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ORGANIZED CRIME IN THE UNITED STATES:  
A REVIEW OF THE PUBLIC RECORD

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Prepared for

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If we do not on a national  
scale attack organized  
criminals..., they will  
destroy us.

Robert F. Kennedy  
The Enemy Within  
(Popular Library ed., 1960, p. 253)

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G.R.B.  
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William D. Falcon  
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## ABSTRACT

Based on public-record sources, this publication reviews organized crime from its beginning in the United States to 1981. The first of the eight chapters focuses on La Cosa Nostra by highlighting key events experienced or triggered by its members--events that provide insight into significant developments that occurred within or between organized crime families from their inception to about 1970. The balance of the publication extends the review of organized crime (La Cosa Nostra and other criminal groups) to 1981 by examining major activities of criminal organizations: violence, corruption, narcotics trafficking, gambling, loansharking, theft and fencing, and incursions into the legitimate economy (businesses and unions).

## PREFACE

Reviewing the characteristics, events, and activities associated with organized crime from its initial public manifestation in the United States in 1890 to 1981, this publication is based on the public record, with emphasis on such sources as congressional hearings, Federal reports, and books by those who are recognized authorities on La Cosa Nostra and the other criminal groups comprising organized crime.

For the purpose of this publication, organized crime is regarded as an ongoing criminal conspiracy or conspiracies intended to continue over the long term and involving a structured group or set of interacting groups. This working description not only includes "traditional organized crime"--La Cosa Nostra or Mafia--but also such other groups as motorcycle gangs, Mexican Mafia, Israeli Mafia, La Nuestra Familia, Black Mafia, Dixie Mafia, and certain Colombian- and Cuban-dominated criminal organizations.

The review is descriptive, not evaluative. It focuses principally on organized crime, only secondarily on law enforcement. It does not undertake to offer suggestions for changes in public policy.

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## SUMMARY

### INTRODUCTION

For the purpose of this publication, organized crime is regarded as an ongoing criminal conspiracy or conspiracies intended to continue over the long term and involving a relatively structured group or set of interacting groups. This working description not only includes "traditional organized crime"--La Cosa Nostra or Mafia--but also such other groups as motorcycle gangs, Mexican Mafia, Israeli Mafia, La Nuestra Familia, Black Mafia, Dixie Mafia, and certain Colombian- and Cuban-dominated criminal organizations.

What follows is divided into eight sections. The first focuses on La Cosa Nostra and highlights key events experienced or triggered by its members --events that provide insight into significant developments that occurred within or between organized crime families from their inception to about 1970.

The remaining seven sections extend the review of organized crime (La Cosa Nostra as well as other criminal groups) to the 1980-81 period by highlighting major activities of criminal organizations: violence, corruption, narcotics, gambling, loansharking, theft and fencing, and incursions into the legitimate economy.

### ORGANIZED CRIME IN PERSPECTIVE

The term "Mafia" has been traced back to 13th century Sicily. In 1874, the London Times referred to atrocities committed by a secret society "called the Sicilian Mafia." Whatever the genesis of the name or the organization, the Mafia attracted considerable attention in the United States in the latter part of 19th century, particularly in New Orleans, where, in 1890, Mafia members were involved in the assassination of the city's police chief.

That there existed a national crime syndicate prior to Prohibition may be doubted. But substantial evidence exists outside of New Orleans that there were various independent Mafia groups in a number of major American cities.

The current structure of today's Mafia developed as an outgrowth of a conflict--the Castellammarese War--between two rival organized crime families in New York City, families headed by Maranzano and Masseria. After the murder of the latter in 1931, Maranzano imposed on Mafia factions the family structure still in existence today: boss, underboss, lieutenants, and soldiers.

Maranzano designated himself as boss of all bosses. However, a few months later, in September 1931, Maranzano himself was murdered, whereupon Charles Luciano established a commission of bosses, intended as the final arbiter of disputes, which converted the old families of the Mafia into a confederation, the national syndicate of organized crime, eventually known as La Cosa Nostra.

Thanks to the huge profits amassed from the sale of illicit liquor during Prohibition years, gangs that operated around the turn of the century had enough money to convert themselves into criminal groups vastly improved in organization and efficiency. However, by the mid-1930s, the Italians

in many areas of the nation had gained some semblance of dominance, although rarely a monopoly of organized crime activities.

