for 1948 and \$4,110 each for 1949. The money wheels took in \$70,000, chuck-a-luck, \$17,000; blackjack, \$51,000; craps, etc., \$244,000, and slots, \$69,000.

It is of interest to note that the partners of Beverly Hills are practically the same as in the case of the Lookout House in Covington, and that both operations include members of the Cleveland mob.

When confronted with these figures, Mr. Wise conceded that they were

"fabulous" and admitted that he had never heard of some of the individuals named.

The committee found that the operations at the Yorkshire Club were even more extensive for the same 2 years, with gross receipts amounting to \$1,526,000, the gross profit was \$614,000 and the net income, \$427,597. The following shared in the profits: Maurice Ryan, Fort Thomas, Ky., \$30,018; Fred Hallam, Bellevue, Ky., \$47,662; Morris Nemmo, Fort Thomas, Ky., \$30,493; Robert Bergen, Fort Thomas, Ky., \$24,121; Sam Gutterman, Cincinnati, \$10,406; A. R. Masterson, Fort Thomas, Ky.; E. R. Lowe, Tucson, Ariz.; James H. Brink, Fort Mitchell, Ky.; Claude Hines, Fort Mitchell, Ky.; George and Frieda Bregal, Melbourne, Ky., \$17,493 each; Alfred Goltsman, George Gordon, Samuel Tucker, and Ruby Kolod, all of Cleveland, \$20,992 each; Abe Schneider and John Croft, Cincinnati, \$34,987 and \$33,092, respectively; and. George Bear, Detroit, \$24,296.

Mr. Wise conceded that this operation was "much more sizable than any of us thought or could have imagined."

Sheriff Ray Diebold of Campbell Count whose principal qualification for his job seems to have been that he once served as a "good will" man for brewery, made two appearances before the committee. The first time he testified that he had never been in the Beverly Hills Club, the Latin Quarter or the Yorkshire Club, and that he had never raided them because he had been informed by the county police that there was no gambling in any of them. He had only "heard" that the Cleveland syndicate was involved in operations of the casinos and he had learned from his lawyer only a short time before the June hearing about the law requiring him, as sheriff, to inspect dance halls and roadhouses at least once a month. When he testified in July, he was emphatic in declaring he had been diligent in his inspections and promised to furnish the committee with copies of his monthly reports from then on. He still has a clear record of no arrests for gambling since he had been sheriff. The committee asked why he had never visited any of the casinos, at least as "good will" man for the brewery. He replied that the casinos use premium beers only, whereas he was stimulating business for a local product.

James Winters, chief of the Campbell County police, told the committee that he had reason to believe that gambling was going on in places like the Beverly Hills Club and the Latin Quarter but his men never found any when they made inspections. Pleading that he had only six men to patrol 508 miles of highway in the county, Winters said they had little time to look for gambling violations.

Jack Kuresman, Cincinnati public accountant who represents the Latin Quarter, Yorkshire, Beverly Hills, and the Merchants Club, testified that

his office received daily sheets which showed wins, losses, expenses and the bankroll at the beginning and end of each day. He admitted that he had no means of verifying the wins and losses. Asked why he was unable to produce the records of the Latin Quarter, Kuresman said that as soon as his clients learned that the committee was interested in northern Kentucky again they came to his office and retrieved the records, together with his work sheets.

**(c) SCRANTON, PA.**

The committee's survey of conditions in the area of Scranton, Pa., included some investigation in nearby Wilkes-Barre and Hazleton. The committee concentrated on the ramifications of a multi-million-dollar Treasury-balance lottery of which Louis Cohen is believed to be the ruler. Cohen has a long history of lottery operations. For years, he and his several brothers have ruled a lottery empire that covers several States. Louis Cohen divides his time between a home in Florida and a residence in the Pocono Mountains outside of Scranton. His name has been linked to night-club and gambling enterprises in Florida.

The Treasury-balance lottery, according to testimony obtained by the committee, operates in most of the Eastern States and in sections of the Midwest. Tickets are sold for 25 cents and 50 cents, with occasional "specials" during the year selling for \$1. The last five figures of the daily balance issued by the United States Treasury determine the winners. The ticket plays for 5 days, and top prize in most instances is \$3,000. The odds against the betters are extremely heavy, and the profit of the racketeers who run the lottery is enormous.

A special service of the Western Union Telegraph Co. speeds the number daily from Washington to 51 subscribers who have been identified either as the principals or chief agents in the operation of the racket throughout the East. An additional 16 subscribers located in Chicago, Ill.; Alliance; Barnesville, Berea, Canton, Cleveland Heights, Cleveland, Toledo, and Youngstown, Ohio, and Indianapolis, Ind., are serviced out of the Chicago office of the telegraph company.

Law-enforcement officials in Scranton seemingly are afflicted with the same peculiar blindness toward organized gambling that has been apparent to the committee in its inquiries in other cities. Four horserooms running wide open and heavily patronized were found by committee investigators. A numbers banker testified that he did business for 20 years without ever having been arrested himself, although there were three or four occasions when his runners were picked up. Punchboards littered store counters, and

Treasury balance tickets were openly sold.

It is clearly evident that there is a strange reluctance on the part of the police in Scranton to arrest anybody for violations of the gambling laws. Horserooms are never raided. Periodically, when "the heat is on," the order goes out to "close and stay closed," but such an edict lacks any prolonged or lasting effectiveness. The same can also be said for the cities of Pittston and Wilkes-Barre adjoining Luzerne County.

To units of the Pennsylvania State Police must go credit for the only successful forays against the gambling interests, even though they usually follow a policy of not going into the cities unless requested to do so by the district attorney or city officials themselves.

In March of this year, without notice to the Scranton police, several details of State police staged a series of raids in the city designed to cripple the operations of Louis Cohen. Vast quantities of Treasury-balance tickets, printing equipment, engraving plates, stapling machines, and supplies were seized. Seven persons were arrested. The value of the seized material was in excess of \$50,000 and the tickets being processed were intended for distribution in the months between October 1951 and February 1952.

A similar seizure in Wilkes-Barre, also by the State police, yielded an even greater volume of tickets, materials, and equipment, and struck hard at the source of supply for so-called independent operators not linked with Cohen.

The committee endeavored unsuccessfully to serve a subpoena on Cohen prior to its hearing in Washington on August 7 in connection with the Scranton investigation. Accompanied by counsel, Cohen subsequently appeared in Washington and presented himself to the committee, but insufficient time remained for proper interrogation of the witness.

While Cohen was evading process, the committee subpoenaed his chief lieutenant in Pennsylvania, Patrick Joseph Size, of Scranton. Claiming that his answers would tend to incriminate him, Size refused to give any testimony about his activities or his dealings with Cohen. He also refused to explain suspicious long-distance telephone calls made every Friday from his home to Allentown, Reading, Schuylkill Haven, Wilkes-Barre, and Williamsport.

Jimmy Mack, of Wilkes-Barre, also known as Vincenzo Maccarone, testified before the committee. He admitted owning pinball machines and a few slot machines and said that he grossed \$50 to \$60 a day as a numbers banker in Wilkes-Barre. Pretending that he did not know whether the numbers business was against the law, he pointed to the fact that the

police never interferes with him or gave him trouble in connection with his slot machines. He added that he operated the slot machines in private clubs outside the city and none of them ever was seized.

Capt. Harry E. McElroy, director of the bureau of criminal identification and information of the Pennsylvania State Police with headquarters at Harrisburg, told the committee that Sgt. Charles Hartman of the State police had reported a bribe offer from Jimmy Mack, acting on behalf of Cohen, and that the State police commissioner had given instructions to Hartman "to string Mack along," because all signs indicated that the time was approaching to close in on the Cohen operations. The advisability of trying to bait Cohen into passing the bribe was considered but this was eventually abandoned in favor of the direct thrust that would cripple his operations. Mack denied the bribe offer but the committee sees no reason for doubting the word of Captain McElroy.

The treasury-balance racket, Captain McElroy said, has two divisions. In one division are a number of independent operators. The other division consists of the syndicate headed by Cohen. The State is divided into districts with separate organizations in each district. The racket runs into many millions, in fact, Captain McElroy estimated that it grosses more than \$30,000,000 a year, with the syndicate operation accounting for more than \$20,000,000 of this figure. He identified Size as Cohen's principal representative in Pennsylvania and declared that information in the hands of the State police indicates that Cohen operates on an interstate basis.

Captain McElroy told the committee that raids made during the past 1 1/2 years have resulted in confiscation of millions of tickets and printing equipment, material and supplies worth tremendous amounts of money, but he complained that it is difficult to get evidence against the leaders. "They sit behind somewheres and the money comes in to them and they don't have direct operations, and that's that," Captain McElroy declared. He estimated that the operators realize net profit of about 20 percent of the gross intake. He said he had heard of many instances where the racket interests refused to pay the big "hits."

Captain McElroy was asked whether use of the Treasury balance has the psychological effect of giving the lottery the benefit of the prestige of the Federal Government. He testified that he was certain that this was so.

George T. Harris, superintendent of the Washington office of Western Union, testified that a Western Union employee is sent every morning to obtain the Treasury balance and he transmits it directly from the Treasury Department to Western Union's commercial news department in New York. The number is wired from there to Chicago from which it is wired to 16 subscribers to this special service. Fifty-one subscribers in the East

are serviced from New York. Three Scranton subscribers are included in the list. They are Size, Jack Richards, and R. E. Booth. The other cities to which the number is sent are Rochester, N. Y.; Plattsburg, N.Y.; Syracuse, N.Y.; Boston, Mass.; Allentown, Pa.; Niagara Falls, N.Y.; Pittsburgh, Pa.; Manchester, N.H.; Olean, N.Y.; Johnstown Pa.; Rome, N.Y.; Utica, N.Y.; Elizabeth, N.J.; Worcester, Mass.; Lewistown, Pa.; Burlington, Vt.; Monessen, Pa.; Buffalo, N. Y.; Baltimore, Md.; Concord, N.H.; Cortland, N.Y.; Geneva, N.Y.; Elmira, N.Y.; Johnson City, N.Y.; Beacon, N.Y.; Endicott, N.Y.; Ilion, N.Y.; Edgewood, R. I.; Fall River, Mass.; Altoona, Pa.; Easton, Pa.; and Newburgh, N.Y.

The committee also questioned Joseph Baldassari, a partner in the Baldassari Amusement Co., but he proved to be extremely uncooperative. The committee had information to the effect that Baldassari and his brother Al are engaged in an extensive gambling enterprise operating under official sanction. However, he refused to answer most of the questions put to him on the ground that his answer might tend to incriminate him. He produced voluminous records but refused to disclose their contents. He refused to say whether he knew Louis Cohen and other underworld characters or whether he took Scranton police on trips in his airplane. He did admit, however, that his father was Ulisses Baldassari, who furnished the bail for the seven defendants arrested by the State police in the raids on Cohen's printing operations.

He declined to say whether he owned any slot machines and whether his brother ran a horse room at 108 Adams Avenue. He also refused to say whether he had paid protection money to any official or whether it was true that he had given a \$2,500 ring to the director of public safety.

At first he refused to name the partners in Baldassari Amusement Co. but he was finally compelled to admit that they consisted of himself, his brother Al, and their two wives. He was unwilling to try to reconcile this with the fact that the firm's income tax returns listed only the two wives as the partners.

The District Attorney of Lackawanna County, Carlon M. O'Malley, gave what seemed to the committee to be a rather unsatisfactory explanation of the small number of gambling prosecutions in his county. He said his office by tradition is a prosecuting office, not a policing agency, although he does have four county detectives. He said he would be naive if he attempted to tell the committee that the Scranton horse rooms did not exist or had not existed for a number of years, but he claimed that the responsibility for any laxity rested with the city police department, which has 175 uniformed men and 12 detectives. He referred to the State police raids on the Cohen lottery ticket printing establishment last March in connection with which Patrick Joseph Size, Gregory Size, and others



received fines ranging from \$200 to \$300 but no jail sentences were imposed.

Mr. O'Malley stated that on June 29, while on vacation, he issued orders to his staff to conduct a survey of gambling in the areas of Lackawanna County outside of Scranton. This was prompted, he said, by the reappearance of Cohen-controlled Treasury-balance lottery tickets in the county. It is significant to note that this committee's investigators entered Scranton on June 20 and their presence was publicly announced several days before Mr. O'Malley ordered his survey.

He said his staff reported back that they and the State police had communicated with all police chiefs in the communities outside of Scranton and had been informed that they had no knowledge of a gambling with the exception of punchboards, which they promised to suppress forthwith.

Mr. O'Malley submitted to the committee a report of the survey which showed that warnings to cease operations had been given to all suspected gamblers, including Louis. Cohen, although Cohen's chief lieutenant, Patrick Joseph Size, was not in Scranton when the warning was issued. In spite of Mr. O'Malley's disclaimer of responsibility for gambling in the city of Scranton, the "close and stay closed" order described in his report was issued to a number of Scranton gamblers. Those warned included: Richard Booth, distributor for the Square Deal and Penn Limited Treasury-balance lotteries; Joe and Al Baldassari, partners in the horse room at 108 Adams Avenue; Charles Pascucci and Nick Rosse, operators of the horse room in the Greyhound Terminal Building, 218 Adams Avenue; Peter Genello, a bookie associated with the Baldassari brothers; James "Bus" Caffrey, operator of a horse room at 217 Penn Avenue; Michael Nemetz, operator of a horse room at 226 Lackawanna Avenue; Eugene Allegrucci, distributor of the Domino Treasury-balance lottery; James Martin, distributor of the Black Diamond Treasury-balance lottery; Adolph "Dolly" Rosar, distributor for the New Deal Treasury-balance lottery; Michael Size, distributor for the Imperial Treasury-balance lottery; Dickey Rose, a telephone bookmaker; and Thomas Sesso, head of the numbers racket.

Committee counsel posed this question to Mr. O'Malley: "I wonder if you can explain why it is the place stays wide open until our investigators arrive and our investigators can find it (gambling) like any other citizen, yet the police are not doing anything about it. Are the police receiving protection for that?" His answer was, "I have no knowledge of that and cannot answer it." Mr. O'Malley's attention was also called to the fact that the horse room in the Greyhound Terminal Building was across the street from the district attorney's office and the Baldassari horse room was in the

next block. He acknowledged that a gambling place in Carbondale was located in a building owned by the mother of the prothonotary of Lackawanna County.

Mr. O'Malley argued that crime conditions in Lackawanna County are far better than they were prior to World War II. He attributed this improvement largely to the action of the Army and the FBI.

Joseph Scalleat, Hazleton racketeer, was recommended for contempt by the committee after a brief but highly irritating appearance. He refused to bring records as directed by the subpoena because he "didn't think it was necessary" and he defiantly told the committee at the outset that he was going to refuse to answer all questions. He refused to tell the committee what business he was pursuing, whether he had any brothers named Sam and Albert, or if he knew Jack Parisi, a former New York convict, or had any contacts with him. He refused to say if he remembered Parisi's arrest by State police in a hide-out located in a building occupied by his sister and her husband.

David F. Haggerty, a constable in Scranton for 12 years and an owner of harness-racing horses, refused to tell the committee whether or not he had any interest in the horse room on Penn Avenue operated by James "Buz" Caffrey. He admitted that he gave no attention to his duties as constable because it was strictly a commission or fee office and "I just never went in for it." He testified that he derives no income from being a constable and that he "just about breaks even" in the operation of his stable, but he declined to answer when questioned about the source of \$19,500 in "commissions" listed in his income-tax returns for 1949 and 1950.

The committee asked Mr. Haggerty, "Do you know of any political contributions made from the gambling interests in connection with the political life of Scranton?" His answer was, "I will have to decline to answer that on the grounds it may tend to incriminate me."

Thomas Sesso, who has lived in Scranton 33 years, has been a numbers banker for 20 years and has never been arrested himself, although his runners were apprehended three or four times. He told the committee he grossed \$15,000 to \$20,000 a year and operated only in a couple of blocks in the central city because "when a man don't stretch too far the police never get you."

There were times during his years as a numbers banker that he was compelled to suspend operations. How did he know "when the heat was on"? His answer, "The city gives the order out to the cops, something comes out, then I just stop." As a numbers banker he has done well financially. When he gave up his shoemaking establishment 20 years ago,

he had nothing. Now he has [\$?5],000 in cash, three properties, invested money in a mortgage, and a Lincoln automobile. He was asked, "You are retiring now on your earnings?" He replied, "That's right. Right now I don't know nothing. When the future coming, I don't know what I do."

Two Scranton police captains appearing before the committee blandly insisted that their manifold duties in other fields of police work left them with little time to enforce gambling laws. Richard Beynon, the day captain, maintained that he was responsible only for traffic control. He knew the horse rooms were operating but didn't know if they had wire service. He knew Treasury tickets were sold in the city but he claimed he never personally witnessed any sales. He didn't know the Cohens or anything about them but he knew the Baldassari brothers as "businessmen" and he also knew that the numbers lottery was operating. He did not know of any numbers bankers other than Sesso, but he did not think there were any.

The only slot machines Beynon knew anything about were located in veterans' posts and private clubs but he had no knowledge about whether they were operating. Asked about a raid on a gambling house in West Scranton in which the raiding detail seized eight or nine men but "lost" all but two of them before the arrival of the lieutenant, Beynon said he didn't know whether any disciplinary action had been taken on account of the "loss" of prisoners because that was not under his jurisdiction.

