

CHAPTER XXIII
"RACKETEERING"

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CHAPTER XXIII

"RACKETEERING"

- I. *What is "Racketeering?"*¹ "Racketeering" is the exploitation for personal profit, by means of violence, of a business association or employees' organization. A "racketeer" in business has been concretely described as follows:

"A 'racketeer' may be the boss of a supposedly legitimate business association; he may be a labor union organizer; he may pretend to be one or the other, or both; or he may be just a journeyman thug.

"Whether he is a gunman who has imposed himself upon some union as its leader, or whether he is a business association organizer, his methods are the same; by throwing bricks into a few windows, an incidental and perhaps accidental murder, he succeeds in organizing a group of small business men into what he calls a protective association. He then proceeds to collect what fees and dues he likes, to impose what fines suit him, regulates prices and hours of work, and in various ways undertakes to boss the outfit to his own profit.

"Any merchant who doesn't come in or who comes in and doesn't stay in and continue to pay tribute, is bombed, slugged or otherwise intimidated."²

2. *Wide Extent of "Racketeering" in Chicago.* The number of "rackets" has rapidly increased in the past few years in Chicago. On December 10, 1927, Mr. F. L. Hostetter of the Employers' Association of Chicago circulated the following report to a large list of Chicago business men, in which he charged that conspiracies by "racketeers" existed between business associations and trade unions:

"Conditions are becoming such in Chicago that any man who dares to oppose certain kinds of 'racketeers' or refuses to pay tribute to them is in actual physical danger.

"Given below is only a partial list of the 'racketeering' schemes which flourish in the city. How many others there may be, about which we do not yet have knowledge, one can only guess. Certainly this list should be enough to cause you to think and to think seriously."

He then lists twenty-three separate lines of business in which "racketeers" are said to be in control or are attempting to control, as follows: window cleaning, machinery moving, paper stock, cleaning and dyeing, laundries,

¹ Mr. Victor Olander, Secretary of the Illinois Federation of Labor, raised certain objections in regard to the accuracy of certain facts in the material on "racketeering" and labor union violence and brought in Mr. Steve Sumner, Mr. John Fitzpatrick, Mr. E. N. Nockels, Mr. John Clay, and others, to confer with us. Three conferences took place in Mr. Olander's office on the points in question. The exchange of views was advantageous and certain modifications of the text were considered, but no final decision was reached. The urgency of going to press and the absence of Mr. Olander from the city prevented further conferences, so that only a few changes have been made in the text on the author's responsibility.

² *Chicago Journal of Commerce*, December 17, 1927.

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candy jobbers, dental laboratories, ash and rubbish hauling, grocery and delicatessen stores, garage owners, physicians, drug stores, milk dealers, glazers, photographers, florists, bootblacks, restaurants, shoe repairers, fish and poultry, butchers, bakers, and window shade men.

3. *A Pressing
Problem of
Modern Business.*

What, if any, is the function of the "racketeer?" What problem of modern business and industrial life has led to his appearance? Is he a parasite or does he perform a service? The

background for the answer of these questions can be obtained, perhaps, by the reading of the following case, picturing the economic condition under which the "racketeer" gains a foothold in the business world.

"In 1922, in a nearby city, there was a meeting of the president of a jobbing firm dealing in cigars and tobacco with about a dozen subjobbers who bought from the jobber and sold to grocery stores, drug stores, and cigar stores. The meeting was heated, evidence had been gathered that some subjobbers who carried their stock in auto trucks had been cutting prices on cigarettes and tobacco. The margin of profit to the jobber, subjobber, and retailer was very small on cigarettes and tobacco and the wholesaler tried to persuade these subjobbers to stick to a fixed price-list. He pointed out that although each of them had agreed again and again to maintain the prices to the retailer, repeatedly there had been lapses. A month or two later he showed a visitor the by-laws of an association composed of all the wholesalers in the city and all the subjobbers, for the purpose of maintaining prices and uniform conditions of credit to the retailer.

At this time the Reynolds Tobacco Company, manufacturers of Camel cigarettes, was not favorable to this association. Its policy was to create, through advertising campaigns, a demand so great that every jobber and every subjobber in the country was forced to carry their product. Stores had to have Camel cigarettes. It was, therefore, more rigid than other cigarette manufacturers in dealing with jobbers. The wholesalers carried its product with a certain reluctance. The Reynolds Company then began to appoint jobbers of its own. Prior to the rise of the Reynolds Company, a place on the regular list of jobbers was a highly esteemed privilege; it meant the making of a merchant. The new men chosen by the Reynolds Company were from the ranks of subjobbers, with here and there a persistent price cutter. The old jobbers refused to sell them the other cigarettes, and no man can be a jobber of only one brand of cigarettes. The Reynolds Company had taken upon itself the marketing of a cigarette, disregarding the approved jobber and price maintenance. The wholesalers then eliminated some of the price cutters from their list of customers or would sell to them irregularly, claiming that their stocks were depleted. They also made credit conditions more difficult for them.

The prosecution of the wholesalers under the anti-trust laws by the attorney general followed. The jobbers and the manufacturers who benefited by price maintenance were fined and the association was broken up.

Even though it had been destroyed, however, the old approved jobbers continued to do business and probably continued to avoid

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"cutthroat" competition. It is also more than probable that the manufacturers interested in maintaining prices aided the approved wholesalers to cover their losses through price cutting by secret rebates. (These losses were incurred through the loss of customers to price cutters; both the jobbers and the subjobbers dealt with the retail trade. The wholesaler had two methods of distribution, one through his hired drivers and the other through the subjobber.)

Two years after the dissolution of this association the wholesalers reported that they had no more trouble with the price cutters because they had cut prices until they eliminated each other from business.