In 1931, the Wickersham Commission recognized the potential menace of organized crime and alerted the nation. However, little official attention at the national level was paid to organized crime until 1950, when Attorney General J. Howard McGrath convened the Conference on Organized Crime.

The Conference helped develop a national awareness of organized crime and advocated a Senate investigation of organized crime, which subsequently was conducted under the sponsorship of Senator Estes Kefauver during the 1950-51 period. Hearings held by Senator Kefauver's committee documented a number of activities and traits associated with organized crime: gambling, narcotics, infiltration of legitimate business, corruption, and violence.

The November 1957 meeting of major Cosa Nostra crime figures in Apalachin, New York, rekindled the public's interest in organized crime and created a demand for a force to deal with the problem. Exposure of the meeting highlighted the presence of organized crime to such a degree that a committee chaired by Senator John L. McClellan turned its attention away from the Teamsters union and began hearings on organized crime--its structure and membership. Hearings were conducted in 1958, 1963, and 1964. They documented the existence of a national syndicate, including its commission, and many of its activities, such as gambling, vice, and operation of various businesses.

The committee also investigated organized crime's exploitation of organized labor, particularly the link between major crime figures and the Teamsters union. Subsequently, law enforcement intelligence revealed highly unsound loans by the Teamsters Central States Pension Fund, particularly to Las Vegas casinos in which organized crime had an interest.

Between 1959 and 1965, the FBI gathered valuable intelligence data through extensive electronic surveillance of major crime figures. The national scope of organized crime was fully documented, including the commission, family structure, and membership. In 1963, estimates placed La Cosa Nostra's membership at between 4,000 and 5,000, spread among 24 families.

During the Kennedy Administration, the Federal drive against organized crime was in high gear and produced significant results. However, following President Kennedy's assassination, the drive faltered. It began to regain momentum in the late 1960s, thanks in part to the recommendations issued by a task force of the President's Commission on Law Enforcement and Administration of Justice, created by President Johnson in 1965.

#### ORGANIZED CRIME AND VIOLENCE

Essentially, violence is not pursued for its own sake; it is not a "service" for hire. Rather, organized crime uses violence as a tool, or means, to achieve specific objectives.

Violence, or the threat of violence, is the muscle that is used to assure and enhance the profits of various enterprises, whether legitimate or illicit. Violence helps maintain order, discipline, and security within the criminal group. Organized crime also engages in violent acts to defend itself against

those who would encroach upon its territory or enterprises, to expand its turf, and to take over positions of leadership within a given criminal group.

Even when used on a highly controlled and selective basis, violence gives organized crime enormous leverage over those it seeks to exploit.

Violence is used not only by La Cosa Nostra but also by black and other ethnic criminal organizations, as well as by such emerging organized crime groups as motorcycle gangs, drug traffickers (e.g., Colombian organizations), Dixie Mafia, Israeli Mafia, Mexican Mafia, La Nuestra Familia, Tongs, and the Yakusa (Hawaii).

#### ORGANIZED CRIME AND CORRUPTION

Though no one knows whether official corruption is increasing, it is essential to the survival of organized crime, which invests heavily in the cultivation of political friendships and favors in order to influence, evade, or nullify the processes of government. To ignore official corruption is to ignore organized crime.

A prime target of organized crime's efforts to corrupt is the criminal justice system. The discretion accorded to prosecutors and judges makes them favorite targets of those seeking favors through corruption. And corruption among investigative agencies has been a serious problem for many years.

Unfortunately no agency--local, state, or Federal--is immune from corruption; not even the FBI has avoided it. Official corruption not only entails economic costs but also engenders frustration and distrust among a public for whom government loses its credibility.

A wide range of methods have been used to combat corruption. At the Federal level, the Department of Justice is the focus of efforts to identify and prosecute those who corrupt and who are corrupted. At the state and local levels, however, agencies often lack the investigative tools and personnel necessary to develop corruption cases; in addition, most state and local authorities have been so preoccupied with fighting street crime that corruption investigations have taken a back seat.

#### ORGANIZED CRIME AND NARCOTICS

The composition of organized crime in the drug area varies from year to year, place to place, and drug to drug. Different as the many groups are, they are also similar. In most cases, they are sophisticated syndicates with a corporate-like structure, involving financiers, bankers and banks, lawyers, logistics experts, exporters, importers, wholesalers and retailers.