James G. Conaboy, captain on the 4 p.m. to midnight shift, testified he knew very little about the numbers business because operations were virtually over before his shift began. Office details and handling of complaints about disorderly conduct, mischievous boys, etc., keep him so busy "that I do not have the time to personally go out and observe every activity in the city or under my jurisdiction. From the fact that no patrolman, sergeant, or lieutenant has ever submitted verbally or written any complaint to me, I had presumed that the conditions in Scranton were at least favorable, and I had no occasion to suspect anything else."

If any gambling violation had been brought to his attention, Conaboy said, he would have made out a report to the superintendent of police, but "I never had a complaint from a subordinate, citizen, or anybody else as to the activities of a horse room or numbers, and therefore I would have no occasion or necessity to submit a report to my superior."

The Scranton, Pittston, and Wilkes-Barre horse rooms were all "drops" for wire service being supplied by Metro-Globe News Service of Hoboken, N. J. In Scranton, only one operator applied for the service under his own name. The other three adopted the obviously fictitious names of the "Greek Social Club," the "Modern Amusement Co:" and the "B. & B.

Club." The Pittston subscribers were the "Pittston Social Club" and the "Wyoming Valley Social Club." In Wilkes-Barre the service was furnished to J. Sheerin.

The committee sought the testimony of Jack Parisi, long-time associate of Albert Anastasia, reputed head of Murder, Inc., in New York, about his activities in Hazleton, Pa., but Parisi entered a Philadelphia hospital the day before the committee's hearing on August [?]. Doctors confirmed that he was suffering from a chronic leg injury directly attributed to a bullet wound in the hip sustained many years ago.

Parisi vanished from New York in 1939 when police began hunting him for two murders. For 10 years he enjoyed sanctuary in Pennsylvania coal field communities until State police flushed him out of a specially designed hide-out in Hazleton and turned him over to the New York authorities. Parisi "beat the rap" in the two murder cases and returned to Hazleton where he blossomed out as production manager in the Nuremberg Dress Co. factory at Nuremberg, a few miles from Hazleton. The owner of the company is Harry Strasser, alias Cohen, alias Lefty, with a New York criminal record. Strasser and Anastasia are partners in the Madison Dress Co. in Hazleton, and Strasser is also listed as the owner of the Mount Carmel Garment Co., in Mount Carmel, Pa.; the Bobby Dress Co. in Dickson City, Pa.; and the Interstate Dress Transportation Co. The committee also has evidence of additional infiltration of the garment industry in Pennsylvania by racket interests but lack of time and funds compelled the committee to forego a more intensive investigation of this phase of racketeering activity in legitimate business.

Except for the aggressive investigative accomplishments of the Pennsylvania State Police and their noteworthy efforts to cripple lottery operations centered in the cities of northeastern Pennsylvania, the committee finds that official lethargy toward organized gambling is so appalling as to be shocking to the public conscience.

The "slap on the wrist" attitude evidenced by the "close and stay closed" orders of nebulous tenure can hardly be regarded as an adequate substitute for rigid enforcement that is marked by arrest and conviction and, where the circumstances warrant it, imprisonment.

#### **(d) READING, PA.**

Testimony dealing with Reading, Pa., was heard by the committee at a hearing held in Washington on June 28, 1951.

It was immediately apparent that Reading was what law-enforcement

officers describe as an "open town." (i) Two horse rooms operated without molestation within a short distance of the center of the city, one within the shadow of city hall itself ; (ii) slot machines were openly exposed except for periodic pronouncements by the district attorney that they must stop, warnings that received scant attention; (iii) punchboards littered store counters, with change from purchases being deliberately placed on them to induce play by minors as well as adults; (iv) numbers were written openly in many places, including newsstands and barber shops.

Numerous complaints were made in vain to enforcement officers. District Attorney John E. Ruth answered that he viewed gambling as part of the life of the community that had to be accepted and, anyhow, he was a prosecutor and not an investigator. This was on May 2, 1949, and the following month church groups who approached Mayor John Davis were told that gambling was part of the nature of the people of Reading and that the city was not any worse than other cities of its size. He said it was not his responsibility as mayor to rid the city of gambling. He said it was the responsibility of the clergy to induce the people to stop gambling.

Western Union records introduced at the hearing showed that a horse room at 601 Franklin Street had been receiving wire service from March 22, 1950, until May 28, 1951, when it became known that the committee was making its investigation. However, service to a horse room at 31 Poplar Street, which began on March 4, 1950, was still being continued as of June 7th 1951, the date upon which Western Union supplied the data. The subscriber for the Franklin Street place was listed as "Ben Moyer" and in the ease of the Poplar Street operation the subscriber was "Moyer A.C." The service came from Metro-Globe News Service, Hoboken, N.J., a distributor for Continental News Service.

Actually the operator of the Franklin Avenue horse room was Alex Fudeman, nephew of Abraham and Isadore Minker, long-standing racket powers in Reading and in control of practically all gambling. The building in which it operated was owned by Thomas A. Williams, who admitted that the horse room had been located in the basement of the building for years. Williams displayed some remorse over the committee's entry into Reading and the danger of losing his tenant. As he put it, "Who else would pay \$150 a month for it?"

The committee secured from Ralph S. Kreitz, a lifelong resident of Reading and an operator of slot machines for more than 20 years, some idea of the "take" realized by the owners of these machines and their locations. He said he owned about 100 machines and had been operating until the committee's investigators came to town. He insisted that the machines were all in chartered clubs and that there were no machines located where youngsters could play them. These "clubs" were found to

have practically no restrictions on membership, payment of nominal annual dues being practically the only requirement for membership.

According to Kreitz, profits from the machines were split on a 50-50 basis between the owner of the establishment and himself. He estimated the share received by his locations during the preceding 14 months at \$180,000. His share, he maintained, was only about \$60,000 because of heavy expenditures for beer, lunches, and so forth, to insure "good will." Kreitz figures his net income "in a good year" at \$25,000 to \$30,000 after the payment of all salaries and expenses, but asserted that there were times when he was forced to close down and "live off his fat." He also admitted that he operated punchboards and console slot machines, but declared that he realized very little revenue from these.

Kreitz was never arrested for gambling or slot-machine operations except once 15 years ago by the State police, but if too many complaints were made, the local police sometimes chased him out of his locations. One such period lasted 9 months. He admitted that there were others in the same racket but he would not name them. The State police had "knocked off" his machines on two occasions, once putting him completely out of business. It was some time before he was able to accumulate enough funds to obtain more machines. He admitted also that the Federal Government caught up to him in 1948 for income-tax evasion for which he went to jail.

Kreitz defended gambling and even tried to picture Reading gamblers as benevolent characters. According to him, if a man were to lose \$500 betting on a horse and the "bookie" learned that he couldn't afford it, the money would be returned to the man's family. He said there had been occasions when a player lost \$60 or \$70 in his slot machines and he saw to it that the money was refunded "rather than have any trouble."

Kreitz' personal relationships with public officials were not without significance. He holds "open house" for men in all walks of life, including important city officials. The district attorney visited him once when he was sick and a State policeman once took him for a plane ride to Florida. He could not remember whose plane it was. Also, he admitted having given \$800 to Lieutenant Hoffman of the Reading police "to save his life when he was sick" and that he didn't expect to get the money back. Kreitz is only one of several racketeers in Reading and his operations are probably dwarfed by those of the Minker brothers.

Abraham and Isadore Minker, on the surface, are in the wholesale fruit and produce business and operate two realty companies. Behind the scenes they engage in activities about which they refused to testify on the ground that their testimony might tend to incriminate them. Their nephew, Alex Fudeman, a former bootlegger who operates the two horse rooms, also

refused to testify on the same ground.

Abraham Minker, a Russian immigrant who was penniless in 1939 when he was released from Lewisburg Federal penitentiary, is far from penniless now. He and his brother Isadore refused to say whether they knew Frank Costello, Owney Madden, Nig Rosen, Willie Weisberg, or Muggsy Taylor, and they refused to identify the source of large amounts of miscellaneous income reported in at least one case in an income-tax return as being derived from "gambling."

The conduct of all three of these witnesses before the committee was such that they were subsequently cited for contempt of Congress and their cases are now in the hands of the United States attorney for the District of Columbia for prosecution.

Perhaps some light is thrown on the Minkers' affairs by the testimony of their bookkeeper, Miss Ann Brenner, a reluctant witness whose unexplained accumulation of wealth still remains a mystery. Over the 4-year period of 1946 to 1949 the combined income of herself and her sister was approximately \$37,000. Yet during at that time they had invested \$17,000 in Government bonds, made loans totaling \$21,000, purchased stocks worth more than \$22,000, put \$7,500 in Federal savings and loan bonds, and loaned \$24,000 to the Minkers' Brighton Realty Co. In addition, they had \$15,910 in cash in a safe-deposit box and had three bank accounts. Miss Brenner could not even hazard a guess as to the balances remaining in these accounts. The bank records showed deposits over the 4-year period aggregating \$61,037.18. She admitted that the deposits looked high but she guessed, "It may be the same money rotating."

Miss Brenner's investments included loans of \$4,000 to Lt. Albert M. Hoffman of the Reading police and \$2,400 to Richard Birney, son of the chief of police, but she denied that these were to incur police sympathy toward the Minkers' operations.

Her explanation consisted of vague statements about family sayings and frugal living, along with a few claims that were not entirely consistent with her income-tax returns. She recalled vaguely that the tax returns of Isadore Minker showed "miscellaneous income or gambling or something to that effect," and that she might have seen that on the returns of Isadore or Abraham, or both, but she brushed this aside by saying, "I am a bookkeeper. I am not to judge other people's lives."

The most dismal and distressing aspect of the story of the failure of the law enforcement in Reading was extracted from Chief Birney, the final witness. The committee can classify his testimony only as "pitiful." Chief

Birney has held his job for more than 7 years and is the head of a department with a personnel of 155, including policemen and civilian employees. But he solemnly told the committee that the top law enforcement officer in Reading was the sheriff and that the mayor, and not he, was the man who had complete supervision over the police department under the Third Class City Act of the State of Pennsylvania.

Chief Birney said he had "assumed" that the Minkers and Alex Fudeman had been "partly at the head" of the rackets in Reading for a period of years but it had never been proved. He had "heard" there had been two wide-open horse rooms in the city for 20 years but no investigation was ever made because he did not receive any complaints. He admitted that the horse rooms were never raided and no arrests for bookmaking had ever been made since he became chief.

"The policy of the department is to act on complaints only on orders from the mayor. No complaints were received, nor no orders given," was a stock answer made repeatedly to questions addressed to Chief Birney by the committee. He asserted that a report of a violation submitted by an officer on the beat was not considered a complaint.

Chief Birney said he never consulted with the mayor about rumors that the horse rooms were operating. He said his orders were that if complaints were received the police were to warn the parties responsible, but that no arrests were to be made "unless absolutely necessary."

"In a small department you don't initiate action. You wait for orders. You don't set a policy, you merely carry out a policy. That is what I did," said Birney in defense of his position. He admitted that he had seen a newspaper article in 1949 which stressed that gambling was wide open in Reading and that "the syndicate" was getting \$5,000,000 annually, but he had done nothing about it. He denied knowing anything about the special "pagoda" stamp which was attached to punchboards, suspected as being a sign that those particular boards were protected, and he admitted that he had never investigated to find out what he could about any such stamp. Chief Birney did recall one occasion when a ban on punchboards was ordered, but he insisted that tobacco and candy companies in Reading stormed the mayor's office complaining that the ban was interfering with trade and compelled the mayor to lift the ban.

The committee has no difficulty, after reviewing the Reading testimony and particularly that of Chief Birney, in arriving at the conclusion that Reading is a classic example of political strangulation of a police department at the behest of gambling interests seeking to thwart any interference with their activities.



## **D. CRIME IN LARGE CITIES**

### **(a). NEW YORK CITY**

When the committee concluded its public hearings in New York City in March 1951, there was one witness whose name had appeared time and again in the testimony of other witnesses but whose presence could not be obtained. He is Irving Sherman, one-time intimate friend of William O'Dwyer at the time O'Dwyer was mayor of New York.

The committee's desire to question Sherman in the March hearings had been widely publicized and it was later learned that Sherman was aware of the fact that he was being sought, but he failed to appear. Shortly after the New York hearings closed, Sherman's lawyer accepted service of a committee subpoena for him, but there has never been a satisfactory explanation of his reason for desiring to avoid the committee's process.

Sherman had been described as a man of great mystery who might furnish information regarding the relationship between some of the officials of New York City and the gangster syndicates who control bookmaking and the wire service monopoly.

The intimate friendship between O'Dwyer and Sherman had already been established, as had the friendship between Sherman and Costello.

From the testimony at previous hearings of the committee and from the indictments obtained through the fine work of District Attorney Frank Hogan of New York County and District Attorney Miles F. McDonald of Kings County, it had become apparent that substantial sums had been paid in graft in recent years. Bookmakers operating on an enormous scale paid regular protection to the police department but no one was able to ascertain how much of the "take" filtered through to the top.

In the fire department, it was known that James Moran, O'Dwyer's loyal friend, who has been convicted of perjury for his false testimony before this committee, had established a regular system for collecting graft required to be paid for oil-burner installation permits.

James Moran, the man who probably knows more than any other about New York graft lied before this committee and has since refused to talk at all. After his conviction for perjury, he was offered the opportunity to tell the truth but he declined the invitation, perhaps because the 5-year sentence he has received for perjury is less than what the truth would bring.

With Moran silent, it was hoped that Irving Sherman might be able to throw some light on the subject. Sherman had friends on all sides of the

fence. Besides being an intimate of O'Dwyer, he knew Congressmen and other public officials. He was widely known in the garment industry. And he had known such men as "Bugsy" Siegel, Frank Costello, "Niggy" Rutkin, and other underworld characters. He would be a natural for the role of go-between.

The committee found that Sherman would not be the fertile source of information that many had expected. However, it felt that he should be called as a witness and the testimony he gave was not without interest.

He appeared before the committee in a public hearing in Washington, D.C., accompanied by counsel. He refused to testify unless all radio, newsreel cameras, and television cameras were turned off. With great reluctance the committee complied with this demand cause it was faced with the choice of holding him for contempt or obtaining his testimony. It came to the conclusion that the public interest would best be served by doing what was necessary to have him talk. His testimony confirmed previous testimony of other witnesses to the effect that he was formerly a good friend of O'Dwyer, working strenuously for him in the 1945 New York mayoralty election. He admitted his acquaintanceship with Costello and "Bugsy" Siegel.

Perhaps the most sensational part of his testimony was to the effect that in late October 1945, just before the election, he left town at the urgent request of O'Dwyer, who sent a messenger urging him to leave immediately in order to be unavailable to the press. The reason given was that the former expected a newspaper blast linking Sherman to himself on the one hand and to Frank Costello and "Bugsy" Siegel on the other. Sherman acceded promptly to this request, leaving the next day with his family on a trip that had no destination but which eventually took him to Florida, where he waited until the campaign was over. When asked why he would make such a sacrifice, he said, "because the man asked me to, and I thought enough of him to do it."

When Sherman returned, he found himself to be an outcast. O'Dwyer would not see him and when he went to see Moran his identity was mysteriously shrouded in the fictitious name "Dr. Cooper." Sherman said he thought use of this name was intended as a joke, but he admitted it might have been for purposes of concealment.

Sherman was closely questioned concerning his avoidance of the New York hearings. He admitted discussing his absence with several friends during the time the committee was actively seeking him, but he denied that he was waiting for the committee to go out of existence before appearing.

Sherman testified that during the twenties he had been an adjuster for the American Cloak and Suit Association, that in 1937 he had gone to California for about 3 years and then returned to New York in 1940. He described himself as a legitimate businessman throughout and stated that presently he is in the clothing manufacturing business. He admitted to an arrest for gambling but denied any other illegitimate activities.

The following associations of Sherman were developed in the hearing: While working for the Cloak and Suit Association, he met and knew Louis "Lepke" Buchalter and Jacob "Gurrah" Shapiro because "you had to know them \* \* \* they would make you do that." Sherman denied having had any dealings with them, but admitted their power over the industry. While in California from 1937 to 1940, he became friendly with Benjamin "Bugsy" Siegel, and went to the track with him. He said that Frank Orsatti, of the Orsatti Bros. Theatrical Agency, introduced them. Sherman gave no satisfactory answer as to his purpose of his occupation in California, although he denied having left New York, as did many others, because of the "heat" put on by Gov. Thomas E. Dewey, then district attorney of New York. He also denied participation in the then incipient labor shake-down in the movie industry.

According to his testimony, Sherman returned to New York in 1940, as general manager of Phono-Vision Co., a New York subsidiary of a California company of the same name of which Frank Orsatti was president. Frank Orsatti brought Sherman into contact with Frank Costello, who was represented as being interested in investing in the enterprise; Sherman negotiated with Costello with a view to giving him the Louisiana distributorship for Phono-Vision's slot machine type of projector by which the customer may select and view a movie for 10 cents; Costello wanted the distributorship for "Dandy Phil" Kastel. Sherman claimed that no significance should be attached to the fact that Phil Kastel was also Costello's slot machine distributor for Louisiana. Sherman's idea was that slot machines and Phono-Vision projectors might well be used by the same customers, including bars, night clubs, and casinos.