While the vigorous effort to stabilize the market by bringing the subjobbers into line was going on, this jobber came to Chicago to find out how Chicago wholesalers handled the matter of price maintenance. One of the Chicago jobbers exhibited a card from a union organizer, who proposed to organize the drivers and maintain prices through the Drivers' Union. He explained that these organizers can use drastic measures. Violence was distasteful to the out-of-town wholesaler and he thought it would not work in his city.

This was an early example of a problem in business and the rise of what is now called "racketeering" to meet it.¹

Whether by violence or by effective mutual understanding, the stabilization of the market is highly desired in established business. In the case of the agreement in the tobacco business, a mutual understanding was not only difficult to effect by peaceful means but it was illegal, exposing the participating merchants to prosecution under the Sherman anti-trust act. The gangster undertakes to effect by illegitimate means what is a normal tendency in legitimate business.

The outlawing of these mutual agreements in business places the efforts toward stabilization in a class with the brewery after prohibition, when the legitimate brewer invited the gangster in to do his beer running. And in the same class is the labor union when it calls in the known "direct actionist." In other instances, the use of violence occurs either where there is no other cohesion, as in the organization of unskilled laborers, or where, by the method of injunction, the courts have made the usual tools of collective bargaining impossible. Regardless of our partisanship, both the anti-trust act and the injunction rule are the prohibitions of certain normal negotiations in the effort to stabilize either the labor or commodity market, and in this sense these efforts become outlawed. As outlawed activities they join gambling and vice in the use of violence where not only the stabilization but all rights cannot be settled in court, and conflicts ensue.

After an examination of the literature on combines, price agreements in other countries, Dr. Edwin E. Witte, legislative librarian of the state of Wisconsin, writes:

"It would seem that no country, other than the United States, has a law like our Sherman anti-trust act. Canada, New Zealand and Argentina, however, have laws which, in broad terms, prohibit monopolies and restraints of trade and provide machinery for their abatement. In

¹ Personally communicated.

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European countries there are no general anti-trust laws, and on the contrary the legal theory appears to be that combinations are beneficial and ought to be encouraged. Since the World War, however, there has been a pronounced form of legislation against profiteering, and in some countries against other combinations deemed to be inimical to the general welfare. In Germany a special type of court has been created to deal with the problems of restraint of trade and industrial combinations.

"With regard to the restraint upon trade unions by injunctions, the British trades disputes act of 1906 was a law to free organized labor from all of the restrictions under the restraint of trade doctrine, the conspiracy doctrine and all other common law theories preventing organizations from performing all of the acts which are lawful when done by individuals. This act was the most liberal law in relation to organized labor ever passed in any country and, of course, proved entirely satisfactory to organized labor. It has never been entirely satisfactory to the British employers, and last year (1927) this act was amended to place some restrictions upon the conduct of labor combinations in labor disputes similar to those which exist in this country. These did not include, however, anything about restraint of trade. Even now labor unions in England are entirely free from any doctrine that combination in restraint of trade is unlawful."

Violence in connection with labor disputes is almost unknown in England. In May, 1927, there was a general strike throughout England, affecting particularly all industries and all organized workmen. In this great strike there was not a single life lost and not over a half dozen cases of assaults.

Whether in this country under these same laws and injunction rule, merchants desiring to stabilize the market or trade unions in their efforts to maintain collective bargaining turn to violence, depends on the availability of gunmen willing to undertake the work. The same laws prevail in the city where the tobacco merchants engaged in price fixing, but they refused to consider violence because "it wouldn't do" in their city.

The "racketeer" does not always impose himself upon an industry or an association. He is often invited in because his services are welcome, as will be seen later. In order to show the operations of "racketeering" in business, only four cases will be presented: (a) The Laundry Associations of Chicago; (b) Cleaners and Dyers; (c) The Food Dealers; and (d) The Bootblacks. These are, however, fairly typical of the plan of organization and direct action of "racketeering" in Chicago.

4. The Laundry Associations.

Through the courtesy of Walter J. Walker, until recently assistant state's attorney making a special investigation of the "rackets," we have a basis of fact for the laundry situation in Chicago and the part Simon J. Gorman plays in it.

Simon J. Gorman, frequently referred to as the czar of the laundry business of Chicago, and as its chief "racketeer," was originally the business agent for the Cook County Horseshoers' Union.

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There are five different laundry associations operating in Cook County:

- | | | |
|---|--|--------------------------|
| Under agreement with the Laundry and Dye-house Drivers' and Chauffeurs' Union, Local 712, International Brotherhood of Teamsters. | <ol style="list-style-type: none"> 1. The Chicago Laundry Owners' Association; 2. The Chicago Wet and Dry Laundry Owners' Association; 3. The Chicago Linen Supply Association; 4. The Chicago Hand Laundry Owners' Association; 5. The Laundry Service Association of Chicago. | } Allied Laundry Council |
|---|--|--------------------------|

The first three of these associations elect representatives to the Allied Laundry Council. The same three associations work under an agreement with the Laundry and Dye-house Drivers' and Chauffeurs' Union, Local 712, International Brotherhood of Teamsters. The fourth organization, the Chicago Hand Laundry Owners' Association, employs practically no drivers; it is composed of the small fry, with very little capital invested, who receive dirty laundry in bundles brought by the customers to their stores and send their work to wet wash laundries; upon its return they iron it and return it to the customer when he calls for it. The Chicago Laundry Owners' Association, doing finished work, has always opposed these little fellows "who can start up with nothing." The fifth organization, the Laundry Service Association of Chicago, operates on an open shop basis. Most of the members employ drivers who have no union affiliation, but some members employ union drivers without having a working agreement with the union.

5. *Same: The Chicago Laundry Owners' Association.* Gorman has been labor secretary of the Chicago Laundry Owners' Association at a salary of \$7,500 per year. He had no specific duties and it is also alleged by his opponents in the association that he was put on the pay roll merely to obtain his good will, so he would refrain from attacking any member of the Chicago Laundry Owners' Association. Gorman was later dismissed, but the Chicago Laundry Owners' Association is a member of the Allied Laundry Council, which Gorman controls. The Laundry Owners' Association maintains a cost finding committee which determines standard prices to be charged for the wholesale work on the basis of poundage. Each member is supposed to charge the prices set forth in the chart covering the findings of the committee. The association states that the union deals with any price cutting laundry because it deprives the drivers of a livelihood through the loss of commissions.