Regarding heroin, La Cosa Nostra (LCN) is thought to have controlled 95 percent of the heroin traffic in 1965. During the late 1960s and early 1970s, LCN involvement decreased, primarily because of the collapse of Turkish-French heroin in 1972 and the continued convictions of important LCN members.

By 1980, heroin trafficking had become divided among numerous organizations, which received most of the drug from the Golden Crescent nations of Afghanistan, Pakistan, and Iran. Those nations replaced Southeast Asia

and Mexico as principal suppliers. Before that (1972), French Connection heroin comprised 75 percent to 80 percent of the market.

When LCN lost control of heroin trafficking after the collapse of the French Connection, South Florida Cubans and blacks moved into trafficking. Mexican heroin-smuggling organizations included the Herrera family and the Mexican Mafia, a group operating primarily out of the California state prison system. In New York City, heroin trafficking shifted to blacks and Hispanics.

As the top income producer among illicit drugs in 1980, cocaine trafficking is not monopolized by any one ethnic group. But Mafia-type organized crime involvement is surfacing, in both smuggling and distribution. Even so, independents, some operating on a large scale, have a substantial impact on the cocaine trade, particularly below the importer level.

Since the mid-1970s, Colombian organized crime groups have been increasingly successful in taking over a major share of the domestic cocaine traffic in the United States and remain the dominant force. According to estimates by U.S. authorities, between 60 and 80 Colombian criminal organizations were involved in cocaine trafficking in 1975; of these, 14 to 25 Mafia-style Colombian organizations predominate.

Despite the rise of the Colombians, Cuban groups are still heavily involved in U.S. cocaine distribution, especially in South Florida and New York City. Mexican criminal organizations also play a significant role in cocaine trafficking, including La Nuestra Familia and the Mexican Mafia, which operate in the West and Southwest.

Since the 1960s, LCN has acted in concert with Latin organizations that have been actively involved in the cocaine trade. In addition, LCN apparently has taken over some existing cocaine distribution outfits in the U.S. and has bought its way into the market in some areas by purchasing large quantities of cocaine and driving out independents.

Organized crime involvement in marijuana traffic is mixed. Though independents are heavily involved in marijuana smuggling from South America (especially Colombia), the bulk of the smuggling is directed by traffickers in South America and the U.S. who belong to sophisticated criminal organizations.

Evidence indicates that organized crime became involved in marijuana trafficking as early as the 1970s, when established Mexican and Mexican-American criminal organizations accounted for over 50 percent of U.S. supplies. However, from 1976 to 1978, Colombian organizations were the principal traffickers. They contracted with important organizations within the U.S. to deliver specified quantities of marijuana. These stateside groups are primarily Cuban, American, and Colombian.

LCN involvement in the marijuana trade appears more extensive than in cocaine trafficking. The Lucchese, Colombo, Bonanno, and Genovese families have all been identified as participating in the marijuana trade.

Foremost among criminal groups distributing dangerous drugs--stimulants, depressants, and hallucinogens--are motorcycle gangs, such as the Hell's

Angels, Bandidos, Outlaws, and Pagans. Although little proof exists of traditional organized crime involvement in dangerous drugs, some families do appear to be cooperating with motorcycle gangs.

#### ORGANIZED CRIME AND GAMBLING

Estimates of the gross volume of illegal gambling vary widely--from between \$29 billion and \$39 billion, according to a 1974 Justice Department estimate, to \$5 billion (netting \$1 billion), according to a 1976 study for the National Gambling Commission. Whatever the gross (the lower estimate appears the more accurate), unlawful gambling cannot operate on a large scale in a community without cooperation from some segments of the government.

That Mafia-type organized crime figures exert monopoly control over illegal gambling operations is not supported by the facts. The extent of syndication of various forms of gambling varies dramatically from place to place and from one type of gambling to another.

In 1974, the Justice Department estimated regional control of gambling by LCN to be as follows: Far West, 29 percent; Midwest, 41.4 percent; Northeast, 53.2 percent; and Southwest, 2 percent.

Bookmaking, numbers game, gambling machines, lotteries, and casino operations are the major sources of illicit gambling in the U.S. By far the biggest money maker of all, bookmaking grosses an estimated \$3.7 billion per year. In second place is the numbers game, grossing \$1 billion annually. Gambling machines gross about \$400 million yearly; lotteries, \$200 million; casinos, \$110 million.