Sherman said that he and Costello negotiated at some length with Costello coming "to the office, oh, once or twice a week for quite some time," although Sherman does not know whether Costello actually put up any money for stock. In this connection it is of note that Costello, when before the committee in New York last March, answering a question as to whether he and Sherman engaged in business together said, "Absolutely not."

In addition, Sherman admitted knowing Meyer Lansky, James "Niggy" Rutkin, Joe Adonis, and Joe Stacker, alias Doc Rosen alias Doc Harris, all

of whom are known gamblers and racketeers.

Turning next to Sherman's association with Ambassador O'Dwyer, Sherman said he met O'Dwyer in the winter of 1941-42 with James J. Moran in a Broadway restaurant, the introduction being made by a now deceased New York detective named Jack Gorman; the friendship quickly grew and they saw each other frequently in Washington; in fact, they stayed at the Mayflower Hotel simultaneously on 15 occasions during the war years. Sherman thought O'Dwyer "was a real nice man." Sherman attempted to explain his continual presence in Washington by saying that he was there to sell Phono-Vision's 300 completed projectors to the Army Signal Corps, and to obtain business for other corporations.

Sherman's testimony concerning the 1942 meeting at Frank Costello's apartment on the subject of Joe Baker's Air Corps contracts differed somewhat from that of O'Dwyer. The latter had testified in March that he thought he had asked Sherman to arrange the meeting because "I knew he knew Costello." Sherman, on the other hand, said Moran came to him and asked him to attend, and O'Dwyer was incorrect when he said that Sherman arranged it. Sherman said he did not learn what the meeting concerned until afterward because he was detained at the bar by Mrs. Costello and another man and gained the impression that he was not wanted in the "huddle" which included Costello and O'Dwyer.

Sherman denied that there was any standing arrangement under which he would be brought into New York City from La Guardia Airport by Abraham Goldman, deputy chief inspector, New York Police Department, but he said that Goldman had brought him and Frank V. Connolly, Chief, Special Rating Division, WPB, and friend of O'Dwyer, in from La Guardia several times. He said that Goldman was a close friend of O'Dwyer's.

Sherman was in Washington at the Mayflower at the same time as O'Dwyer at least once a week between February 14 and March 29, 1945. On the latter date, O'Dwyer announced his candidacy for the New York mayoralty. However, Sherman said he had nothing whatsoever to do with the decision. Sherman, nevertheless, asked a people in the garment industry "to do everything they can, to vote, for him, to help him," and collected and turned over to Moran or Moe Sherman (a deceased raincoat manufacturer) "between four, five, maybe six thousand dollars at different intervals." This money, Sherman guessed, was turned over to O'Dwyer.

As a result of the treatment of Sherman after the election, he and O'Dwyer are no longer friendly.

Sherman was closely questioned concerning his selective service

registration and classification of 4-A, essential occupation. In his selective service occupational questionnaire, filed July 17, 1942, on which his classification was granted, he listed himself as working exclusively for Federal Aircraft Products, Inc. But the pay roll records of Federal Aircraft indicate that Sherman was not carried until the week of October 29, 1942. Sherman continued on the pay roll until the week of October 8, 1943, approximately 3 weeks after he was deferred and never notified selective service of his change in occupation. His only explanation: was that the books must be wrong.

#### **(b). NORTHERN NEW JERSEY**

The committee renewed its investigation of Abner Zwillman because it felt that his previous testimony before the committee had not been complete.

The committee was greatly handicapped in its investigation of Zwillman by the fact that honest citizens who were glad to tell the committee's investigators in confidence what they knew about his great influence in important governmental circles were too terrified to testify in the open for fear of personal or political reprisal or financial ruin. The committee's staff knows that his influence extends to Newark and other political bailiwicks but time did not permit full development of these aspects of the investigation.

Like Frank Costello in New York, Zwillman exercises his influence in New Jersey in a manner that makes detection almost impossible. He makes it a practice never to attend any public function and he avoids wherever possible having his name appear openly in any financial transaction. Twice he sought to avoid testifying before the committee. In March, after a long search and extensive conferences with his counsel, he at last testified briefly before the committee at a time when its time was too limited for a thorough examination. Many questions asked of him at that time he refused to answer on the ground that his answers might tend to incriminate him.

When counsel for the committee advised his counsel in July that he was wanted again for questioning, he vanished entirely. His counsel claimed they did not know of his whereabouts, his home was empty with no one to receive telegrams or mail and a Nation-wide search by the United States marshals, the Coast Guard, and the committee's staff failed to reveal his whereabouts. The inference is inescapable that Zwillman, in spite of his wealth and political power, has a great deal to hide.

Zwillman's beginnings were as a vegetable cart peddler in the third ward

of Newark. His great opportunity came when he and his childhood friend, Joseph Stacher, found a chance to go into bootlegging. They eventually became partners in what became the largest beet-legging syndicate of the prohibition era.

*The fabulous bootlegger incarnate*

The committee was most fortunate in having testimony from Mr. Edwin A. Baldwin, a recently retired member of the Intelligence Unit, United States Treasury, who, with other revenue agents, conducted an intensive investigation of Zwillman and his associates covering the period between approximately 1926 and the beginning of World War II. Mr. Baldwin's testimony and that of Joseph H. Reinfeld given in the 1950 tax fraud ease of United States v. Rutkin (in which Rutkin was convicted and received a 4-year sentence and a \$10,000 fine) together paint an amazing picture of Zwillman the bootlegger. The picture had been known only dimly before the public hearings in Washington on August 16 and 17, 1951.

From a background of poverty and privation, he rose in a decade to become the holder of a 40 or 50 percent interest in the Reinfeld Syndicate, an organization which imported nearly 40 percent of all the illicit alcohol consumed in the United States during prohibition. The sums of money involved were staggering, as the following excerpt from the record attests:

"Q. Now, Mr. Baldwin, as a result of your investigation, can you give us an approximation in money of how much this syndicate collected from 1926 to 1933?

A. All I can tell you is what we found \* \* \*. We uncovered bank deposits of around \$25,000,000, then we found out that was only part of the syndicate's operations. We found that the cash they took in they never deposited. \* \* \*. Mr. Stacher at one time told me that they collected at least as much cash as they collected (checks). \* \* \*

Q. So that roughly the Reinfeld Syndicate collected approximately \$60,000,000 from their illegal liquor distributorships?

A. Based on my investigation, I would say yes."

In the early days Zwillman was big and tough. He was arrested several times for assault and battery, and once in 1930 he was convicted of atrocious assault and battery when he beat a numbers runner almost to death. He came out of the notorious third ward in Newark, where he helped organize the Third Ward Political Club which had its headquarters in or near a saloon run by one "Pop" Handler, whose son, Charles, is presently statutory representative for several of Zwillman's legitimate

companies as well as corporation counsel of the city of Newark. Among his associates were Joseph "Doc" Stacher, alias "Doc" Rosen, alias "Doc" Harris, a big-time gambler with a record; Jerry Catena, whose participation in gambling operations is well known; Willy Tiplitz recently convicted with Zwillman's cousin, Daniel, for running a fixed numbers game; Charles Haber, alias Charles Haberman, recently convicted and sentenced to 10 years on a narcotics charge; James "Niggy" Rutkin, known in prohibition days as Zwillman's "enforcer."

These men, or most of them, joined the group led by Joseph Reinfeld, known as the Reinfeld Syndicate. This syndicate, dealing largely with the Bronfman interests which owned the Bronfman Distillery of Canada, carried on what they described as the "high seas operation." The system under which they operated consisted of bringing liquor from Canada, France, England, Scotland, and Germany to the little St. Lawrence River island of St. Pierre et Miquelon and there transshipping it to "rum runway" 12 miles off Sandy Hook.

At that point the syndicate's customers took over and ran the liquor into the United States. Much of the money received could be sent in \$100,000 and \$500,000 lots, frequently in gold, to Cuba "so that in case this country got too hot for them, they would have something if they had to flee."

When the customs authorities investigated the settlement and obtained a payment of \$3,000,000 Zwillman immediately filed several delinquent income-tax returns. When Mr. Baldwin asked Zwillman why he had done this, Zwillman said, "I saw what happened to Al Capone, and I said to myself, 'Who am I? If they can put Al Capone in jail, these fellows, they can also put me in.' "

#### *Zwillman after repeal, legitimate businessman*

When Zwillman appeared before the public hearing of the committee in Washington on March 26, 1951, the following question and answer occurred:

Q. Did I understand from your testimony that since prohibition days you claim you have gone legitimate in your business?

A. From that period of 1935 or 1936 up, I have been trying, Mr. Senator \*  
\* \* I am trying -- trying hard.

This endeavor has been signally successful financially, more so even than the endeavor made by a great, good friend of Zwillman's, Frank Costello. A short summary of Zwillman's legitimate activities will demonstrate this.

After repeal, several members of the Reinfeld Syndicate, including Zwillman and Joseph H. Reinfeld, put the final liquidation dividend of \$250,000 into the new liquor-importing corporation of Browne-Vintners. To avoid public disclosure of the participants, all the stock of this corporation was held by a nominee. The original cost was \$1,000 a share. In 1940 Browne-Vintners was sold to Seagrams for \$7,500,000, the sale price per share being approximately \$3,000. Zwillman was alleged to have had a 50 percent stock interest in the company from its inception, but received only 16 percent of the proceeds of dissolution. His complaint on this score plus complaints concerning the allocation of the tax burden and the diversion of corporate business led to a settlement in late 1942 under which Reinfeld paid \$308,000 to Zwillman, \$50,000 to Stacher and \$250,000 to Rutkin. Rutkin failed to report this income in his income-tax returns with the result that he was prosecuted and convicted in 1950 for tax evasion. Reinfeld testified in that case that he had been questioned in late 1949 concerning Zwillman's failure to report the \$308,000 he received in this settlement but no action against Zwillman on this score has been taken.

While Zwillman's income-tax returns were being investigated the confidential agents' reports mysteriously disappeared from the files of the Bureau of Internal Revenue in Washington. Later direct quotations from these reports appeared in legal papers used by Rutkin. Browne-Vintners was not by any means Zwillman's only legitimate venture after prohibition. In 1935, the United States Yeast Co. was incorporated and Zwillman at its inception held 40 percent of the stock for which he paid \$10,000. The company operated at a loss despite the fact that Zwillman poured money into it. As of August 31, 1936, it owed him \$55,947.08 and it was sold in early 1947. There was also the Barr Kegtap System, Inc., incorporated in 1936 and which at the time of its liquidation in 1938 owed Zwillman \$24,252.41.

There are at least six other more successful ventures in which Zwillman has participated in a managerial capacity. There is Public Service Tobacco, distributor of cigarettes through vending machines, owned one-half by Zwillman's immediate family and one-half by the family of "Big Mike" Lascari, a close friend of "Lucky" Luciano, who took \$2,500 to Luciano in Italy in 1949. This company for the fiscal year ending November 30, 1949, had gross sales of \$1,421,881.38.

Another enterprise is Federal Automatic Co., Inc., which rents washing machines and which reported gross receipts for the year 1949 of \$114,872.34. Zwillman also owns 97 percent of the shares of E & S Trading Co., dealers in iron and steel for which he paid \$97,000. Finally there are his General Motors distributorship, parts and service agency, and used-car business. In the year 1948 alone, the city of Newark, for which



Zwillman's lawyer, Charles Handler, is corporation counsel, purchased \$379,983.36 worth of trucks from Zwillman's business, despite the fact that the other bids were lower and the same trucks could probably have been bought elsewhere by the city for \$16,000 less.

Zwillman has also invested money in enterprises in which he takes no part in the management, sometimes using a "front" to conceal his participation. The committee received testimony regarding several of these but it is certain that these are by no means all. In 1944-45, he invested approximately \$60,000 in two independent movie-producing companies; he put about \$400,000 into the purchase of the former United States post office site in Louisville, Ky., which was later sold at a profit, although he reported a loss in his income tax returns; and he bought \$41,000 worth of bonds in a New York hotel and \$21,000 worth of bonds of the Hudson & Manhattan Railroad.

Zwillman and his wife own 42,714 shares (slightly under 2 percent) of the stock of Barium Steel Corp. which is controlled by J.A. Sisto. Out of fairness, it should be said that, although Zwillman and Sisto have been close friends for a number, of years, the committee found no evidence that Zwillman exercises any influence over the company's affairs. This stock has a present value of about \$600,000.

The rough total of these known investments is \$1,100,000, a sum which is substantially greater than the legitimate investments admittedly owned by Zwillman's intimate, Frank Costello. Committee testimony indicates that Costello made a \$119,000 capital gain from his Wall Street property, has an interest in an infrared-ray broiler company, and a \$41,000 investment in oil wells.

One of the nominees commonly used by Zwillman is Arthur Garfield Hays of the New York bar. Another man who has acted as a nominee for Zwillman is Jules Endler, Newark restaurateur, who was very cooperative in his testimony before the committee. He asked Zwillman why he needed a "front" and Zwillman replied that his known presence "might injure" other participants. Mr. Endler went on to say that in none of the deals in which he had been associated with Zwillman, had there been a full disclosure of his participation even to the other investors.

### *Zwillman the politician*

Although Zwillman has been "trying hard" to be a legitimate businessman since the repeal of prohibition, business has not been the sole outlet for his funds and energies. He seems to have turned to politics on a rather impressive scale, always behind the scenes, of course. His reasons for

wanting to exercise political inference are quite obscure.

(i) State-wide.--In the 1949 New Jersey gubernatorial campaign, Zwillman, through an intermediary, offered Democratic candidate Elmer Wene \$300,000 in return for the right to approve the man appointed attorney general of the State of New Jersey. It is to Mr. Wene's great credit that he turned this offer down flatly, without even permitting the proposal to be fully explained to him. Mr. James A. Bishop who was Mr. Wene's adviser at the time and who testified on this subject before the committee, stated that he was approached by one George Kesselhant, assistant to the Democratic leader of Essex County, N. J., who came to him to say that he had a very important offer to make to Mr. Wene. The offer was that "Zwillman would go for \$300,000 to Senator Wene because Zwillman does not want the Wene administration to hurt him \* \* \* that is all he asks." When pressed for more specifications, Kesselhant told Mr. Bishop that Zwillman "would want a friend in the State attorney general's office." Mr. Bishop went on to say that he understood this to mean that Zwillman desired to name the State attorney general. Wene was not elected governor and his Republican opponent received a heavy vote in Hudson County, a county which has always been overwhelmingly Democratic. As will be seen from the discussion below, there is a strong chance that Zwillman had something to do with having that vote swing away from Wene.

On June 26, 1949, a testimonial dinner was tendered Harold Krieger, assistant corporation counsel of Jersey City and a close friend of Zwillman's. This dinner was held at the Essex House, Newark, and was attended by about 1,100 people, mainly labor leaders and politicians. Krieger as guest of honor received, among other gifts, a gold-plated typewriter and money toward a new car. The toastmaster was Harold G. Hoffman, former Governor of New Jersey, who appeared admittedly on the invitation of Zwillman.

Previously, in the 1946 Republican primary for the governorship, ex-Governor Hoffman had solicited Zwillman's help in the Newark-Essex County area, both by telephoning him personally and by sending an emissary, Joseph Bozzo. Although Bozzo insisted that Zwillman contributed no money, he did say that Zwillman was asked to give all the help he could. The telephone company and hotel records indicate that on March 26 and April 9, 1946, Zwillman called the hotel room in Trenton of State Senator Charles K. Barton, at the time majority leader of the New Jersey Senate. On the first call he asked for Bozzo and on the second, he asked for and apparently spoke to Senator Barton. Bozzo believes that these calls were in reference to Governor Hoffman's candidacy in the Republican primary.

These incidents contrast sharply with the following testimony given by

Zwillman when he testified last March:

Q. Will you tell the committee whether in the last 3 years you made any political contributions? \* \* \*

A. I have not made anything of substance anyhow. \* \* \*

Q. Did you ever contribute to a gubernatorial campaign in the State of New Jersey?

A. I am quite sure I did not.

(ii) The local level.--In May 1949, the Hague-Eggers administration of Jersey City terminated after approximately 30 years of uninterrupted rule. John V. Kenny and four other city commissioners were elected on the so-called Freedom Ticket. Of these five men, only three remain in power today. The other two have been stripped of their powers because they would not "work in harmony" with the new administration. One is Charles Witkowski, formerly director of public safety, in charge of the police department, who has been stripped of his powers and today is in charge of the city's lighting system, while the other is James M. Murray, formerly commissioner of parks and public property, who presently has under his control only a public bathhouse.