The methods used by Gorman are many. Recently he has interested the Laundry Owners' Association and the other two members of the council in a movement to check the city council's zoning efforts, which would restrict the building of laundries in any section of the city other than the industrial area. For this purpose he is raising a fund and the members of the Laundry Owners' Association are divided upon the question of paying or not paying ten thousand dollars to Gorman.

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6. *Same: The Chicago
Wet and Dry Laundry
Owners' Association.*

The Chicago Wet and Dry Laundry Owners' Association have been making inroads upon the business of the Chicago Laundry Owners' Association, who were the

first in the field.

The condition which the "racketeer" was called upon to adjust is best illustrated by the earlier situation in the wet wash business. At the time this association was formed there was a great deal of price cutting, stealing of drivers and "hi-jacking" of bundles among them. Gorman, because of his reputation for direct action, was looked upon as a man who could stop this; and he did. Through his power in the union he had drivers called out on strike and collected fines.

The president of the association claims to be a figurehead, inferring that the association is completely controlled by Gorman. If any protests against Gorman issue from members of this association, it is because consolidation among competitors has taken place, thus diminishing the need for a "strong arm" boss. Some of the stronger members of this association have been organizing corporations and establishing large wet wash plants in exchange for the routes of the "little fellows." To the extent of this consolidation they have diminished the need for a disciplinarian of competitors. Of course, Gorman's domination is not easy to shake. This is true of all the "racketeers" in all organizations. It is difficult to play with coercion and violence without becoming its victim.

An ally within the association is Morris Hectman, who is a co-partner with Gorman in one laundry establishment which they together own and operate. The Chicago Laundry Owners' Association feels that the Chicago Wet and Dry Laundry Owners' Association is not only making business inroads upon it but that as members of the Allied Laundry Council the latter betrayed the former in that they made a separate agreement with the Drivers' Union and through Gorman made a better deal.

7. *Same: The Chicago
Linen Supply
Association.*

The Chicago Linen Supply Association, the third in the Allied Laundry Council, is composed of members who own their own linen and supply it to offices, barber shops, restaurants, etc. This

association, as a member of the council, works in full agreement with the Drivers' Union. Gorman replaced their original president with a man by the name of Hoiles, one of his own supporters. Later he placed a man by the name of Tice, formerly business agent of the Drivers' Union, as secretary of the Chicago Linen Supply Association, displacing the man who was opposed to him. This gave Gorman not only the control of this third association but control in the Allied Laundry Council.

8. *Same: The Chicago
Hand Laundry Owners'
Association.*

The Chicago Hand Laundry Owners' Association are "little fellows" who send their work to large wet wash laundries and upon return iron it, return it to the customer and collect. They do a "drop" trade, which means that the customer drops his bundle at their store and comes in to get it.

This organization was originally formed by Hirschie Miller as an aid

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in organizing the inside laundry workers. In this instance Gorman was not invited in, but the Laundry Owners' Association sent him to take these "little fellows" in hand, relieving Hirschie Miller. But Gorman has not worked to the entire satisfaction of the Laundry Owners' Association, because he has permitted new "little fellows" to start as long as they did not open places of business too near association members. He was always partial in designating wet wash laundries to receive the work from these "little fellows" to the exclusion of certain other wet wash laundries. He then permitted a group of hand laundrymen to establish a new wet wash laundry (a new competitor for the "big fellows"). In this new wet wash laundry he took a fair size amount of stock as his share.

The conditions which Gorman imposes upon these hand laundries are: (a) ten per cent of their wash bill; (b) such hand laundries as do not join Gorman's Chicago Hand Laundry Owners' Association cannot have their work done in a wet wash laundry belonging to Gorman's associations. Such hand laundries as have resorted to open shop wet wash laundries for their work have suffered smashed windows, slugging of their drivers, and other indignities.

9. *Same: The Laundry Service Association of Chicago: The Open Shop Group.*

The Laundry Service Association of Chicago is the organization of a small group of open shop wet wash laundries, yet to a degree they do every type of work. Early in 1927 this association was approached with the proposal of joining all other laundry associations in Chicago in raising laundry prices twenty per cent. For various reasons this open shop group refused, and twelve of their drivers were slugged. The sluggers were arrested but never convicted.

10. *The Allied Laundry Council.*

The Allied Laundry Council is composed of representatives from the Chicago Laundry Owners' Association, the Chicago Wet and Dry Laundry Owners' Association and the Chicago Linen Supply Association. It has for its purpose the handling of matters of common interest to the three associations.

From the above description of the activities of these associations, their objects and methods, and the position of Gorman in the council, interlocked with the employees' organizations, Gorman is properly called the czar of the laundry industry of Chicago.

He has been questioned by the state's attorney's office and released, but specific charges of graft in connection with calling strikes and of bombing, slugging and intimidation have been made against him. His political influence is great. Gorman's salary from the Chicago Wet and Dry Laundry Owners' Association alone (which is one of five) is said to be eighteen thousand dollars per year. His income is augmented by his commission from the hand laundrymen, and he controls the defense funds raised in the Allied Council.

Gorman is not only interested in the laundry industry, but in other enterprises as well. It is charged that he dominates the Candy Jobbers' Association, now under federal investigation growing out of the slugging of a man who refused to join it. According to the state's attorney, the

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Candy Jobbers' Association has been using terrorism to compel candy jobbers to join at an initiation fee of two hundred fifty dollars. Other special assessments are regularly levied and failure to "go along" with the organization has brought threats of death. The federal government claims jurisdiction to try these men not only for the terroristic methods but for conspiracy under the Sherman anti-trust act. True bills have been returned against forty-five officers and members, including Simon J. Gorman. The methods most generally used in places where violence is impractical have been those used in Chicago in addition to violence. Lists of candy jobbers are submitted to manufacturers with the demand that the manufacturers only sell to members in good standing. Espionage is employed to discover price cutters.