Commissioners Witkowski and Murray together with the former head of the city police racket squad, and one of the patrolmen on the racket squad described for this committee the present picture in Jersey City. Upon entering office in May 1949, the Kenny administration continued for about 6 weeks the racket squad it had inherited from the old Hague-Eggers regime. As this squad proved to be inefficient in the eyes of Commissioner Witkowski, he recommended a change of personnel to Mayor Kenny, who suggested replacements. The new squad, composed of men suggested by Mayor Kenny, made only one arrest in 7 months. Thereupon, Commissioner Witkowski replaced it with men of his own choosing under Detective Joseph Brooks. This squad went immediately to work and made approximately 180 arrests in a comparable 7-month period, with a 95-percent, conviction rate. In the 16-month period of the squad's operation, over 325 arrests for gambling, numbers, etc., were made, the highest per capita percentage in the United States. It was estimated by Mr. Brooks that the operation of his squad had, since January 1, 1951, "cost the book-makers in Jersey City in bail alone approximately \$800,000." At the same time, Commissioner Witkowski organized a water-front squad which made a vigorous effort to eradicate usury and gambling, and generally to maintain peace along the notorious Jersey City water front.

The efforts of these squads, and the success of those efforts, caused Mayor

Kenny to say to Commissioner Witkowski, "Between the gambling squad and the water-front squad, you are hurting our friends." Kenny attempted to get the same message across to Witkowski through Commissioner Murray.

Among these friends may have been Zwillman associates, even though Zwillman, at the public hearing last March, responding to a question concerning a \$50,000 contribution to Mayor Kenny's 1949 campaign, said:

Not 50,000 cents \* \* \* Mr. Senator, that is another fantasy, and whoever gave it to you ought to -- I never gave him 50 cents.

Mr. Bishop, when testifying about the \$300,000 contribution offered to Senator Wene in return for the right to select the State's attorney general in the 1949 gubernatorial campaign, stated that the intermediary who made the offer for Zwillman said, "You can tell the Senator that Zwillman will do more for Wene than he did for Johnny Kenny." Mayor Kenny, in his testimony, denied he had received help from Zwillman but Bishop seemed quite certain of the accuracy of his own recollections.

Testimony was taken both first from Harold Krieger, labor lawyer and assistant corporation counsel of Jersey City, and then from his former wife, Mrs. Muriel Krieger, resulting in many discrepancies and contradictions. However, Commissioner Murray, to a degree, confirmed part of Mrs. Krieger's statements, and Mrs. Krieger herself testified in a manner that gained the credence of the committee.

Krieger claimed not to remember very clearly about his dealings with Zwillman. He said he met Zwillman at a restaurant just before World War II and learned he was in the tobacco business. He said he might have talked to Zwillman occasionally about legislation affecting the tobacco business but he could not recall clearly. He was sure he had never discussed politics with Zwillman. He said he has seen Zwillman only occasionally but has never represented him legally or otherwise. He said that the acquaintance was casual and social, and that he had never sought Zwillman out, although he might have dropped in at Zwillman's house on occasions when he happened to be near there on other business. He said that in Florida, he had seen Zwillman once or twice on a casual basis just because Zwillman happened to be staying at the same hotel as some of Krieger's friends. Krieger was asked particularly about visiting Zwillman at his hotel in Florida in the winter of 1948 and 1949. Krieger was quite vague about the number of times they had met: "It may have been 10. It may have been two or three. It may have been 12 or 4."

Krieger admits that he occasionally talked to Zwillman on the telephone, but he could not recall why he should have placed two calls costing

approximately \$6 each to Zwillman in Waukesha, Wis., on January 20 and 22, 1951.

Mr. Krieger's testimony impressed the committee as being vague and general, perhaps even to the point of being evasive. His recollection regarding a number of events seemed to be dubiously dim.

Mrs. Krieger, on the other hand, was much more definite and positive in her testimony. Although she had refused to testify except under subpoena, when she actually reached the stand she testified freely, openly, and in a straightforward manner. As she was not in the hearing room at the time Mr. Krieger testified and did not hear his testimony, it cannot be claimed that she was deliberately contradicting her former husband.

Mrs. Krieger said that Zwillman and Krieger consulted each other often on labor and political matters; that during some periods Krieger would call Zwillman "quite frequently," and that "there were times when [Krieger] would see [Zwillman] once a week \* \* \* on Saturdays generally \* \* \* sometimes for 2 months at a time." She said these visits were always prearranged by telephone and that Krieger went to Zwillman's house for the specific purpose of seeing him. She said Krieger's statement that he dropped in at Zwillman's house only when in his neighborhood was not correct.

Regarding visits by Krieger to Zwillman in Florida in the winter of 1948 and 1949, Mrs. Krieger testified that "they used to confer almost every afternoon" by prearrangement. She had been present on several occasions when they conferred beside the pool at the Hotel Martinique, and at other times, Krieger would tell her that he was going over to talk to Zwillman and on his return he would report that he had done so. Mrs. Krieger also said that in Florida, Krieger would see Jerry Catena, Zwillman's former associate, the person from whom Zwillman and Lascari bought the Public Service Tobacco Co. Catena is a big-time gambling operator who was suspected by Mr. Baldwin, former Treasury intelligence agent, of being a front for Zwillman.

Mr. Krieger denied ever using the term "Big Fellow" when referring to Zwillman and "Little Fellow" when referring to Mayor Kenny. Mrs. Krieger, on the other hand, was quite definite in saying that Krieger used those terms almost exclusively in referring to Zwillman and Kenny and called Zwillman the "Big Fellow" even when talking to him. She added that these nicknames were used partly to conceal the identity of the individuals when talking on the telephone. Under persistent questioning, she also said Zwillman clearly dominated Krieger. She said, "Well, he would consult with him and ask his opinion, and if Zwillman said

anything, I believe it was done."

Krieger admitted doing for Mayor Kenny everything "an individual can do to elect a candidate" in the 1949 campaign in Jersey City but he denied having directed the campaign, swinging the labor vote, or discussing the campaign with Zwillman. Mrs. Krieger, on the other hand, stated that Krieger had discussed the campaign with Zwillman on several occasions, and she recalled a dinner with Kenny's son-in-law and his wife at which Krieger virtually promised to swing the labor vote to Kenny. This testimony was supported by that of Commissioner Murray, who testified that Kenny told him, in an effort to make Murray more agreeable to the use of Krieger's law office for press releases, photographs, etc., that "Mr. Krieger was most instrumental, in fact almost solely instrumental, in getting a labor parade, which was a very big parade there, during our campaign and that he did that job almost alone."

The committee believes that Krieger knows more about Zwillman's participation in politics than he is willing to admit.

#### *Associations*

Zwillman apparently has found it somewhat difficult to shake off his past associations with criminals. Indeed, he maintains contacts with so many of them that it would probably be closer to the truth to say that his effort to "go straight" in this respect is more half-hearted than difficult. A list of his associates since repeal and his conversion to legitimate activities reads like a "Who's Who" in big-time, interstate crime.

Frank Costello, whom he met in the prohibition era, and whom he admits knowing "very well," is still close enough to him to be in fairly regular telephone contact. He knew and called "Bugsy" Siegel, west coast mobster, before the latter's still unsolved murder in 1947. He admits knowing "fairly well" Meyer Lanky, E. J. Catena, a convicted murderer, Willie Moretti, Solly Moretti, Charles "Lucky" Luciano, Frank Erickson, "one, maybe two" of the Fischettis (Capone's legatees in Chicago), Joe "Doc" Stacher and Joe Adonis; The following testimony indicates what Zwillman thinks about these associations:

Q. Costello is a big racketeer, isn't he?

A. If I got to believe what they say about him in the papers, then people will believe what they say about me, so I am not believing it.

The original purpose of these associations is illustrated by the following excerpt from Zwillman's testimony:

Q. Did you have any business with Joe Adonis during prohibition?

A. Nothing of importance. The only reason, you sometimes can't tell. If you sold an office and you didn't know who the partner was in the office, so he might have been a partner.

It is to be remembered that the above-named racketeers, gangsters; and gamblers continue as associates of Zwillman as of the last few years. In addition, he maintains close present contacts with Jerry Catena. Catena is a hoodlum whose convictions include one for bribing a juror when Nicky Delmore was tried for the murder of a prohibition agent. In the year 1946 Catena and Joe Adonis as partners received \$120,000 from one gambling establishment alone. Catena is vice president and majority stockholder of People's Express Co., an organization which attempted to rent for \$96,000 per year the \$8,300,000 Newark Union Truck Terminal, the carrying charges of which are close to \$500,000 per year. The local teamsters' union had virtually closed the terminal down by one of its loading rules but Catena's representative was able to assure the Port of New York Authority which built and owns the terminal that People's Express would have no labor trouble.

Zwillman's partner in Public Service Tobacco Co. is Michael "Big Mike" Lascari who was brought up in the same household as "Lucky" Luciano. So close is Lascari to Luciano that he visited Luciano in 1949 in Italy for a week and admits that he took Luciano at least \$2,500. Lascari also gave "Lucky's" brother a Manhattan juke-box distributorship after "Lucky's" deportation because, as he put it, "our relationship, so far as the Luciano family was concerned, was very close. He was not doing anything; as a matter of providing a means of making a living I gave it to him."

When asked how he reconciled these unsavory associations with his endeavor to become and remain legitimate, Zwillman said:

Truthfully, I am traveling by myself. I am not looking to run away from anybody if they are not breaking the law. If they are breaking the law, they could go their own way, it is none of my business. I am trying to--I spend my time in the office all day and home all night.

This is the language of the man who craftily evaded the committee Nationwide hunt in July and August 1951, when it was seeking his presence again or a public hearing in Washington.

**(c) FLORIDA**

### *The return visit*

The committee returned to the Miami area in June to view developments since its last investigation. Information as to events occurring since that last visit was furnished by the testimony of Dan P. Sullivan, operating director of the Crime Commission of Greater Miami. Mr. Sullivan expressed concern that little had been done regarding an investigation of contributors to the 1948 gubernatorial campaign with its interstate racket implications, nor had the Florida State Racing Commission effectively removed the cloud over the dog racing in the state because of disclosures of the holdings and activities of Capone associates.

With regard to the 1948 campaign, three of the major contributors were Louis E. Wolfson, C. V. Griffin, and William H. Johnston, principal operator of four Florida dog tracks and an Illinois race track and an old-time associate of Al Capone's legates. The total contribution of these three alone was in excess of \$400,000. Yet the incumbent, Gov. Fuller Warren, submitted an affidavit purporting to reflect the total of contributions to his campaign as required by Florida law that accounted for \$8,825, and he omitted from his schedule of contributors the foregoing named persons. Further, there seemed to have been no State interest manifested in the apparent violation of section 550.07 of the Florida statutes concerning campaign contributions by an officer or stockholder of a racing licensee corporation. At previous hearings Johnston had sworn to substantial campaign contributions to Governor Warren's gubernatorial campaign. Notwithstanding, Johnston and his tracks seem to enjoy immunity from State level inquiry.

### *Racket attempt to control public opinion through the press and radio*

Information was obtained in this return visit to Miami concerning the infiltration of out-of-State racketeers into the Miami newspaper area in order to protect and insure the tremendous illicit profit to be made from gambling in that area. Testimony was received concerning the sponsorship and purpose of a newspaper founded in 1949 and known as the Daily Mail. An ex-convict named Harry I. Voiler testified that he had started the newspaper but denied that any money had been invested by Martin Accardo, formerly of the Capone gang. However, Mrs. Oretto Y. Carroll, who had been married to Accardo, testified and produced documentary proof that Accardo had invested \$125,000 in this journal. Mrs. Carroll also said that Voiler had attempted to enlist her aid in persuading Tony "The Enforcer" Accardo (Martin's brother), sometimes described as the "new Capone," to "solicit" advertisements from night-club owners and movie operators. She stated that the purposes of this paper were (1) to provide prompt dissemination of racing results and (2) to create a favorable atmosphere toward out-of-State racketeer elements to be found in Miami.



In support of this latter purpose an editorial from the Daily Mail welcoming the notorious Frank Costello to Miami was received in the record.

The revelation that Lee Mason, alias Chicago Phil Friedlander, a man with a lengthy criminal record of many types of offenses, had been recently serving Miami area radio stations as a disc jockey and commentator with obvious potentialities as a molder of public opinion from a point of view most advantageous to the racket interests, was topped only by Mason's modest admission that "I am considered more or less of an authority on law-enforcement matters" and "for 5 years I did a program known as Criminal Court Notes." The committee did not doubt that Mason could speak with the authority of one who had viewed law enforcement from many angles, but could scarcely approve the use of the air waves to the unsuspecting public as a medium for the expression of his beliefs.

The committee experienced considerable difficulty in obtaining testimony from the former sheriff of Dade County (which embraces the Greater Miami area), James A. Sullivan. This man, who had been removed and shortly thereafter reinstated by Governor Warren, resigned almost immediately after the committee subpoenaed him on its return visit to Florida. Sullivan presented the dismal picture of a former standard bearer of public trust asserting his constitutional privilege against self-incrimination and refusing to answer questions concerning property acquisition and campaign contributions.

Mrs. Ethel Sullivan, wife of the ex-sheriff, who had personally participated in collecting money for her husband's 1944 and 1948 campaigns, said that the money just flowed and much of it was diverted by her into funds which she used to pay off a mortgage on the home of her parents in Perryman, Md., and to build a home for her sister in Aberdeen, Md. At least \$30,000 was misapplied in this way and apparently unreported as income, as both Sullivans have since been indicted for income tax violations. Mrs. Sullivan was not above affixing her husband's name to property conveyances and talking an unsuspecting notary public into the acknowledgment. To believe that ex-Sheriff Sullivan was not aware of these doings is incredible.

Just outside of Miami, there is a town of Hollywood, Fla., with a population of about 18,000 people. Hollywood has been known as a wide-open town. The former city tax assessor, Lee A. Wentworth, told a lurid tale of vast gambling operations which opened after the 1948 election. Wentworth and several citizens formed a committee with the express purpose of combatting the vast gambling operations in Florida. They had no success whatever in obtaining aid from the local authorities, so they informed Governor Warren by telegram and telephone of the situation.

They received no reply to either message. Their efforts evidently harassed the gambling interests somewhat, as Wentworth stated that on two different occasions he had been offered \$25,000 to stop his campaign against gambling in Hollywood.

Three witnesses testified that the mayor of Hollywood, Lester C. Boggs, was actively aiding gambling interest in the city. The testimony revealed that Boggs was on friendly terms with Jake Lansky, Meyer Lansky, and other big-time gamblers in Hollywood.

When Boggs took the witness stand, he emphatically denied most of the above testimony, claiming that these witnesses were political soreheads and disgruntled defeated candidates. Boggs denied receiving any money from gamblers for protection and glossed over the "exaggerated" claims that Hollywood was a wide-open town. Boggs admitted, however, knowing the gamblers named heretofore but really didn't know what business they were in -- especially if it was gambling.

The committee reviewed the powerful position of affluence and influence in Florida State affairs wielded by Johnston, who in some investments and operations has fronted for Johnny Patton, former "Boy Mayor of Burnham, Ill." and currently described as probably the most important surviving member of the Capone hierarchy. Attorney Albert D. Hubbard of Miami hesitatingly explained the reason for a trip made by Raymond Craig, a top Miami gambling figure, and himself to Chicago in April of 1949. Hubbard had been retained by Craig to prepare and attempt to push through the Florida Legislature a bill designed to legalize the handling of off-track bets by bookies. When shown copies of hotel bills reflecting a visit to the Blackstone Hotel in Chicago on April 21, 1949, where Johnston maintained an apartment, Hubbard conceded that he and Craig had gone to Chicago to see Johnston about the proposed legislation. When asked why Johnston, who had no official standing, had been sought out, Hubbard acknowledged, "I knew that Mr. Johnston was a long time friend of Governor Warren's. I knew that he was in the racing business and I knew that he would be the logical man to whom Governor Warren would turn for advice concerning racing legislation."

Throughout the Florida testimony the name of Governor Warren cropped up frequently in questionable connections. The committee felt that it was only fair on its part to offer the Governor an opportunity to answer the allegations and charges made against him. Opportunity to appear voluntarily before the committee was extended to the Governor on three separate occasions prior to the June 1951 hearings in Florida. These three invitations were rejected. As the investigation and then the hearings proceeded, it became increasingly apparent to the committee that the taking of testimony from Governor Warren would be desirable. Finally; in

light of the Governor's refusals to appear voluntarily, the committee issued a subpoena requiring his appearance before the committee in Washington, D. C., on July 9, 1951. Governor Warren refused to respond to the subpoena, resting his refusal on the ground of State sovereignty.

The committee again offered to obtain testimony from the Governor and notified him that it would receive his sworn testimony in Tallahassee. Governor Warren replied that he would be happy to have a "conference" in Tallahassee with the committee, but left no doubt that he would refuse to take oath in testifying as had been required by rules of the committee of every other witness who had appeared before it. In other words, the Governor took the unusual position that while he would talk to the Senate committee, he would not swear that his statements were the truth. Such unsworn statements could not be the basis of perjury charges if they were found untrue. Faced with the persistent refusal of the Governor to appear and testify under the usual form of oath the committee terminated its efforts to obtain his testimony.

The conclusion reached by the committee after its return visit in the summer of 1951 is that despite the most commendable efforts of certain groups and organizations in Florida, such as the Crime Commissions of Greater Miami and Tampa, illegitimate activities, such as gambling continue to exist on an extensive scale. This gambling is controlled by interstate syndicates and unsavory associates of some men in high office.

#### **(d) MARYLAND**

Since the population of Baltimore city represents approximately half of that of the entire State of Maryland, the committee's inquiries were directed at first to Baltimore where the Nation-wide wire service was found to have an important subsidiary. Anne Arundel County, immediately adjacent to Baltimore city, came in for scrutiny, and a \$6,000,000 gambling operation in Prince Georges and Calvert Counties was uncovered.

This operation disclosed a welter of law enforcement complications and jurisdictional problems because of its interstate character. The District of Columbia and Virginia were encompassed by the venture, and although the pick-up men and runners traveled daily across State lines, law enforcement authorities had not uncovered the operations which had carried on over a considerable period and involved sizable amounts.

*Baltimore City.--*

Maryland is a racing State. The Baltimore gambling pattern seemed to

have sprung from the bookies' penchant to exploit off-track betting in the territory contiguous to race tracks. The bookie wire service, scratch sheet business, and their running mate, the lucrative numbers business, thrived. That the situation could not have existed without police knowledge and permission goes without saying.

There is substantial evidence that more than a decade ago, after the end of the prohibition era, national racketeers began to muscle in on Baltimore gambling. A bombing episode in the thirties involving Julius "Blinky" Fink, associate of Nig Rosen's Philadelphia mob, and numbers operator "Willie" Adams, marked the beginning of the effort of out-of-State hoodlums to declare themselves "in" on Baltimore's lucrative numbers business and other gambling. Investigation. developed the fact that the head of one of Baltimore's several large numbers syndicates was directly approached by an out-of-town mobster who stated that his outfit was taking over 75 percent of the Baltimore operation. This muscle man pointed out that even after such a cut there would still be more profit because of enlarged operations. Evidently this "muscle" succeeded, as the local operator withdrew to less dangerous endeavors.

Much of Baltimore's gambling has been funneled through night club and tavern operations. The club or bar operation is run in the name of a front in whose name the license is held. In one case the front, Myer Rosen, frankly admitted under oath that he had no financial interest whatever and was merely the bartender for gambler and narcotic violator Louis Oppelman at Phil's Bar. In another instance the front man, Samuel Aaronson, admitted that he had borrowed the entire sum to start the business from Ike Saperstein, a racketeer with a criminal record who was using the Blue Mirror in conjunction with his gambling operations.

The size of such operations by gamblers requires, for their own protection, the laying off of parts of their bets with gamblers in other States. They have done business by telephone with well-known betting commissioners in various cities, such as Edward Dobkin of Cincinnati, and Louis Dove of Washington, D.C. Settlement was sometimes made by check and, of course, the amount of these checks gives no real idea of the full extent of the gambling operation. One Baltimore night club front operation showed nearly \$200,000 in 1 year moving through its accounts to gamblers in other States.

Baltimore has not been without its other gambling activities -- crap games (with loaded dice), numbers racket, etc. Willie Adams, one of Baltimore's principal numbers syndicate operators, admitted his "take" was \$1,000 a week.

George Goldberg, long a figure in the sporting fraternity of Baltimore,

came before the committee with an imposing array of lawyers. He refused to answer all questions except as to his name. At the public hearing he failed to answer the subpoena of the committee.

#### *Narcotics.--*

The narcotics situation in Baltimore has presented a serious problem. The increased use of drugs by teen-agers has been particularly alarming. The pattern, generally speaking, followed that of a youth being induced by a friend to try a "reefer" of marijuana. Later he was induced to try something stronger. After sniffing heroin a few times, he learned about "mainlining" or injecting the drug directly into his veins. In short order, he became a slave to drugs. The cost of satisfying his habit almost inevitably led to crime. It also led to the enslavement of others because the young addict soon found that selling the drug was one means of supporting his own habit.

An extremely interesting revelation occurred when a committee staff member testified that, following a tip that a major portion of the marijuana supply for the Baltimore-Washington area was growing wild in western Maryland and West Virginia, he explored the countryside along the Potomac near Kitzmiller, Md., and found marijuana growing in large quantities as a weed on the land of several unsuspecting farmers. The ease with which the weed can be grown presents a serious problem in the path of the Bureau of Narcotics in its efforts to wipe out the use of this stepping stone to misery.

As to the vice and prostitution situation, undercover investigators of the American Social Hygiene Association made a survey in late June of 1951 in Baltimore. They found the city not infested with open or flagrant houses of prostitution. Numerous bellboys, cab drivers, and others were contacted but refused to act as go-betweens. However, they found that in 21 bars and night clubs in Baltimore's notorious "Block," prostitutes were encountered plying their trade somewhat cautiously. The report then described in detail the methods of operation in each of the 21 places in the "Block."

#### *The wire service*

Howard Sports Daily, the racing wire service satellite in Baltimore, for years has occupied a key position in the scheme to furnish book-makers with the vital instantaneous racing news, odds, conditions, results, and prices which are the sine qua non of their multi-million-dollar empire. Testimony of Harry Bilson, boss of Howard Sports, and Leonard Matusky, of the World Wide News & Music Co., an associated organization, served further to debunk and explode the feeble claims that the vast wire service network is not in fact controlled and guided by Continental Press and its

Capone gang counterparts in Chicago.

From Bilson the committee learned that his company, which has been described as a dummy, performs the function of gathering the racing news from the tracks in Maryland, New Jersey, and Florida which is sold to Continental. In turn, Howard Sports buys the news from Continental and sells it to east coast subscribers invariably found to be engaged in the bookmaking business. While it is true that some of the news is sent to newspapers, this excuse for existence was found to be but a sham when it was learned that the papers receive the news free or pay a comparative pittance. In previous hearings the committee had learned how Howard Sports employees acted as wigwag men in the vicinity of the race tracks to purloin the race results by telescope and binoculars, then relay it by telephone or telegraph to Baltimore whence it was introduced into the Nation-wide circuit. These wigwag men, hired by Continental Press, were thereafter shunted about like pawns on a chess board on the payroll of Continental's subsidiaries, such as Illinois Press and Howard Sports. When information was sought as to the nature of expenditures aggregating some \$50,000 per year for "rent" ostensibly paid by Bilson's track crew, Bilson was vague and referred the committee to his track-crew boss Roscoe Odle, who could not be found either by the committee or Bilson. The question of whether or not this substantial sum of money which Howard Sports carries on its books as an operating expense and consequently a deductible item in its income tax is actually spent for legitimate purposes remains unanswered. Similar tax deductions which reduce the amount paid to the Government were claimed for such items as auto expense for Bilson who admitted that his health would not permit him to drive a car.

Bilson recited a tale incredulous in the extreme when he told the committee that the news at the tracks is now being gathered by a mysterious individual whom he has never seen and could not help the committee to locate, despite the fact that over the past several months he has paid this man over \$800 a week. Following the passage of a law in Florida calling for a 20-minute delay in the transmission of racing results this ghost figure telephoned to Bilson and offered to furnish him with the news. Bilson claimed that he contracted with the man over the telephone and supplied his track crew to work with the man whose name was variously furnished to the committee as R. Gorman, Al Gorman, George Gorman, and George Baker, doing business as the Tropical News.

The news was supplied with Howard Sports paying for the crew and the telephone calls from "the voice." Checks were mailed to him at General Delivery, Hialeah, Fla., and promptly cashed, but never deposited. Thereafter, "the voice" moved his activities to the Maryland and New Jersey tracks. Although when at Pimlico race track in Baltimore, he was practically at Bilson's elbow, the latter still claimed he had no idea of his

true identity. An interesting side-light was the fact that when "the voice" reached New Jersey he found it possible to cash his checks at the office of another wire service distributor in Camden, N. J., called Malbro Communications Engineers. Malbro officials cashed checks for "the voice," but also disclaimed knowing his identity. When the committee pressed for leads to "the voice," Bilson professed an inability to find his own track crew who were in daily telephone touch with him.

Obviously in an effort to thwart law enforcement, the wire service distributors in Baltimore, as elsewhere, have resorted to a unique method of dealing with their bookmaker customers. Bilson and Matusky told the committee that they were servicing customers who paid them in the neighborhood of \$50 per week for the privilege of calling in on the telephone to get the racing news. The identities of these people were unknown to them and no names were used, but each customer was assigned a code number. Payment for the service was received from these "numbers" when some nameless individual would pay cash at the companies' offices weekly. The committee noted that the wire service account books reflected discontinuance of these coded accounts simultaneously with raids by Baltimore police on bookmaking establishments.

The interlocking nature of the wire service outlets came out in the testimony of Matusky of World Wide News and Music. It was found that the owner of all of the stock of World Wide was Sanford Niles of Chicago whom Matusky described as a "roadman" for Continental Press. Matusky was to receive \$400 per week for 20 years under the arrangement. The company was set up by John D. McInerney of Chicago who is also an officer of Howard Sports Daily. At one time a 50-percent stockholder was Roscoe Odle who was boss of the track crew of Howard Sports. He was drawing \$200 per week from World Wide for duties which Matusky was unable to outline although they seemed to be his same wigwag work performed for Howard Sports at the tracks. The three "companies" worked together without written contracts, paying hundreds of dollars per week for the news, with the price fluctuating apparently according to the whims of Continental's bosses. No dividends were ever paid on stockholdings of Howard or World Wide, the practice being for Continental to drain off any surplus at year's end as payment for the news.

Although the master plan evidently called for an avoidance of direct relationship or privity of contract between Continental and World Wide and an insulated set-up whereby Continental sold to Howard Sports and Howard Sports to World Wide, Matusky of World Wide testified that he received calls from representatives of Continental who reviewed his business and upped the price he had to pay Howard for the news. Further, and most indicative of all, was the fact that when World Wide was

suffering financial distress in 1951, Matusky admittedly bypassed the chain of command and directly called Tom Kelly, general manager of Continental and acknowledged wire service kingpin and sought his assistance.

Kelly, although having no interest on the surface in the welfare of World Wide, went into action and caused Sanford Niles to pour more money from undisclosed sources into World Wide. The facade of separate corporate entities was completely torn from Continental's house of cards when Senator Kefauver asked Matusky this question: "The truth about the matter, Mr. Matusky, is that while you have these different companies, some of Kelly's employees own the stock in several corporations and all of you look to Continental and to Mr. Kelly as being the daddy of the whole thing, don't you?" Matusky slowly answered, "Well -- I did."

### *Anne Arundel*

Law enforcement in Anne Arundel County where several wire service customers remained undisturbed for years seems to have left something to be desired. It was developed that the county chief of police, since retired, "investigated" allegations that a gambling casino was being operated on St. Helena's Island in the Severn River by viewing the place from the mainland and that police officers checking into a report of a late shooting involving known gambling figures reported it was a "backfire" although applicable hospital records reflected the admission and treatment of the victim for a gunshot wound.

### *A gentleman farmer*

For nearly a decade Charles E. Nelson seemingly enjoyed the pleasures and travels generally associated with the life of a prosperous gentleman farmer. Owner of a beautiful and completely equipped stock farm, even to air conditioning, in Prince Georges County adjacent to Washington, D. C., Nelson, as owner of a string of race horses, became a well-known figure at auction sales of expensive thoroughbreds. He rose to prominence as the buyer of blooded stock who could bid and buy for cash without hesitation over the price.

In his appearance before the committee at its closing hearings Nelson attempted to masquerade as the country bumpkin even to the point of feigning deafness until committee members, not satisfied with his pretended naiveté about the source of his income, finally elicited his answer that "he thought" that his income was from gambling. Pursuing this opening the committee investigated further and proved that it was indeed gambling, estimated to gross at least \$6,000,000 per year from the numbers business in Washington, D. C., and the nearby counties in



Maryland and Virginia.

Nelson conceded that he was the principal owner of "Uncle Billy's" a collection of concessions at North Beach, Md. The foremost attraction there unquestionably was the imposing array of "one-arm bandits" whose profit-malting possibilities have been well established. Claiming inability to discuss his business affairs without access to what he termed his "little red book," at the committee's suggestion Nelson was accompanied to his elaborate farm by a staff member where the "little red book" proved to be a file cabinet of ledgers and records.

Examination reflected receipts for bondsmen's fees, lawyer fees, fines of associated individuals for gambling arrests, receipts for vast purchases of numbers books, adding machines, coin wrappers, and other accoutrements peculiar to the numbers business. From the records Nelson was found to have realized a net of more than \$250,000 over a 4-year period from the business he "thought" might have been gambling. He had acquired in recent years properties estimated to be worth over \$1,000,000.

Notwithstanding the fact that Nelson's books reflected a net income from his gambling accounts of more than \$50,000 during 1950, not 1 cent of tax did he pay to the Government. How did he explain this? As a gentleman farmer his losses from the operation of the farm, which included such questionable deductions as mileage charges for as many as seven automobiles, exceeded his admitted gains and thus his method of computation left the Government without any tax payment.

But the figure which was charged off as an operating expense that interested the committee the most was the \$10,000 which he annually entered as "good will-advertising." Why did he seek good will? It was shown that one of his practices was to distribute turkeys at Christmastime to various individuals, some of whom were members of the police department charged with investigating numbers operators.

Sheriff Carlton G. Beall of Prince Georges County told how he had been approached by Nelson recently with an offer of graft of \$15,000 per month to be paid by Nelson and Sam Beard, a notorious Washington area gambler, to the sheriff, chief of police, and State's attorney for the privilege of running their gambling enterprises unmolested. According to the sheriff, Nelson had even embellished his proposal with an offer to help the sheriff find and make cases against Nelson's competitors and thus obtain the necessary publicity and statistics to convince the voters that the laws were being enforced.

These proclivities on Nelson's part to ingratiate himself with police officials caused the committee to question several county policemen after

a witness told of complaining of Nelson's operations and assisting the police to obtain the evidence only to find that a planned raid executed simultaneously with the committee hearings apparently was aborted by an alleged tip-off.

Since the hearings, State, county, and Federal law enforcement and prosecutive officials have manifested interest in Nelson's activities.

### *The pattern*

Judge Joseph Sherbow of the Supreme Bench of Baltimore City, a fearless jurist, summarized the Maryland picture when he said:--

Lottery operations have slowed down. Bookmaking has taken a definite turn. It has slowed down somewhat.

He then went on to point out that bookmakers were very resourceful and had changed their method of operation.

To some extent - Judge Sherbow said- they moved out of Baltimore City and into adjacent counties and now the operation is a little different.

He pointed out that they had not gone out of business but were following the pattern this committee has found in other parts of the country where they have withdrawn into an "insulated" operation, where they move into an apartment or some similar place and take bets over the telephone without the bettor ever making physical contact with the bookmaker.

It was further stated by Judge Sherbow that- if any gambling or other illegal venture is in existence for any length of time and is not discovered by the police, then one of the following several things is true: (1) The policeman on the beat is blind; (2) or he is incompetent; or (3) he is corrupt.

Judge Sherbow went on to say that from his intimate contact with the Baltimore Police Department, he has found that the vast majority are competent, upstanding, decent policemen. It was obvious, however, from his testimony that he did not want to imply that there were not some lax policemen -- for the committee's findings indicate that there has not been 100 percent faithful performance of duty. There was, on the other hand, definite evidence that the Baltimore Police Department was under the direction of an absolutely honest and forthright police commissioner who would vigorously clamp down on any departure from accepted principles. This was evidenced by his prompt dismissal of a ranking officer proven to have "borrowed" a substantial sum from Willis M. "Buzz" King, widely-

known gambler who had been called before the committee.

Immediate reaction to the committee's activities in the Maryland area has been noteworthy. State's attorneys in several instances have initiated grand jury action, and have already brought to trial some of the principals in a large "come-back money" conspiracy found in existence at the Bowie race track. The committee from the inception of its investigation in the Baltimore area was assisted materially by prosecuting and court officers. The State's attorney, Anselm Sodaro, manifested a keen interest in every particular and not only was his cooperation most valuable but his prompt action on the local level was in keeping with his policy of effective law enforcement. Mr. Sodaro, a well-qualified prosecutor, is vigorously probing the situation in the city in the wake of committee disclosures. The State's attorney in Prince Georges County is committed to further exploring the \$6,000,000 interstate numbers business of Charles Nelson and its attendant implications of police and public official connections. The Maryland General Assembly has authorized a legislative committee to explore the possibilities of organized crime within the State. This Senate committee expresses its approval and commendation of these positive steps for remedial action at the State and local level which have resulted directly from revelations and investigation of the Senate group.

#### **(e) STRAGGLER WITNESSES**

During the past 4 months the committee at various times has conducted hearings to secure the testimony of several witnesses for whom arrest warrants had been issued by the Senate. In February after unsuccessful attempts had been made to serve subpoenas, warrants were voted for 17 persons. Those named in the warrants were Rocco Fischetti; Charles Fischetti; Murray L. "The Camel" Humphreys; Jacob "Greasy Thumb" Guzik; William G. O'Brien; John Angersola, alias King; Moe Dalitz, alias Davis; Samuel T. Haas; Morris Kleinman; Louis Rothkopf, alias Rhody; Samuel "Gameboy" Miller; Morris "Mushy" Wexler; Samuel Tucker; George Angersola, alias Xing; John Croft; James Brink; and Louis Levinson.

The warrants were placed in the hands of Mr. Joseph Duke, the Sergeant at Arms of the Senate. The committee greatly appreciates the vigilant efforts of Mr. Duke and of the various agencies of Government which brought about the eventual apprehension of all the persons named.