Some of his antagonists in the laundry industry desire to replace Simon J. Gorman with a man named A. M. Schaffner. When Mr. Hostetter of the Chicago Employers' Association heard of this he sent a letter to all the laundry owners, setting forth the criminal record of Mr. Schaffner. The letter follows:

"February 8, 1928.

"Dear Sir:

"An announcement that the Illinois Laundrymen's Protective Association opened its offices on January 27, 1928, has come to our attention. A. M. Schaffner is shown as the secretary of this organization, which is to 'promote the best interests of the laundry industry and to effectuate sound business principles among its members.'

"We feel that Chicago Laundrymen should be made acquainted with some facts regarding this 'secretary,' and present for your consideration the police record of this man, as furnished us by the Bureau of Identification:

"Record of Abe Schaffner.

"October 26, 1910—Sentenced by Judge Kavanaugh to one year in the House of Correction. Charge—Burglary.

"January 9, 1914—Sentenced by Judge McDonald to nine months in the House of Correction. Charge—Larceny. Sentenced by Judge McDonald to nine months in the House of Correction. Charge—Larceny. (The above terms to be served concurrently.)

"June 30, 1915—Sentenced by Judge Mahoney to thirty days in the House of Correction and fined one hundred dollars and costs. Charge—Assault with deadly weapon.

"September 9, 1918—Sentenced by Judge Zieman to the Joliet Penitentiary. Charge—Robbery while armed.

"May 24, 1924—Tried before Judge Lewis on a robbery charge. Verdict—Not Guilty."

"(Signed) G. L. Hostetter,
Executive Secretary."

II. Cleaners and Dyers.

The retail cleaners and dyers formed the Retail Cleaners' and Dyers' Association. The members are not the owners of dye-houses but the stores to which the individual brings his clothing for cleaning and dyeing. For a long time a bitter conflict has been going on between independent cleaners and dyers and this Retail Cleaners' and Dyers' Association.

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To conduct an independent cleaning and dyeing establishment it became necessary to be a protege of Hirschie Miller, of the Miller family gang, involved with Dion O'Banion in the booze trade and known for its ability to "beat raps." When Hirschie Miller established the Acme Cleaners and Dyers Company at 2832 North Clark Street, it was bombed and an attempt was made on his life.

"Those fellows who shot at me and those fellows who bombed my place were working for the Master Cleaners' and Dyers' Association. I've been threatened time and again. If it wasn't for Hirschie Miller they would be charging \$2.50 to clean and press a suit instead of \$1.50. Can you figure out why a city like Milwaukee has three hundred cleaning and pressing establishments while Chicago has only one hundred? It's because this association has throttled the town."

Later one of his drivers was beaten and a truck load of garments was stolen April 19, 1924.

Nicholas Georgson, a disabled ex-service man, a proprietor of a cleaners' and dyers' establishment at 1170 East Fifty-fifth Street, gave some interesting testimony against the organizers of the association.

"I am still disabled, but can conduct my business. About a year ago I was told I had better join the union. I said I couldn't afford it. I did go to a meeting and saw men fined from fifty to two hundred dollars for various things. One man was fined fifty dollars for not closing promptly at the given hour. Another was fined one hundred fifty dollars for criticizing one of the officers.

"They wanted twelve dollars dues from me. I didn't give it to them. A short time later all of my windows were broken. Last summer two men came again and they said: 'Leave it to us, we'll take care of you if you don't join.' Again my place was wrecked and my customers frightened away."

Georgson identified Sam Rubin as the one who last warned him. Rubin told the detectives that he had never been a cleaner or dyer but gave as his qualifications for business agent for the association, "I'm a good convincer."

Sam Rubin and Harry Beyer were indicted by a special grand jury for bombing and window smashing of a list of places, and were released on bonds of twenty-five thousand dollars each.

Morris Becker, president of a cleaning and dyeing company which operates a chain of stores and a plant, testified before the grand jury as follows:

"I was introduced to Mr. Rubin by my foreman. I said, 'Oh, you are the Mr. Rubin I hear so much about.' He said, 'Yes, and you will hear a great deal more. I want to tell you something—you are going to raise prices.'

"The Constitution,' I replied, 'guarantees me the right to life, liberty and full pursuit of happiness.'

"He said, 'To hell with the Constitution. I am a damned sight bigger than the Constitution.'

"In that same spot a dynamite bomb was thrown three days later. A few days later Abrams came to the store and I said, 'I want you to understand that these are our prices and we will stick by them.'

"He replied, 'If you do, Becker, you're going to be bumped off.'"

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He was then visited by Arthur Berg, secretary of the association, and asked to contribute five thousand dollars to a fund to be used in maintaining prices in cleaning. Berg said, "I'm getting all of them to put up five thousand dollars apiece."

Fifteen more members of this association were indicted; Rubin, Beyer and two others, held especially for terrorism, were released on bonds aggregating more than one-half million dollars, which suggests the extent of support they could muster. When the case was called for trial, M. Becker and Theodore Becker "could not produce evidence sufficient to convict the defendants of the crimes charged, and a verdict of 'not guilty' was returned in fifteen minutes." The attorney for the defense was no less a personage than Clarence Darrow.

Of late, the Master Cleaners' and Dyers' Association, composed of the owners of cleaning and dyeing plants, has come under the scrutiny of state and federal officials.

Recently an attempt was made to burn to death two drivers of the Central Cleaners' and Dyers' plant at 2705 Fullerton Avenue. The atrocity of this attack is unique. They first beat the driver and his partner into senselessness, then threw him into his truck, piled with clothing, poured gasoline on the clothing and set fire to it. One of the two men fled, but the other received serious burns and was only rescued by passers-by. This case is mentioned because it is current—April 21, 1928.