Dalitz and Tucker made arrangements to present their testimony before the committee at the hearing in Los Angeles on February 28. Guzik, O'Brien, Kleinman, Rothkopf, Croft, and Brink testified before the committee in Washington prior to the filing of the committee's Third Interim Report on

May 1. Charles Fischetti and Louis Levinson both succumbed to heart attacks after their apprehension and before the committee had an opportunity to interrogate them.

The questioning of Rocco Fischetti and Murray "The Camel" Humphreys, both of whom have been connected with the Capone syndicate in Chicago, took place at an executive session of the committee on May 28. Fischetti at the outset read a prepared statement in which he advised the committee that he would refuse to answer any questions on the ground of possible self-incrimination. Fischetti refused to tell the committee who prepared the statement, and he also refused to say if he was married or if he had any children or what means of transportation he used to come to the hearing. He has been cited for contempt and his case is presently in the hands of the United States attorney for the District of Columbia.

Humphreys, a member of the old Capone mob, was also a recalcitrant witness and, like Fischetti, he insisted on reading into the record a statement claiming his privilege against self-incrimination in terms almost identical with the statement used by Fischetti. Like Fischetti, he also refused to say who prepared it. He admitted that he had used the alias of J. Harris during the past but refused to say why. He also admitted having served 18 months for tax evasion. Humphreys also refused to say that he knew Ralph O'Hara, Jake Guzik, Al Capone, "Machine Gun" Jack McGurn, Frank "The Enforcer" Nitti, or the late James Ragen, who was slain in warfare arising out of efforts by the Capone syndicate to muscle into the wire service. Humphreys also refused to say whether or not he knew Hymie Levin, Phil Katz, Roy Jones, Willie Nemoth, Frank Costello, Joe Adonis, or Jack Dragna. He would not tell the committee whether he had ever been to California, Florida, or New York and declined to say whether he knew Ralph Pierce, Rocco Fischetti, Paul "The Waiter" Ricca, or Louis "Little New York" Campagna. Committee counsel asked Humphreys, "Do you know who killed James Ragen?" He replied, "I am going to have to claim my privilege on that also, sir." He was asked, "Do you know who killed William Drury?" Again he replied, "I am going to have to claim my privilege on that also, sir."

Despite his earlier refusal to say whether he knew Rocco Fischetti, Humphreys finally was forced to admit in the concluding stages of his testimony that he and Fischetti had flown to Washington in the same plane and had eaten breakfast together in a Washington hotel just before the hearing. Humphreys has also been cited for contempt. At an executive session of the hearing held on June 19, the committee heard the testimony of Samuel T. Hans, a Cleveland lawyer; Morris "Mushy" Wexler, of Cleveland Heights, operator of the Empire News Service, a distributor for Continental Press Service; and Samuel "Gameboy" Miller, a partner of Wexler in the Empire News and identified with gambling establishments

in Ohio, Kentucky, and Florida.

At the outset of his testimony, Haas admitted that he had been indicted for arson in 1919, that he had been convicted in police court and sentenced to 1 to 20 years, but the conviction was reversed by the Supreme Court, and the case remanded for new trial. Indictment was subsequently nol-prossed, and disbarment proceedings arising out of the indictment were also dismissed. He also acknowledged that in 1932 he filed a petition of bankruptcy in which he said that his assets consisted only of \$100 and his lawbooks. He testified that he knew "Big Al" Polizzi, Thomas J. McGinty, and Arthur "Mickey" McBride and that he was attorney for Wexler in the Empire News Service. He said that he had known Kleinman since 1925, and that he had known Rothkopf for about 15 years and Dalitz for about 18 or 19 years.

Haas was questioned extensively about his connection with the financial maneuvers which brought about the merger of the Reliance Steel Corp. and the Detroit Steel Corp. leading to the vesting of control of the merged companies in Dalitz, Tucker, Rothkopf, and Kleinman. Haas testified that some time after 1940, Dalitz brought to his office M. J. Zivian who outlined to him a plan whereby the stock of Reliance Steel Corp. was to be acquired as a preliminary to the merger with Detroit Steel. As \$200,000 was needed, a transaction was worked out whereby \$100,000 of Detroit Steel stock was to be purchased and deposited along with Zivian's Reliance Steel stock as collateral for a \$200,000 loan. Haas put up one-third and Dalitz supplied two-thirds of the \$100,000. Haas said that his one-third share of the financing represented his own funds and that he received 333 shares of Detroit Steel which he retained until 1950, when he sold them. He admitted that it was a very profitable investment and that he subsequently learned that the two-thirds share put up by Dalitz was on behalf of Dalitz, Tucker, Kleinman, and Rothkopf.

Haas explained his relationship with Wexler by saying that back in 1924 he represented William Swartz, Wexler's predecessor as owner of the wire service, in a proceeding brought to restrain a police officer stationed in front of the wire-service establishment from interfering with its activity. He insisted that this was the only time he represented Swartz, who subsequently was indicted for murder and who was also the owner of the Chesapeake Operating Co. which ran a club located on the border between Ohio and West Virginia. When reminded that he had made telephone calls to Swartz in 1950, Haas insisted that the calls were on behalf of James "Shimmy" Patton, another client of his. Haas admitted that his brother, Morgan C. Haas, had been an employee of the Buckeye Catering Co., a concern engaged in the operation of slot machines. He had obtained the job for his brother through Nate Weisenberg, known as the slots king of Ohio, who was found murdered in a ditch in 1945. Haas said that he knew

that Al Polizzi was a partner in this concern but professed not to know Jerry Milano, the present owner.

Haas acknowledged also that he at one time had an interest in the Modern Music Co. of Colorado Springs, Colo., that went bankrupt but he claimed to be surprised to learn that 35 percent of the final inventory consisted of slot machines. He admitted that he had received a \$5,000 bequest from Fred Koehler, former Cleveland chief of police, county commissioner, mayor, and sheriff, in whose safety-deposit box \$500,000 worth of securities was found after his death. Haas referred to Koehler as "a very dear friend of mine" but declared that he had no idea of how Koehler accumulated this wealth because Koehler was "very incommunicative."

Haas was examined as to his extensive real estate holdings in Cleveland but insisted that it was just coincidence that the holders of adjoining properties in some instances were Kleinman and Rothkopf. He admitted that in 1944 he had a 37 percent interest in the Burroughs Book Store which he purchased for \$450,000. He acknowledged that he had received \$75,000 for the sale of land on which the Palm Beach Ambassador Hotel in Florida was built in 1946. His former law partner was Harry Cohen, who is now practicing law in Florida. Cohen represented Jack Friedlander, member of the S. & G. Syndicate, when Friedlander testified before the committee.

In view of his bankruptcy in 1932, Haas' accumulation of wealth has been phenomenal. Wexler told the committee that he was the owner of the Theatrical Grill and a partner of Samuel "Gameboy" Miller and Robert Kaye in the Empire News Service. He said that he was in Florida when he learned that he was wanted but refused to tell the committee with whom he stayed. From Florida he went to a hotel just outside Pittsburgh and remained there until he learned of the issuance of the warrant, at which time he came to Washington and surrendered. Wexler admitted that he was a subscriber to Continental Press Service but he refused to answer practically every other question which dealt with his 26 years in the wire service business. He would not discuss the amount of the annual payments from Empire to Continental except to say that they varied from year to year. He admitted knowing Arthur "Mickey" McBride very well but he refused to say how well he knew Pete Licavoli. He denied that he knew Allan Smiley, west coast racket figure, or that he knew anything about telephone calls placed to Smiley from the Theatrical Grill. He refused to answer any questions about telephone calls placed from the Theatrical Grill to Mike Farah, owner of the Jungle Inn in Mahoning County, Ohio, or to the Merchants Club in Newport, Ky. He admitted that McBride had served as an accommodation endorser in connection with loans he had obtained from a Cleveland bank.

Samuel "Gameboy" Miller listed his address as Miami, Fla., when questioned by the committee, but he said that he had lived in Cleveland for 50 years. He admitted that he had been a partner in the Island Club in Miami with some members of the S. & G. Syndicate and that he had also been a partner in the Lookout House in northern Kentucky with James Brink, but he refused to say whether he had brought Kleinman, Rothkopf, Tucker, or Dalitz into that operation. He also admitted that he was a partner of Wexler's in the Empire News Service and that he had been a partner in the Thomas Club in Cleveland which ceased operating in 1945. He said he acquired his interests in the Island Club in Miami through Sam Cohen, one of the members of the S. & G. Syndicate. He estimated his income from the Island Club at about \$15,000. He said he was receiving \$30,000 or \$40,000 annually from the Empire News Service for which he performed no services whatever. He was not sure just why he had a share in that enterprise.

John Angersola, alias John King, claimed Miami Beach as his residence when he appeared before the committee at an executive session on August 6 and said he had not been in Cleveland in 15 years. He admitted that he served time in the Ohio State Penitentiary 30 years ago for robbery and that he might have used the name of John DiMarco on an occasion about 20 years ago in Detroit when he was picked up for suspicion. He refused to say whether or not he had ever been connected with the Buckeye Catering Co. in Cleveland and admitted that he had purchased a fishing boat named the Wood Duck from Arthur "Mickey" McBride for \$6,000 or \$7,000 about 10 years ago. He claimed the longest trip he ever made in the boat was to Bimini and he denied that he had ever taken the boat to either Cuba or Mexico. He said he sold the boat to "Big Al" Polizzi in 1946 or 1947 for \$5,000.

He acknowledged that he had paid \$40,000 in cash for his present home 4 or 5 years ago but he refused to say how he had acquired this money. The home that he had occupied before that time he had sold to "Trigger Mike" Coppola for \$30,000. He admits that he had kept cash in a safety deposit box but claimed there was no cash in it now. When asked what he had done with this cash, he replied that he might have purchased real estate with it. He admitted that he is now the owner of the Grand Hotel in Miami Beach and that he had had an interest in the Wofford Hotel since 1939 or 1940. He has also admitted having an interest in the Yorkshire Club in Newport, Ky., but he claimed he did not know where the Yorkshire Club was located as he had never been there. He refused to say how he acquired his interest in it. He also admitted knowing Dalitz, Kleinman, and Rothkopf but he refused to say whether he had had any dealings with them.

The committee developed some interesting testimony in the questioning of

George Angersola, alias George King, who still resides in Cleveland. Angersola listed his occupation as an organizer for the Cleaners and Dyers International Union at \$100 a week but he was somewhat vague about his duties. He admitted that he also served as floor manager for the 23 Room, a Miami Beach establishment, during the winter months for which he also received \$100 a week. He testified that he was able to do this because he received a 10-week paid vacation from his union duties. Under questioning he finally admitted that he has not worked actually for the union for a couple of years, although he was still being paid at the rate of \$100 a week. When the committee sought an explanation for this, George Angersola replied, "They may need me."

George Angersola admitted that he had been in jail twice, once for a period of 3 months on a bootlegging charge and again for 3 months following his conviction for extortion in 1939. He admitted that he knew all of the members of the Cleveland Syndicate but he denied ever having had any dealings with any of them.

A witness who gave the committee considerable trouble before he finally accepted a subpoena was George S. May, prominent Chicago business figure and head of the George S. May Co., which specializes in business engineering. Although May claimed to have been in Chicago for 53 days during which time efforts were being made to serve him with a subpoena, he admitted that he had never communicated with the United States marshal or the committee to express his willingness to accept service and to appear before the committee.

He testified before the committee in Washington on May 28. He refused to answer any questions about his connections with the Tam O'Shanter Country Club. He refused to say who the directors were, who kept the records, who the manager was, who owned the real estate, or whether there were any slot machines in the club. He refused to tell the committee whether he knew Ed Vogel, the slot machine king of Cook County, or whether he had ever had any agreement with Vogel for a 60-40 split of the proceeds from the slot machines located in the club.

The committee had information to the effect that May owned 93 percent of the stock of Tam O'Shanter, Inc., which is believed to own the land and buildings occupied by the Tam O'Shanter Country Club and that the club receives \$120,000 a year in dues, \$400,000 from the dining room, \$325,000 from the bar, \$650,000 for outside parties, and \$45,000 a year from slot machines. May refused to confirm or deny these figures. He also refused to say whether the club had been tipped off about impending raids. In the final stages of the hearing, he admitted that he had told counsel for the committee on one occasion that if he gave any information "he would



not last 48 hours."

May also admitted to the committee that he had pleaded guilty to a charge of forgery 35 years ago and had been sentenced to 11 months, but he declared that he had gone straight ever since.

Because of his refusal to answer pertinent questions put to him by the committee, May has been cited for contempt.

## **E. INTRODUCTION OF CORRECTIVE LEGISLATION**

Exposing the facts about organized criminal activities has been only a portion of the task. Disclosures in the committee's records make an overwhelming case for effective remedial legislation. Its investigations and hearings have awakened Nation-wide interest which may be counted on to support Congress in enacting effective laws where they are needed. Accordingly, the development of a legislative program has been given major emphasis in concluding the committee's work. A number of proposals for new laws were put forth in the Third Interim Report; these have been developed and enlarged, and other avenues of approach have been carefully explored. The committee has introduced 23 bills.

It must be borne in mind that the challenge of organized crime in interstate commerce is not new. In the last half century the Federal power has had to be invoked many times to deal with the interstate expansion of criminal activities which could no longer be curbed by local laws and local enforcement agencies, e. g., lotteries (1895); poaching (1900); train robberies (1902); white slavery (1910); liquor traffic (1913); theft of vehicles (1919); kidnaping (1923); bank robbery (1934); general larceny (1934); extortion (1934); theft of cattle (1941). What the committee has brought to light is the same old problem, but in startling new proportions: the train robbers, kidnapers, and bootleggers of another era have shifted to new fields, principally illegal gambling, where they have taken on an aura of pseudo-respectability and reaped enormous wealth. Their power is so great that local officials are often bought and sold, sometimes by mobs located in other States many miles away. Clearly this is a responsibility of the Federal Government, calling for action by Congress to impose better national controls and to insure that the national enforcement machinery will take hold effectively:

### *I. GAMBLING: S. 1563, 1564, 1624, 2061*

Illegal gambling activities are the principal source of revenue for today's hoodlums and racketeers, and the heart of illegal gambling is bookmaking. The "bookie" empire has two vulnerable points within reach of Congress'

power over interstate commerce: The essential flow of specialized gambling information to the bookmaker, and this dependence on interstate facilities in placing lay-off and come-back bets. The committee has introduced three bills designed to strike at these points.

S. 1563 would substantially eliminate the so-called wire, services, exemplified by Continental Press Service, Inc., from interstate commerce. To avoid risks of evasion which are obvious in applying an inflexible criminal prohibition to so nebulous and far-flung an activity, the bill makes use of a licensing procedure, to be administered by the Federal Communications Commission. Any person (excepting newspapers, broadcasters, and legitimate press services) who wishes to disseminate gambling information, as defined in the bill, must apply for a license which can only be issued on a showing (1) that the applicant is of good moral character; (2) that the proposed operation is in the public interest; and (3) that the information is not "primarily for use in facilitating gambling activities which constitute violations of" State laws.

S. 1564 reflects the committee's recognition that the ultimate effects of S. 1563 may be delayed by hearings, appeals and court tests, the initial weakness of any administrative device, and it therefore strikes straight at the source of the bookmakers' information with a narrow criminal prohibition. The proprietors of almost all legitimate race tracks and sports events have long been fighting the wire-service operators, by denying them the right to send out their bulletins on betting odds, scratches, times, results, etc. Consequently the operators have been driven to elaborate subterfuge, sometimes stealing the information from blinds outside the track or enclosure, sometimes using wig-wag signals, semaphores, special codes, and even walkie-talkie radio equipment from inside. S. 1564 would make it a Federal crime for any person to transmit in interstate commerce gambling information "obtained surreptitiously or through stealth and without the permission of" the proprietor of the event, when such information is intended to be used for illegal gambling purposes. It is believed that this measure would be effective at once to stop the flow of such information, and thus to cripple the wire services before they are brought completely in hand by regulation under the FCC.

S. 1624 is a combination bill which consolidates two of the committee's original proposals with certain new matters. It contains a flat criminal prohibition against using interstate facilities in connection with any bet or wager, thus putting an end to lay-off and come-back transactions between gamblers in different States. The committee has stressed in the record, and will continue to emphasize, that this law is not intended to punish casual, private users of the telephone; no drafting technique seemed adequate to separate the casual user and the professional bettor; the matter is therefore left to sound discretion at the enforcement level. Telephone companies

would not be affected, since they do not "send or transmit" messages (see *Southern Tel. Co. v. King*, 103 Ark. 160 (1912)), and other carriers would be liable only if shown to have violated the prohibition "knowingly." The bill also extends Chapter 61 of the Criminal Code, the old lottery law, to include any other "gambling enterprise" or "scheme of any kind offering money or other prizes dependent in whole or in part upon lot or chance," and brings pushcards and punchboards specifically within its prohibitions. The Slot Machine Act (Public. Law 906, 81st Cong.) is amended by substituting for the present controlling definition, which has proved inadequate, a general description of mechanical gambling devices, which would bring roulette wheels and so-called one-ball machines, as well as all variations of the orthodox slot machine, within the scope of the law. Ordinary pinball amusement devices would not be reached, under the judicial construction that "free games," when confined to a mere right to operate the machine, do not constitute a thing of value (see *Washington, Coin Machine Ass'n v. Callahan*, 142 F. 2d 97 (C. A. D. C., 1944)).