Walter G. Walker, assistant state's attorney, states that Samuel Weiss, a confessed "racketeer," admitted that officers of the association had procured him a job with the non-member concern and directed him to place acids in the cleaning vats to destroy clothing.

Several weeks previous to this latest slugging, Mr. Walker learned that this same concern had lost fifteen thousand dollars because explosives had been sent to their plant in bundles of clothing. They were the recipients of "exploding suits."

The latest development in the cleaning and dyeing business is the entry of the most dreaded gangster as stockholder in the business enterprise. The knowledge that he is financially interested serves as protection against the violence of the "racketeer" who has organized the industry for price maintenance and for exclusion of new competition. In announcing the fact that Al Capone had become a partner in the newly incorporated Sanitary Cleaning Shops, Inc., Mr. Morris Becker, the independent cleaner and dyer who had refused to submit to the "racketeering" tactics of the association, said:

"I have no need of the police or of the Employers' Association now. I now have the best protection in the world."

The callousness of this statement and the implication of complete breakdown in the machinery of the law aroused the press of Chicago to a unanimous protest. Said the *Chicago Daily Journal* of May 28, 1928, under the headlines "Capone Wars on Racketeer—Independent Cleaners Boast Gangsters Will Protect Where Police Failed":

"What police have been attempting unsuccessfully for months to do—stop racketeering among the cleaners and dyers of Chicago—today

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became the chore of Al Capone, vice lord and 'big shot' among the gangsters.

"The formidable Alphonse has become a principal partner in the Sanitary Cleaning Shops, Inc., under the sponsorship of Morris Becker, a cleaner and dyer for forty-two years. The concern has a large plant now nearing completion at Prairie Avenue and Sixty-third Street.

"Boasts of Protection.

"In a statement given out by the Employers' Association of Chicago, Becker boasts that he now has 'the best protection in the world' against the racketeers, who according to his charges, have menaced his business by bombs and violent intimidation.

"He predicts that the entry of Capone and his cohorts into the business will put some long-delayed fear into the hearts of the Master Cleaners and Dyers, an association he declares responsible for the present unhealthy state of the business.

"Walter G. Walker, recently an assistant state's attorney, and now counsel for the Employers' Association, announced that papers of incorporation have been taken out, giving Capone, Jack Gusik, and Louis Cowen, Capone's professional bondsmen, a \$25,000 interest in the Sanitary Cleaning Shops.

"Cleaners' Lawyer Warned.

"Max Krauss, attorney for the Master Cleaners and Dyers, went to verify Capone's connection with the new enterprise and was instructed not to 'monkey' with the concern, according to G. L. Hostetter, Secretary of the Employers' Association.

"The feud among the cleaners and dyers has been marked by several outbursts of violence, the most recent being the attack on drivers of the Central Cleaners' and Dyers' Association and the burning of their trucks. As long ago as last December Becker wrote State's Attorney Crowe, charging that gunmen had been employed to stifle competition and maintain the exorbitant prices set by the Master Cleaners and Dyers.

"The Employers' Association has received ninety-six complaints of racketeering in the last six months, according to Mr. Hostetter. Indictments have been returned only to be stricken off for want of prosecution, he charges, and independents have been driven from the field.

"Terms Police Aid Futile.

"To meet these conditions by legal means has been found impossible, according to Mr. Hostetter. 'Those involved are almost unanimous in advocating a policy of fighting fire with fire as the only effective solution.'

"Presumably, Mr. Capone will provide the pyrotechnique for the independent cleaners and dyers. Neither State's Attorney Crowe nor Police Commissioner Hughes see any cause for interference on this score.

"'I can't stop a man from talking,' remarked Commissioner Hughes, commenting on Becker's vaunt that he got protection from Capone where the police failed him.

"'Every complaint made to the state's attorney by Becker has been presented to the grand jury,' was Mr. Crowe's statement."

The *Tribune* made the following editorial comment:

"Crime and Corrupt Politics.

"Revelation of the employment of professional gunmen in the cleaners' and dyers' trade as a measure of competitive strategy ought

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to shock this community into a determination to put an end to the official and political corruption which makes it possible. We have here a situation as shameful as that created by the Camorra and Mafia in southern Italy. We held our hands up in holy horror of Italian conditions. They have been cured. It is time the decent citizenship cured ours, as it can swiftly and thoroughly.

"Corrupt politics is responsible for our outrageous crime conditions, and corrupt politics is the result of indifferent or gullible citizenship. Our voters have let themselves be misled by false issues and rallied like sheep to follow wind-bags, while wolves and foxes preyed at will. There is intelligence and character enough in the community to put an end to that."¹

12. *Food Dealers.* Maxie Eisen, organizer of three Hebrew associations of food dealers—the Hebrew Master Butchers' Association, the Master Bakers of the Northwest Side, and the Wholesale and Retail Fish Dealers' Association—first appears in criminal annals in 1919. At that time he was indicted for a felony, but this charge was changed to petty larceny and he was sent to the House of Correction for six months. During the special grand jury investigation in December, 1925, impaneled to smash the "bomb trust," he was indicted for throwing a stink-bomb into the meat market of Isaac Herbert. When the case was called, nine months later, the prosecuting witness had died.

A letter at that time, addressed to the *Chicago Tribune* by the National Association of Retail Meat Dealers, indicates clearly that this organization is local and sporadic:

"So that you will understand the situation, there have been formed from time to time sporadic attempts by various persons to organize so-called 'Master Butchers' Associations,' but none of these attempts have been under the authority or sanction of either the National Association of Retail Meat Dealers or the other organization we represent."²

In the same month the Real Estate Owners' Association appealed to State's Attorney Crowe for relief. This association has property holdings aggregating five million dollars in the Lawndale and Garfield Park sections. Its officers complained that a band of "renegade labor leaders" had caused a depreciation of fifty per cent in their property values by their practice of restricting the number and type of stores in the district to eliminate competition and protect the prices of their members.

The activities of these "racketeers" are confined to the small dealers of their own race on the northwest side. Illiterate and ignorant of the law, the victims are easily impressed by bravado and meekly submit to methods of extortion, intimidation, bombing and murder.

On January 26, 1926, Eisen was indicted for throwing kerosene into the stock of David Elkins, a fish dealer. He was tried but found "not guilty." Witnesses were intimidated.

His methods of terrorism were again manifested in April, 1927, in a suit filed by the United Kosher Sausage Company for one hundred eighty

¹ *Tribune*, May 29, 1928.

² *Tribune*, December 6, 1925.

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thousand dollars against the Kosher Meat Pedlers' Association, charging that Maxie Eisen, president of the association, had caused poisons to be hurled into sausage stores which obtained their supplies from the United Kosher Sausage Company. Federal Judge Wilkerson granted an injunction restraining Eisen from this practice.

On December 18, 1926, Maxie Eisen was shot as he was entering his home. At the time he did not ascribe the assault to any labor difficulty and said he did not know who was responsible for the shooting. On March 12, 1927, however, Benjamin J. Schneider, a real estate dealer, living at 2839 Palmer Street, was shot and killed. An investigation of this shooting disclosed that at the time Maxie Eisen was shot Mr. Schneider confided to Captain Stege of the Detective Bureau:

"Maxie Eisen has been shot in the arm. He thinks I shot him. I had nothing to do with it, but I am getting threats. If anything happens to me before I can get out of Chicago, look for Eisen."¹

In fact, Eisen is czar in the fish market and on market days he can be found there doing the supervising for the members of his association, intimidating and threatening the dealers who are not members.

On February 3, 1927, Herman and Louis Stein, two brothers having a fish market on Roosevelt Road in the 3900 block, were leaving the Randolph Market when they were approached by Maxie Eisen and his business agent, Max Granat. They were told that they could peddle fish no longer, the city permit they had meant nothing, and there were too many in the business for all of them to make a living. A warrant was issued for the arrest of Eisen and Granat by Judge Padden in the Racine Avenue Court. They were indicted and released on bonds of four thousand dollars each. Reprisal quickly followed, however, for with apparently no fear of the law, Eisen visited the shop of the Stein Brothers on April 26, kicked over several barrels of herring and shot Herman in the leg. He was again indicted, charged with assault with a deadly weapon. The complaining witnesses were afraid to identify the criminal. The case was dismissed for want of prosecution.

On May 29, 1927, after an automobile chase at sixty miles an hour, Maxie Eisen and Jack Cito were caught and charged with carrying concealed weapons. The police found two loaded revolvers in a secret compartment of the Cadillac car they were driving. On June 16, they were acquitted; the judge decided they were not carrying concealed weapons "on their persons."

Sam Trabush, a Jewish butcher operating a small shop at 1224 South Kedzie Avenue, was a member of the Poultry Dealers' Association. He did not approve of some of their methods of price-fixing and when told by Maxie Eisen that he must ask thirty-eight cents a pound for chicken, he remonstrated, saying that he thought the price too high considering the wholesale price. He later sold a chicken to a woman, who was a spy for the association, for thirty-five cents a pound. In a very short time two members of the association came to him and fined him fifty dollars for violating rules. He refused to pay the fine. He was threatened but still refused to pay, and on

¹ *Tribune*, March 12, 1927.

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October 8, Eisen and Jack Cito, known as "Knuckles," found him in front of the store of his brother-in-law and beat him into insensibility with the butt of a revolver and an iron bar, causing a wound in his head that required sixteen stitches. Eisen and Cito were locked up and it was felt that now some definite action could be taken against these criminals. They were indicted and charged with assault with intent to kill. The members of their organization quickly rallied to their assistance and a fund, reported to be ten thousand dollars, was raised for their defense. Repeated attempts were made to induce the family of the plaintiff to drop the prosecution. They threatened to bomb the shop. Finally, Eisen said to Mrs. Sam Trabush, "I should have killed your husband when I had a chance." The case was tried before Judge Harry B. Miller. Myer Zimmerman, brother-in-law of Mr. Trabush, in whose shop the assault took place, testified:

"Trabush was standing in front of the store when a car drove up. Two men got out, one carrying a revolver. Both started to run in Trabush's direction. Trabush ran—they caught him in the store, knocked him down with the butt of a gun and stood over him, beating him with their fists and revolver butt until I thought he was dead."¹

On January 17, 1928, a verdict of "not guilty" was handed down in this case. One of the witnesses for the state had repudiated his testimony.

13. *The Bootblacks.* Guerilla warfare among rival bootblack associations affords an interesting study in "racketeer" methods.

Gust Stavrakas, head of the Bootblacks' Protective Association, used all the aggressive "racketeer" methods in his domination of the bootblacks. The bombing of the shoe shop in the fashionable Cooper-Carlton Hotel, however, proved his undoing. On December 11, 1927, the shoe shop of Gust Chatas in the Cooper-Carlton Hotel was bombed. When interviewed, Chatas said that John Perponas and he were members of the Bootblacks' Protective Association of which Gust Stavrakas was the head. Perponas was called upon to remit twenty dollars back dues, but refused, saying:

"Why should I pay when Chatas is going to open a shop in my territory? Our rules do not permit competition."

"Well, you pay up. Then if Chatas opens this place you let me know and Chatas will be bombed," Stavrakas is declared to have decreed.²

Stavrakas, according to Chatas, visited him with Perponas and warned him that he would be bombed if he persisted in opening his shop, but Chatas disregarded the warning.

Two days later, December 15, 1927, Gust Stavrakas and Peter Voulgavis, business agent of the association, were tried before a jury in Judge David's Court, charged with conspiracy and malicious mischief in connection with intimidation and violence directed against shoe shops whose owners were not members of this association, found guilty and sentenced to one to five years in the penitentiary, and fined a thousand dollars.