A further improvement in the enforcement machinery relating to slot machines is proposed in S. 2059, discussed under part VI, Tax Measures, post.

The committee lately exposed another interstate gambling empire of impressive proportions, which has grown up in defiance of the old lottery law by decentralizing its operations and attenuating its interstate ties: The Treasury balance lottery racket. A large part of the success of this operation depends on the confidence inspired in its patrons by the integrity of the United States Treasury. Thus the prestige of the Federal Government itself is being traded upon, and the committee feels that this is an abuse which can and should be stopped.

S. 2061 would make it a misdemeanor for any person to base a "gambling enterprise, lottery, gift enterprise, or scheme of any kind \* \* \* which offers prizes dependent in whole or in part upon lot or chance" on any official publication or data issued by the United States.

Additional measures relating to gambling are "proposed as revisions of the tax laws. See S. 1529 and 1532, discussed under part VI, Tax Measures, post.

## *II. NARCOTICS: S. 1695, 1900*

Despite existing Federal and State laws on the subject, the traffic in narcotics still flourishes. The committee found no deficiencies in the pattern of statutory control, however, and attributes the present acute problem to a shortage -- quantitative, not qualitative -- of enforcement personnel, and to the comparatively gentle treatment narcotics offenders

have been receiving at the hands of the courts. The first part of the problem is an appropriations matter; providing adequate personnel and facilities to check this "slow form of murder" is a responsibility which the committee urges Congress never to shrug off or take lightly.

The second relates to the administration of criminal penalties. It is indisputable that more severe sentences, meted out to narcotics offenders when they are detected and apprehended, would facilitate enforcement and tend to discourage the traffic. The committee unqualifiedly approves efforts to impress the seriousness of narcotics offenses upon the judges who ultimately bring this vicious type of criminal to account, and has accordingly sponsored two bills on the subject.

S. 1695 (companion to H. R. 3490, passed by the House of Representatives July 16, 1951) would impose the following penalties for any violation of the narcotics laws: First offense, up to \$2,000 fine and 2 to 5 years' imprisonment; second offense, up to \$2,000 and 5 to 10 years' imprisonment; subsequent offense, up to \$2,000 and 10 to 20 years' imprisonment. No sentence may be suspended, or probation granted, in any case of a second or subsequent offender.

S. 1900 would impose a special penalty of up to \$2,000 and 20 years to life imprisonment, without suspended sentence or probation, for any violation involving the sale of narcotics (by a person over 21) to a person under 17 years of age.

Questions have been raised from a number of sources, however, as to the propriety of imposing arbitrary minimum sentences in all cases. The committee recognizes the possible merit of these objections and suggests that they be given due weight in further consideration of the bills.

The committee discovered a slight conflict in jurisdiction and practice, relating to narcotics, between the Narcotics Bureau of the Treasury Department and the Passport Division of the Department of State. Since the illegal narcotics traffic is exclusively international in origin, the Narcotics Bureau has a keen interest in restricting the movements of American citizens known or strongly suspected to be engaged in the traffic, a matter which is within the absolute discretion of the Passport Division. After full exploration the committee believes that this conflict does not warrant legislative intervention; closer cooperation between the agencies themselves, and full recognition that the suppression of this traffic is intimately related to the public welfare of the country, coupled with the manifest intelligence and good faith found on both sides, promise an adequate solution.

Although the committee explored the matter thoroughly and is convinced

that controls should be imposed upon barbiturates, no legislation has been proposed to deal with them, because of the pendency of a joint plan now being worked out by the Treasury Department, the Department of Justice, and the Federal Security Agency as a result of the efforts of the Committee on Ways and Means of the House of Representatives. This plan is expected to result in an adequate pattern of control.

### *III. LIQUOR TRAFFIC: S. 1530, 1663, 2062*

The traffic in bootleg liquor into dry States and dry local-option areas is of sizable proportions and seems clearly to call for congressional intervention. The committee disapproves the present tendency among Federal enforcement officials to make a sharp distinction between tax collection and general law enforcement, and to concentrate on the former. The laws themselves account for part of this emphasis, and changes have been proposed accordingly.

S. 1530 would amend the basic permit section of the Federal Alcohol Administration Act so as to fix the life of such permits at 2 years. They are presently issued for an indefinite period, subject to revocation only by affirmative administrative action and on certain specified grounds. The proposed change would make all such permits reviewable biennially, and thus facilitate periodic clean-ups of the industry. The basic permit is the primary control imposed on all manufacturers, importers, and wholesalers of alcoholic beverages.

S. 1663 (companion to H. R. 1278) would extend the Federal prohibition against importing liquor into States which have outlawed the importation thereof (18 U.S.C. 1262) to include dry areas in local-option States.

S. 2062 is proposed to cure a fundamental defect in the present law which remains even with the change worked by S. 1663. Only two States, Kansas and Oklahoma, are affected by 18 United States Code 1262, for the reason indicated by emphasizing the word "importation" above. The courts have held that States in which the sale or use of liquor is prohibited do not qualify for Federal protection; *Dunn v. U. S.*, 98 F. 2d 119 (C.C.A. 10, 1938). The committee therefore proposes that the Webb-Kenyon Act (27 U.S.C. 122) which prohibits importation into any dry State or area, and which has been a Federal statute since 1913, should be called into play again (the act has been a dead letter since 1936 for want of a penalty section, which was repealed by Congress in that year). S. 2062 imposes a fine of \$1,000 and 1 year imprisonment for any violation of section 122. The committee recognizes that in making this proposal it is reopening an old debate in the Congress; but experience since the matter was last considered, as brought out in the committee's hearings and investigations, suggests a thorough reappraisal. Amendment 21 of the Constitution was

manifestly not intended to be a shield for bootlegging activities which fatten organized crime. The committee believes that this, like gambling, narcotics, and other illegal activities which pollute the flow of interstate commerce, calls again for a direct assertion of the Federal power.

The committee also proposes a change in the penalties affecting the occupational tax imposed on liquor retailers, in S. 2059, discussed under part VI, Tax Measures, post.

#### *IV. UNLAWFUL ENTRY BY ALIENS: S. 1661, 1662*

A number of important criminals were discovered by the committee to have entered the United States illegally, and this type of offense frequently appears in the backgrounds of career gangsters and hoodlums. Besides endorsing S. 716, which would liberalize the entire process of deportation, the committee has sponsored two bills relating to this subject.

S. 1661 (companion to H. R. 2793) would revise section 8 of the Immigration Act of 1917 punishing the smuggling and concealing of aliens, to eliminate a technical flaw which has caused the section to be nullified by the courts. See *U. S. v. Evans*, 333 U. S. 483 (1948).

S. 1662 (companion to H. R. 2258) would provide for the reopening of certain cases in which illegal immigrants may now secure an unassailable congressional suspension of deportation proceedings against them, when after-acquired evidence shows new grounds for deportation.

#### *V. CRIMINAL TACTICS IN TRANSPORTATION: S. 1899*

In several parts of the country evidence of gangster activities and "muscle" tactics was found in connection with over-the-road trucking. Moreover, the committee is impressed with the fact that the trucking and forwarding industries have been peculiarly vulnerable to such activities and tactics in the past. When interstate hoodlums are flushed out of gambling they may be expected to turn up, as they did when repeal disrupted bootlegging, in other sensitive areas, and the transportation industries are a likely field for invasion. After a careful analysis of the Interstate Commerce Act it was concluded that the act itself needed no revisions, since the powers of the Interstate Commerce Commission, under the present pattern of the law, are ample and effective. The matter has therefore been dealt with in a proposed addition to the statement of national transportation policy, first enacted in the Transportation Act of 1940.

S. 1899 adds a paragraph at the end of the statement of national transportation policy enjoining the Interstate Commerce Commission to keep all forms of transportation subject to its control "free of terrorism,

extortion, racketeering and similar unlawful or unethical business tactics" -- with the practical effect of removing all doubt that the Commission may take such tactics into account whenever it applies the standards of fitness, ability, and public convenience and necessity to applicants for and holder's of certificates, licenses, and permits under the Act.

#### *VI. TAX MEASURES: S. 1529, 1531, 1532, 1660, 2059*

The Internal Revenue Code has been analyzed with a view to tightening controls over organized crime through the Federal taxing powers. The committee is not persuaded that the direct imposition of taxes, as exemplified by the Harrison Narcotics Act, is a suitable general device for curbing illegal activities, and for this reason it has rejected numerous proposals to impose direct, confiscatory taxes on various types of organized criminal enterprises. There is force in the argument that recognizing gangsters and hoodlums directly for tax purposes tends to compromise the dignity of the Federal Government and to complicate local enforcement problems. Moreover, the direct, confiscatory tax might be subject to grave questions on constitutional grounds. See *U. S. v. Constantine*, 296 U. S. 287 (1935).

On the other hand, it is felt that the power to require disclosures and information incidental to the imposition and collection of Federal taxes should be fully used, when it appears justified as an appropriate adjunct of general tax measures, both to protect the Federal revenues and to expose illegal operations.

S. 1529 is a bill to facilitate the collection of taxes from gambling casinos, whose large cash transactions and inadequate records very frequently mask revenue frauds. Casinos which operate lawfully would be required to maintain daily totals of winnings and losses; those which operate clandestinely would be further required to record each separate wagering transaction.

S. 1531 would impose a definite statutory requirement on all taxpayers to preserve the records supporting their income-tax returns for a period of 7 years. The present regulation governing this practice is vague and unsatisfactory, requiring records to be kept "so long as the contents thereof may become material in the administration of any internal revenue law." Periods of limitation under the Internal Revenue Code vary, the limit for prosecutions for income tax evasion being 6 years. Actions for recovery of taxes under certain circumstances are never barred. The proposed bill would therefore not only place an unequivocal statutory duty on persons who now frustrate the collection of taxes by destroying their records, but would at the same time clarify the position of honest taxpayers who are

uncertain as to their obligations under the present regulation.

S. 1532 relates to the deduction of expenses and losses by gamblers in reporting their net income. The first section of the bill would prohibit the deduction of any expense "incurred in or as a result of illegal wagering." The committee is mindful of the logic of imposing a similar prohibition with regard to expenses incurred in other illegal activities as well, and further consideration might be given to this possibility. The second section changes the present right of taxpayers to deduct wagering losses up to the amount of wagering gains, by prohibiting the deduction of all losses incurred in illegal wagering transactions. This would make total winnings, of the amateur and professional gambler alike, taxable as net income without any offset for losses, where the transactions involved are violations of applicable laws.

S. 1660 would require any taxpayer who reports more than \$2,500 as income from unlawful sources, for the current year or any of the 5 years prior thereto, to append a statement of his net worth to his return. Both in collecting taxes and in enforcing other laws, enforcement officials have been much handicapped by a lack of information as to the net worth of gangsters and racketeers. Such information, over a spread of several years, would provide a multiple-point check on the rise of underworld characters. There is precedent for this requirement: the Treasury Department has required net-worth statements, from certain persons reporting large incomes, since 1937. And it is not believed that the measure could be effectively resisted on the grounds of self-incrimination. See *U. S. v. Sullivan*, 274 U. S. 259 (1927).

S. 2059 is a to write effective penalties, fashioned after section 145 of chapter 1 of the Internal Revenue Code, into parts VII and IX of chapter 27, Internal Revenue Code. These are the parts which impose occupational taxes on the retail liquor traffic and on slot-machine vendors. In both cases, adequate returns by the taxpayers affected, and strict compliance with the registration and information requirements of the chapter, would produce records of great value to local enforcement officials in detecting and apprehending violators of their laws. At present these requirements are indifferently enforced with respect to the liquor traffic, in part, at least, because the supporting penalty provisions are vague and unsatisfactory. The problem has not become acute in policing the slot-machine industry, but the same deficiency exists and should be corrected.

#### *VII. ENFORCEMENT OF CRIMINAL LAWS-S. 1625, 1747, 2060*

In the course of its work the committee had many occasions to confer with Federal prosecutors and other officials who are concerned with enforcing Federal laws. Considerable attention has been given to analyzing the



problems raised by these officers and their suggestions for improving the enforcement machinery with which they work. As a result, the committee is sponsoring three bills.

S. 1625 (companion to H. R. 2260) would relieve the Government of the wholly unrealistic burden; in perjury cases based on contradictory statements made under oath, of proving which of such statements is false.

S. 1747 would remedy a glaring deficiency. Although many Federal agencies and quasi-judicial bodies have statutes which allow them to compel witnesses to testify over a plea of privilege based on self-incrimination, the Department of Justice itself, with its general responsibility for Federal law enforcement, has no such power at its disposal. This bill would authorize the compulsion of such testimony, with an adequate grant of immunity from prosecution for matters revealed in the course thereof, in all Federal court and grand jury proceedings, with the added safeguard that the Attorney General must determine that granting immunity in each individual case is "necessary to the public interest." S. 1747 is intended to be complementary with S. 1570, discussed in "Part VIII, Congressional investigations," post, which confers the same power, amply safe-guarded, on congressional committees.

S. 2060 proposes an important addition to the Government's rights of appeal in criminal cases. Under present law, there is no recourse when, at the outset of a criminal case, the defense successfully moves to suppress evidence upon which the prosecution is relying. Good cases have been effectively destroyed by this tactic. The Government should be empowered to seek review of such orders when it believes they are erroneous, so long as the defendant has not been put in jeopardy at the time of the appeal. S. 2060 would accomplish this.

The committee heard numerous complaints of the wholly unsatisfactory situation which prevails with respect to wire-tapping and the use of wire-tapping evidence in the courts. Study of this matter has suggested that the strong divergence of views which has heretofore defeated wire-tapping legislation may now be resolved; communication and enforcement interests alike agree that the present situation is intolerable. The committee believes that some interested agency should take the initiative in working out a generally acceptable plan of control, and as a starting point, commends the pattern which appears to have worked satisfactorily in the State of New York (N. Y. Const., art. I, sec. 12; Code Cr. Proc., sec. 813-a; Penal Code, sec. 552-a).

#### *VIII. CONGRESSIONAL INVESTIGATIONS, S. 2058, 2057*

The problems encountered by the committee in compelling the appearance

of witnesses and eliciting their testimony, although concededly arising in part from the antisocial characteristics of the type of witness involved, have shown the need for a thorough study of the investigative machinery which is available to the two Houses of Congress. This machinery has been found wanting in some particulars.

The most glaring weakness, which proved highly embarrassing to the committee and continuously frustrated its investigations, was the defect in the immunity statute governing congressional investigations (18 U.S.C. 3486). This section has been lifeless since the Supreme Court decision in *Counselman v. Hitchcock* (284 U. S. 141 (1891)). That case held invalid a law similar to the present congressional immunity statute. The basis of the decision was that the immunity granted in the statute was not completely coextensive with the scope of the fifth amendment, and that it was thus ineffective as a substitute for the privilege against self-incrimination. S. 1570, introduced by Senator McCarran, as amended by Senator Ferguson, meets this objection, and is strongly endorsed by the committee.

The evasive tactics of witnesses sought by the committee suggest permanent legislation patterned after Senate Resolution 65, Eighty-second Congress, which brought witnesses in under warrants of arrest.

S. 2058 would create permanent machinery for the apprehension under warrants of arrest of persons found to be evading a congressional subpoena, in order to serve process on them or to exact security for their appearance. This machinery could only be set in motion after diligent efforts to obtain service in the usual manner, and only upon a proper finding, by the committee issuing the subpoena, that the witness was willfully evading service. The mere existence of such a law would put an end to the undignified spectacle of witnesses playing at hide and seek with committee personnel and Congressional Sergeants at arms.

S. 20[??] gives definite statutory sanction to present practices in issuing and serving subpoenas. The authority of deputies and committee personnel in this respect is sometimes nebulous at present, and the committee feels that, since the courts are scrupulously exacting in all matters relating to the perfection of service, a statute, to remove all doubts in all cases, is highly desirable.

Attention is also called to a drafting deficiency which, while not within the committee's compass, should be corrected. Four of the sections in title 2 U.S.C. (191-4) which control the power of congressional bodies to take testimony under oath, to punish for contempt, etc., apply to joint committees only when the same are created "by a joint or concurrent resolution" -- with the result that joint committees created by act of

Congress are left without such powers.

### *IX. FEDERAL CRIME COMMISSION*

Senate Joint Resolution 65 is intended to accomplish the proposal contained in the committee's Third Interim Report calling for establishment of a Federal Crime Commission. It would authorize creation of a permanent commission in the executive branch of the Government, organized and staffed independently of other Government agencies but coordinating its efforts with, and reporting to, Congress.

This proposal has encountered opposition on the part of the Treasury Department and the Department of Justice. Furthermore, Senator Wiley dissented from it at the time it was made. The committee does not recede from this proposal but acknowledges that its enactment may encounter difficulty and that in any event enactment would take some time. It is therefore proposing, in addition to this, the establishment of a privately constituted National Crime Coordinating Council organized in the manner described elsewhere in this report.

### **F. STATUS OF CONTEMPT PROCEEDINGS**

In the course of the committee's hearings, it encountered many examples of witnesses who refused to answer material questions or to disclose the contents of subpoenaed records, on the ground that to do so would tend to incriminate them. Forty of these recalcitrant witnesses were cited for contempt by the Senate and their cases were placed in the hands of the appropriate United States attorneys for prosecution.