¹ *Journal*, January 12, 1928.

² *Tribune*, December 14, 1927.

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The testimony of William Feylactos, 502 East Forty-third Street, at the trial of Theodore Speropoulos, head of the Bootblacks' Protective Union, who was charged with malicious mischief in connection with the breaking of the glass in the windows of Feylactos' shop, October 17, 1927, gives an interesting insight into the tactics used in this war among the bootblacks. Mr. Feylactos, who was in the shop at the time the window was broken, testified as follows:

"I have a shoe repairing and shining shop at the above address. I knew the defendant, have known him since June 14, 1925. He was business agent for the Bootblacks' Protective Union, affiliated with the American Federation of Labor. On April 28, 1927, he was discharged by the union and he tried to start another union. He took the charter of the Bootblacks' Protective Union from the office at 748 South Halsted Street and kept it. He tried to force the members to go with him but they didn't want him. We took out another charter under the name of the Bootblacks' Protective Union of Illinois, and the defendant went around and tried to get members to go to his side and some of them did. Then in August he put pickets around the place of one of our members at State and Division streets. He put a second picket at Wilson Avenue and Pete Bennet's place. We went out there and stopped the picket at Wilson Avenue.

"A week later he came to my store and wanted to put a picket at my place. I told him he could put a picket there if he wanted to because I belonged to the Bootblacks' Union of Illinois. He stayed around there then and said, 'I will get you later.' That was in the last part of August. On October 17, 1927, about 2:15 a. m., a window was broken in my place. I heard the noise and got up and went to the front of my place. When I went back to get my keys he got away and I didn't see which way he went.

"About 2:20 a. m. I called the police at the Forty-eighth Street station. They sent two detectives and I told them about it and what kind of a car he had, which was a two-door Ford sedan, and I described his clothes. I told the police to follow him before he got home.

"About 4:30 a. m. it came to my mind to call his home. His wife answered the phone and when I asked if he was home she said he was not in yet. I called the police department and told them what I had learned.

"The president of my organization, Gust Stavrakas, found the defendant's car in front of the defendant's home, 3217 Grenshaw Street, without license. That same morning Stavrakas' windows had also been broken.

"On October 17, 1927, I took out a warrant against the defendant at the Forty-eighth Street station. I didn't see him until after he was arrested and he then got a continuance at the Forty-eighth Street station until November 2. After he got the continuance, two men, whose names I don't know, came to me and hit me twice and when they hit me they said, 'We'll show you how to take out a warrant.'"

Evidence was introduced showing that victims were compelled to pay large sums of money, far beyond their means, to ward off attacks by gangsters.¹

One shoe repair man, Vasilios Trikas, of 4702 North Kedzie Avenue,

¹ Case No. 45728—Municipal Court, Judge Schulman; testimony in court.

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said he had paid dues regularly to one group and then had his windows broken nine times by a rival organization. The case was brought to trial before a jury in Judge Schulman's court and the defendant was discharged.

14. *The "Lefty Lewis" Case.* The killing of Braverman brought to light glaring weaknesses in the machinery of criminal justice, the power of organized crime and the indignation of the public when aroused by the press.

Max Braverman, a junk peddler with a family of five, was killed by a bullet, supposedly by Harry J. (Lefty) Lewis, on August 26, 1927, in a vacant lot near a "junk row" on the west side. The killing was the climax of a disagreement between the junk peddlers and Lewis when the former refused to continue to pay dues which they considered as tribute to Lewis, who they claimed did nothing for them.

Peddlers get the junk at its source from various parts of the city and sell it to jobbers, who keep small quarters for the junk and who sell it whenever the market is favorable or when they have no room for new supplies. The wholesalers usually have large space for vast accumulations and they sell to manufacturers who use salvage material in their new products. The teamsters are employed by the wholesalers to haul the paper from warehouse to the tracks, etc.

It appeared that Lewis had also organized the small jobbers of junk and was playing one against the other in order to keep both in line. But another angle, which had never received much attention, is the claim that "higher ups" were behind the whole scheme, with Lewis but a pawn. One of the junk peddlers in an interview said:

"They (the organizers) were not satisfied and in order to increase their revenues, directed the retailers to reduce the price of rags from \$2.00 to \$1.75 a bale of one hundred pounds."¹

A junk dealer, aware of the entire state of affairs, said:

"It (the trouble with Lewis) started some time ago when some of the wholesalers wanted to break their contract on paper sales and they asked the Teamsters' Union to call a fake strike, which was done. The teamsters were paid and the contracts were broken, but that was the start of the movement to organize us.

"If the union could control us, it could control the source of the rag supply for the paper companies and put any company out of business it wanted out. It could ruin any firm.

"But to control us, the junk dealers, the organizers of the union had to control the peddlers. When they had the peddlers under their orders they could tell them where to sell their junk and where not to sell it, and could keep us from buying and could keep us from selling.

"Under this arrangement they could take forty thousand dollars or more a month out of our business. But they had to have all those branches of the business under their domination. In that way the union boss would be the boss of a two million dollar a month business, telling dealers and wholesalers from whom to buy and how much to pay, and take from us whatever we could stand. It meant ruin for all of us and

¹ *Journal*, September 28, 1927.

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though many of us got beaten and hurt, we had to quit the Teamsters' Union."¹

The peddlers were organized as a branch of the Teamsters' Union, although they were in reality independent merchants.

The police picked up five suspects and began a hunt for Lewis. Lewis, however, could not be found until he was ready to surrender to the police some days later. This is the regular and recognized procedure for all gunmen of any recognized importance.

Deputy Coroner Joseph Dorfman, who conducted the inquest, later witnessed the burning of his drug store at Roosevelt Road and Independence Boulevard, set on fire by a bomb.

On September 27, the home of Louis Newman, 1553 South St. Louis Avenue, (the main witness for the prosecution), was bombed. The *Tribune* started a "bomb fund" to reimburse Newman for the loss suffered by the explosion. The press of the next day carried the following words by Crowe:

"This bombing is the most flagrant attempt to subvert justice that I have ever seen. My entire staff will be ready to cope with this outbreak. I will handle the Braverman case personally."²

Chief of Police Hughes added:

"We are going to get at the bottom of this bombing if possible. It's the worst kind of intimidation and I am going to stop it."³

And Chief Justice Brothers said:

"The thing to do is to find the bomber and give him 'appropriate treatment.'"⁴

The bomb had the effect of bringing Crowe before Judge Brothers with a motion for an advancement of the trial date. The motion was granted by Judge Brothers, who added, "Some effort must be made to bring unusual cases to a speedy trial so as to teach those planning criminal acts that they cannot monkey with the courts."⁵ And meanwhile the city witnesses the spectacle of housewives doing their shopping with policemen as escorts and junk peddlers following their calling with the police as guards. Thirty-six policemen were assigned to protect the witnesses.

On September 30, Crowe held a conference with the fourteen witnesses for the state. At the conclusion he said, "If we can find a jury willing to do its duty, I feel confident that the state will be able to present a case which should make Lewis the first customer for the electric chair."⁶ The selection of the jury started on October 6. By November 3, after fourteen hundred had been called and 758 veniremen had passed through the box, a jury was finally selected which "had no conscientious scruples against the death penalty and which had not been influenced by the newspaper accounts of the killing."

¹ *Tribune*, September 28, 1927.

² *Herald and Examiner*, September 28, 1927.

³ *Herald and Examiner*, September 28, 1927.

⁴ *Herald and Examiner*, September 29, 1927.

⁵ *Journal*, September 29, 1927.

⁶ *Tribune*, October 1, 1927.

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Events ran smoothly for the first few days of the trial, and it was not until Benjamin Katz was confronted with questions read from a typewritten sheet in the hands of Attorney Short that Crowe called Captain Pilkington of the Marquette station and demanded to know how certain statements made to police by state witnesses on the day of the killing got into the hands of attorneys for the defense. This coup on the part of the defense left an impression on the jury and was probably one of the reasons for the "not guilty" verdict. It explained why every witness had practically the same story to tell. The same treatment befell Max Lurye when Attorney Short confronted him with statements made at the time of the killing. In answer to Crowe's objections Attorney Short retorted:

"What's all the shooting for? We have copies of all the statements made by the state's witnesses in this case and we will use them to show that they have changed their stories of the shooting to fit the state's theory in this case."¹

On November 14, Lewis took the witness chair and began to relate his side of the story. When he told of being attacked by the junkmen and of being beaten over the head, he passed before the jury and allowed them to feel the bump on his head caused by blows. At another time he rolled up his trousers to show the jury his burned leg. Lewis hinted that Newman, one of the state's star witnesses, was the one who really fired the fatal shot, for it was he who, revolver in hand, had fired several shots at Lewis and his group. Lewis also added that he had served three years for a Missouri robbery, although by the time he so informed the jury, that body was already well aware of the fact.

In their final appeals to the jury, Assistant State's Attorney Harold Levy painted a picture of a vicious and ruthless ex-convict who killed in cold blood and pleaded for the jury to give Lewis the same consideration that the latter gave Braverman. The defense pictured Lewis as a poor man who had made one mistake but who had since then devoted his life to the service of others. Short pointed to the fact that the state's witnesses were junk peddlers as a reason for disbelief in their stories, saying:

"A jury of women would acquit Lewis before convicting him on the testimony of junk men. Your wives have had occasion to have dealings with peddlers. They know how much their word is to be accepted. Their business is founded upon falsehood. These witnesses have changed their stories three times."²

After being out six and one-half hours, five and one-half of which were spent in convincing a lone juror to change his mind, the jury handed in its verdict of "not guilty." Three ballots were cast. Various statements were attributed to the jury, nearly all of which tended to show that the state had built up a case which did not look reasonable in the eyes of the jury. They scored Crowe for refusing to submit the original statements made by the peddlers after the killing.

¹ *Herald and Examiner*, November 9, 1927.

² *Tribune*, November 18, 1927.

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The acquittal of Lefty Lewis called forth different reactions in the three groups affected. Among the peddlers and their friends in the immigrant community arose the feeling that American justice is weaker than the force of violence. The gunmen and gangsters were confirmed in their belief in their own immunity to punishment. The public at large, dazed and confused at the outcome, began to realize the power and ramifications of organized crime.

In “racketeering,” the gunman and the ex-convict have seized control of business associations and have organized mushroom labor unions and have maintained or raised price and wage standards by violence, and have exploited these organizations for personal profit. The rule of violence now controls scores of business fields, according to Mr. Walter G. Walker, formerly of the state’s attorney’s office.

This entrance of the gangster and gunman into the field of business and industry in Chicago seems to be due to two factors:

1. *A situation of cutthroat competition among small business enterprises.* Agreement to control competition under any conditions is difficult and particularly when these agreements are in violation of the law. Where a line of action is outlawed, whether the manufacture and sale of alcoholics, or gambling, or trade and price agreements, a situation is created favorable for the entrance of the gangster, on invitation or upon his own initiative.

2. *A tradition of lawlessness and violence in Chicago.* The gunman and the gangster with their tactics of intimidation and punishment were available to carry out “strong arm” methods, free from serious interference by the law enforcing agencies.

This survey of “racketeering” in Chicago discloses the extent and degree of the breakdown of our local governmental machinery. The police, the state’s attorney’s office and the courts are now failing to maintain law and order in the fields of labor and business, as they have failed to repress the outlawed activities of vice, gambling, bootlegging and robbery. The gunman and gangster are, at the present time, actually in control of the destinies of over ninety necessary economic activities. Al Capone, overlord of organized crime in the Chicago region, now a stockholder in a business enterprise, insures it “the best protection in the world.”