The committee has reported to the Senate the contempts committed by four other witnesses, but the Senate had not certified the committee reports to the United States attorney as of the time that this report was filed.

Two recalcitrant witnesses, namely, Morris Kleinman and Louis Rothkopf, who have also been cited for contempt, did not rely upon the privilege against self-incrimination but based their refusal upon the novel ground that the procedure adopted by the committee in requiring them to testify at a hearing which was being televised, broadcast, and photographed by newsreel cameras was generally a violation of their constitutional rights. The issues raised by Mr. Kleinman and Mr. Rothkopf by their refusal to testify will ultimately be resolved by the courts.

The persons who have been cited by the Senate for contempt, together with the status of their cases, and the persons whose contempts have been reported to the Senate by the committee, but not certified to the United

States attorney as of the time this report was filed, are as follows:

*DISTRICT OF COLUMBIA*

Cases in which the committee report has been certified to United States attorney, but the cases have not as yet been presented to grand jury:

Anthony J. Accardo, Chicago, Ill.  
Murray L. Humphreys, Chicago, Ill.  
George L. Bowers, Miami, Fla.  
Morris Kleinman, Cleveland, Ohio  
John Croft, Cincinnati, Ohio  
Arthur Longano, Englewood, N. J.  
Joseph Doto, alias Joe Adonis, Palisades, N.J.  
James Lynch, Palisades, N. J.  
George S. May, Chicago, Ill.  
John Doyle, Gary, Ind.  
Abraham Minker, Reading, Pa.  
Julius Fink, Baltimore, Md.  
Isadore Minker, Reading, Pa.  
Rocco Fischetti, Chicago, Ill.  
Salvatore Moretti, Demarest, N. J.  
Alex Fudeman, Reading, Pa.  
William G. O'Brien, Miami, Fla.  
Jacob Guzik, Chicago, Ill.

Case disposed of:

Harry Russell, Miami Beach, Fla.  
(acquitted on February 5, 1951,  
on motion for a directed verdict).

Cases in which committee report has been filed with Senate, but not certified to United States attorney as of the time that this report was filed:

Joseph Baldassari, Scranton, Pa.  
Joseph Scalleat, Hazleton, Pa.  
Patrick Joseph Size, Scranton, Pa.

*DISTRICT OF NEW JERSEY*

Case in which the committee report has been filed with Senate, but not certified to United States attorney as of the time that this report was filed:

Herman Orman, Atlantic City, N. J.

*SOUTHERN DISTRICT OF NEW YORK*

Indictments for contempt were filed in the following cases (trial dates not

set):

Frank Costello, New York City.  
Joseph Doto, alias Joe Adonis, Palisades, New Jersey.  
Frank Erickson, New York City.

#### *EASTERN DISTRICT OF MICHIGAN*

Indictments for contempt filed and defendants' motion to dismiss to be heard some time in September 1951. Trial dates not set:

Peter Licavoli, Grosse Pointe, Mich.  
Mike Rubino, Grosse Pointe, Mich.

Case disposed of. Acquitted on grounds that notice was defective. The subpoena served upon Trilck required his appearance in Washington and the court held that notice given to his attorney, directing him to appear in Detroit instead, was not sufficient:

Russell Trilck, Detroit, Mich.

#### *NORTHERN DISTRICT OF OHIO*

Indictments for contempt were filed in the following cases which will be tried some time in September 1951:

Joseph Aiuppa, Cicero, Ill.  
(Decision on defendant's motion to dismiss deferred until trial.)  
Joseph Di Carlo, Youngstown, Ohio.  
(Decision on defendant's motion to dismiss deferred until trial.)  
James Licavoli, Cleveland, Ohio.  
(Motion for bill of particulars denied.)

#### *NORTHERN DISTRICT OF CALIFORNIA*

Indictments for contempt were filed in the following cases:

Stanley Cohen, San Francisco, Calif.  
(Trial date not set.)  
David N. Kessel, Piedmond, Calif.  
(Trial January 7, 1952.)  
Walter M. Pechart, El Cerrito, Calif.  
(Trial January 7, 1952.)

#### *SOUTHERN DISTRICT OF FLORIDA*

**Information for contempt filed in one case:**

Martin Accardo, Coral Gables, Fla.  
(Arraignment October 5, 1951, on which date defendant's motion requiring filing of new information will be argued. If the court should grant defendant's motion, new information will be filed immediately; if the court denies motion, case to be set for trial on October 22, 1951.)

***NORTHERN DISTRICT OF ILLINOIS***

**Indictment for contempt filed:**

Ralph O'Hara, Tiedtville, Ill.  
(Trial date not set.)

**Cases in which the committee report has been certified to United States attorney, but cases have not as yet been presented to grand jury:**

Jack Dragna, Los Angeles, Calif.  
Pat Manno, Chicago, Ill.  
Peter Tremont, Chicago, Ill.

***EASTERN DISTRICT OF LOUISIANA***

**Cases disposed of:**

John J. Fogarty, New Orleans, La.  
(Plea of nolo contendere and sentenced to 30 days in jail and to pay \$300 fine, with jail sentence suspended and defendant placed on probation for 90 days.)  
Phil Kastel, New Orleans, La.  
(Defendant's motion to dismiss was granted on June 27, 1951.)  
Carlos Marcello, Marrero, La.  
(Tried and found guilty. Sentenced to 6 months in jail and to pay \$500 fine and required to post \$3,000 bond pending appeal.)

**Indictments for contempt filed and defendants' motions to dismiss denied.  
Trial dates not set:**

Anthony Marcello, Gretna, La.  
Joseph A. Poretto, New Orleans, La.

The contempt cases recently decided by the Supreme Court of the United States have greatly expanded the scope of the constitutional privilege against self-incrimination. It would seem under the present state of the law, that a witness may invoke the privilege even where the possibility of incrimination is quite remote. The most recent Supreme Court decision on the matter is *United States v. Hoffman*, 341 U. S. 479 (1951), upholding the right of a defendant appearing before a Federal grand jury to refuse to state even the nature of his business. There would seem to be a distinction between appearance before a body like a grand jury which has power to indict the witness and appearance before a congressional committee which is empowered to obtain information for legislative purposes only. As a matter of law, there is considerable uncertainty as to the extent to which the court will apply the Hoffman case to the cases of witnesses appearing before this and other congressional committees.

The contempt cases which have been certified to the United States attorneys, but which have not as yet been presented to grand juries, are being reexamined, in the light of the opinion in the Hoffman case, with a view to determining whether or not indictments should be sought in those cases.

## **G. USE OF TELEVISION, NEWSREELS AND RADIO IN CONGRESSIONAL HEARINGS**

As the first congressional committee to encounter television on an extensive scale at its hearings, this committee feels that a report regarding its experience and attitude in that connection would be desirable.

There has been a great deal of public discussion regarding the advisability of permitting congressional hearings to be televised. It should be understood at the outset, however, that the issue does not relate to television as such. Television is essentially another improved method of public communication.

If hearings are to be conducted in public, obviously public access to the proceedings cannot be limited to those who are able to attend in person. No one can object to having reporters present who report everything they believe to be of public interest irrespective of whether the witness likes it or not. No serious objection has been raised to the use of flash-bulb photographs for newspaper publication and the use of radio to broadcast public hearings has been a common practice. Newsreel cameras present the most difficult problem because of their bulk and the brilliance of the lights required for their use.

All of these media of news collection and dissemination have been in use for many years. Adding television merely has the effect of increasing the number of people who can actually see the proceedings. Television cameras are quiet and unobtrusive and they require considerably less light than newsreel cameras.

If the subject matter being investigated by a congressional committee is of limited public interest the demand made upon it, for access to the hearing by the various media of public news collection and dissemination will be similarly limited. If its subject matter is of great public interest, it will be besieged with requests from the press, the radio, the newsreel producers, and the television firms for the right to publish and broadcast the hearings. It is incumbent upon a committee faced with these requests not to discriminate unjustly among the various media.

The committee found, for example, that when its hearings involved large cities or notorious characters whose names were of great public interest, all of these media of communication sought access to the hearings, whereas hearings covering medium-size cities, where the subject matter was less spectacular, attracted the press only. Presumably, because of the expense of handling their equipment, newsreel and television firms attend only if the material has unusual publicity value.

Accordingly, it is the degree of public interest, not the desires of the committee, which governs the number of news representatives and the amount of equipment that the committee will be asked to allow in the hearing room.

The public has a right to be informed of the activities of its Government and it is entitled to have access to public hearings of congressional committees. The witnesses appearing before the committee also have rights that must be respected, but a witness does not have any inherent right to interfere with the rights of the public in this regard. There falls upon the shoulders of the committee conducting the hearing the responsibility of maintaining a fair and equitable balance between the rights of both the public and the witness.

The degree to which a witness is distracted by news devices depends on many factors, including the health and temperament of the witness. Giving testimony of any kind under any conditions may be nerve-racking to some witnesses. Some can bear the strain more easily than others. Much depends upon the willingness of the witness to cooperate. A friendly and cooperative witness seldom objects to being photographed or televised and does not find these factors to be distracting. The reluctant witness, on the other hand, is necessarily under greater strain and is more easily distracted by outside forces. This gives rise to the question of whether the friendly



witness should be given less favorable treatment than the recalcitrant one.

The committee must always be conscious of its responsibility to obtain from its witnesses the information required to fulfill its mission. If a witness refuses to testify unless a media of news dissemination are diverted from him, the committee either may recommend that he be cited for contempt of Congress or it may accede to his request for the purpose of obtaining the information the witness is able to supply. This requires a careful exercise of judgment as to which course will be in the best interests of the public.

Crime is nearly always a matter that attracts wide public attention and it is for this reason that at some of the more newsworthy hearings of the committee, the various media of news dissemination requested the right to bring in all of their facilities and equipment. Drawing the line was not easy.

In order to reduce the amount of equipment in the hearing room, the committee ordinarily required the television networks to form a pool so that only one set of cameras would be in the room. It also attempted to limit the number of newsreel cameras and in some instances it forbade the taking of still photographs with flash bulbs during the time when a witness was actually testifying. In other cases where the witness requested it, cameras, both newsreel and television, were required to be turned away from the witness during his testimony. In one case, where the testimony of the witness was deemed to be of considerable importance, all cameras, radio, and recording devices were silenced.

The policy adopted generally by the committee throughout was to attempt to recognize the public's right of access to the hearings, to avoid unfair discrimination between the various news media and at the same time to avoid subjecting the witness to an ordeal that would unduly interfere with the giving of his testimony. The committee exercised its judgment according to the individual circumstances of each case.

One of the important factors that affects the decision of a congressional committee in regard to the amount of facilities and equipment to be allowed in a hearing room is the size and character of the room itself. Congress does not have a hearing room adequately suited for a hearing that is of such widespread interest that newsreels and television networks will be attracted to it. Such rooms as it has are not equipped to accommodate modern photographing and televising equipment in an inconspicuous manner.

An example of the modern method of handling such equipment is found in the United Nations assembly room at Lake Success where the room itself

is well lighted and newsreel and television cameras are installed behind a glass partition which blocks all operational noise. In such an arrangement the equipment is hardly noticed. If similar facilities were available for the hearings of congressional committees there would be few occasions when a witness could justifiably claim that his ability to testify was unduly hampered by the presence of news disseminating equipment.

Considerable confusion of thought has resulted from the error of placing congressional hearings in the same category as trials in court. While it is true that gangsters and hoodlums when called before this committee and asked to give information regarding organized crime, were in an uncomfortable position while being interrogated by counsel and Senators, they were not on trial.

A court trial is entirely different. It is a judicial proceeding involving the specific facts of an individual case. A jury is present and must be able to hear and weigh the evidence without distraction. The fate of an individual defendant is at stake and great weight must be given to his right to be tried in an atmosphere that is strictly calm and judicial. It is for these reasons that the Federal Rules of Criminal Procedure specifically forbid radio broadcasting of court proceedings.

The function of a congressional committee, on the other hand, is to obtain information for the purpose of enacting legislation. The legislative process includes the important step of enlightening the public regarding the matters under inquiry in order that intelligent public opinion will be developed. The more access the public has to the hearings the more thoughtful will its opinion be. This is a necessary part of the democratic process.

A final point that deserves comment is the question of commercial sponsorship of the broadcasting of committee hearings. Unlike most public-interest programs, a congressional hearing if fully broadcast, occupies long periods of time, often extending over several days. During this period, a radio or television station or network, in order to carry the hearings, is required to cancel all of its regular commercial programs. This involves not only loss of revenue but also, in some cases, payment of cancellation penalties. Seldom can a station or network afford to bear this enormous financial burden.

Unless sponsorship is permitted, the public will be deprived of the privilege of witnessing many important events. At the same time, it is important to avoid a type of sponsorship which permits the broadcasting to be done in a manner that detracts from the dignity of the proceedings.

After extensive study by the committee and its staff, and discussion with

representatives of the radio and television industry, the committee in an effort to reach an understanding with the industry adopted a proposed code of conditions covering the use of sponsored radio and television at its hearings. The plan adopted is as follows:

1. No television network or station shall use for the hearings a commercial sponsor not specifically approved in writing by the committee or its designated representative, and no sponsor shall be charged by a network or station more than such reasonable amount as may be consistent with the usual charges for other programs emanating from a public source.
2. No commercial announcement shall be broadcast from the hearing room.
3. Breaks for station identification during the hearings shall be limited to 10 seconds.
4. No network or station shall make any comment or commercial announcement during the testimony of a witness, or interrupt the broadcasting of the testimony of a witness for the purpose of making any such comment or announcement.
5. During each pause or intermission in the hearings, the network may make a commercial announcement lasting not more than 1 minute and, except in the case of a newspaper, magazine, or other publication of general circulation referring to reports of the hearings to appear in its columns, such commercial shall be institutional in character and shall make no reference to the hearings.
6. No local station shall interrupt any portion of the broadcasting of the hearings as received from a network for the purpose of making any spot or other commercial announcement.
7. A network or station may, at any time, make a complete break from the broadcasting of the hearings for the purpose of broadcasting other programs.
8. At the beginning and end of the broadcasting of the hearings for any day, the network carrying the hearings shall make the following announcement or its equivalent:

These hearings are brought to you as a public service by the X Company in cooperation with the Y Television Network.

It is hoped that the committee's experience in this matter will be of some

guide to other congressional committees faced with similar problems.

The committee, immediately after its creation in May 1950, adopted a code of procedure for its hearings. This code provided among other things that a witness before the committee should have the benefit of counsel when requested. Also the counsel could ask his client questions designed to bring out full information on a particular matter; questions or interrogatories could be submitted to the committee to be asked other witnesses who gave testimony concerning a particular witness. The code also provided that any persons or organizations whose names were mentioned in a hearing should be afforded an opportunity to give their side of the story by testifying or filing a statement or data in the record designed to clarify any point in controversy.

Later, when requests were made to permit televising of the hearings the committee gave a great deal of consideration to this problem and ultimately adopted the set of conditions for sponsored broadcasts set forth heretofore. The committee had to act on all matters in its hearings without the benefit of precedent of other committees.

The committee feels that much time in the development of individual codes for congressional committees would be saved and hearings would be expedited if the Senate or the Congress would adopt an over-all code of procedure for all such committees. Witnesses appearing before the committees and their counsel would then know the rules of the game and much bickering, questioning and delay would be avoided.

The committee gives its wholehearted approval to the proposals which are now pending before the Senate Committee on Rules and Administration and other congressional committees for the adoption of such an over-all code of procedure.

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## **ADDENDUM**

After this report was filed, the committee received notice from the Western Union Telegraph Co. to the effect that its service regarding the United States Treasury Balance Reports, originating at Washington, D.C., is being discontinued, pursuant to the company's policy of cooperating with law-enforcement agencies.

Hearings held by the committee under the chairmanship of Senator Kefauver, were printed in volumes as follows:

Part 1. Florida.

Part IA. Florida.  
Part 2. Federal and State Officials;  
California Crime Commission;  
and Chicago Crime Commission.  
Part 3. Black Market Operations.  
Part 4. Missouri.  
Part 4A. Missouri.  
Part 5. Illinois.  
Part 6. Ohio-Kentucky.  
Part 7. New York-New Jersey.  
Part 8. Louisiana.  
Part 9. Michigan.  
Part 10. Nevada-California.  
Part 11. Pennsylvania.  
Part 12. Federal and State Officials,  
and Miscellaneous Witnesses.

Prior to May 1, 1951, the committee issued three Interim Reports, Nos. 2370, 141, and 307.

The Library of Congress, Legislative Reference Service, has prepared an index of all the names found in the printed hearings listed above, which is being put into print at the Government Printing Office, and will make the hearings double valuable to crime commissions, libraries, law-enforcement officials, the press, etc., to whom the index will be made available.

The hearings held by the committee since May 1 1951 under the chairmanship of Senator O'Connor, will printed in volumes as follows :

Part 13. Miscellaneous Witnesses.  
Part 14. Narcotics.  
Part 15. Kentucky.  
Part 16. Florida.  
Part 17. Maryland-District of Columbia.  
Part 18. New York-New Jersey.  
Part 19. Pennsylvania.