#### LOANSHARKING

Loansharking has been and remains a principal form of organized crime in the U.S. Considered one of organized crime's most profitable enterprises, loansharking generates loans estimated at \$6.5 billion annually.

Since 1935, the loansharking activities have expanded substantially. They thrive in New York City and have undergone rapid growth elsewhere.

LCN controls a substantial portion of organized loansharking, which is incredibly profitable, requires comparatively little manpower, and generates enough money to invest in other rackets (as well as being a profitable outlet for money obtained in other ways), is a springboard into legitimate business, and is a relatively secure racket.

Principal borrowers from loan sharks are drug addicts, gamblers, lower class urban workers, small businessmen, and underworld clients--all of whom often have an urgent need for funds and frequently cannot obtain legitimate loans. Failure to make scheduled payments to loan sharks in a timely manner results in the imposition of extreme financial penalties and almost always elicits violence or threats thereof.

If a businessman is unable to repay a loan shark, the latter often takes over the borrower's company. Similarly, politicians who default may be forced to engage in corrupt activities by loan sharks.

A loan shark obtains financing from other loan sharks (further up the organizational ladder), his own profits (from loansharking or other activities), or a bank. Interest rates, or vigorish, charged by loan sharks may vary from 1 percent to 150 percent per week, which generally means that borrowers are unable to reduce the principal significantly for a substantial period.

Though many laws may be invoked in order to prosecute loan sharks, victims rarely report the crime. In addition, corruption is used to protect loansharking activity. Finally, the simplicity of running loansharking operations and the seemingly endless supply of capital assure that both the manpower and funds are available to replace loan sharks who are successfully prosecuted.

#### THEFT AND FENCING

Most stolen goods are redistributed through fencing operations. Organized crime involvement in theft and fencing has expanded in order to supply the demand by consumers and businesses for stolen goods.

Critical to organized crime's success in this area is its ability--often through extortion and bribery--to get key personnel to cooperate. Thieves cooperate by stealing and delivering, businesses by accepting goods known to be stolen, the police by ignoring violations, and public officials by stifling attempts at control, and all conspirators by remaining silent.

LCN families in such cities as Chicago, Philadelphia, Pittsburg, Buffalo, and New York are involved in theft and fencing operations. Black groups and motorcycle gangs are active in theft and fencing also.

The bulk of LCN involvement is in the area of cargo theft. Two Government studies found that as much as 75 percent of all truck hijackings are engineered by syndicate members in areas of heavy organized crime activity. The studies concluded that the bulk, quantity, specialized nature, or other characteristics of the stolen goods represent solid evidence pointing toward fencing facilities, contacts, and know-how in a coordinated underworld.

Similar studies have focused on auto theft and have linked LCN to chop shops and associated fencing in both New York City and Chicago.

A number of different types of fences exist, ranging from the neighborhood fence (who is supplied by local thieves) to the outlet fence (a business primarily marketing legitimate goods but also, knowingly or unknowingly, serving as an outlet for stolen merchandise) to the master fence (who operates as a broker and rarely, if ever, sees or touches the merchandise, which can amount to hundreds of thousands of dollars per deal).

Despite the use of a variety of investigative methods, law enforcement has exerted little meaningful control over theft and fencing. This is due to numerous problems, including nonreporting or delayed reporting of thefts, difficulties in identifying stolen goods, and light sentences given to those who are convicted.

#### ORGANIZED CRIME AND THE LEGITIMATE ECONOMY

In 1967, the President's Commission on Law Enforcement and Administra-

tion of Justice found that organized crime used four principal methods to gain control over business concerns: investing illegal profits, accepting an interest in the business in payment for gambling debts, foreclosing on usurious loans, and using various forms of extortion.

Because organized crime is willing to resort to threats and violence and has large sources of illicit capital, competitors of its businesses can be effectively eliminated or prevented from growing. In addition, customers may be intimidated into patronizing firms controlled by organized crime.

The Department of Justice estimates that mob-connected individuals own more than 10,000 legitimate businesses nationwide, generating profits in excess of \$12 billion annually.

Among the business-related ventures of organized crime that have been highlighted in recent years are massage parlors and cigarette bootlegging.

Organized crime's involvement in the legitimate economy also includes infiltration of various unions. Such infiltration enables organized crime to prevent the unionization of some industries or firms and to make sweetheart contracts in others. In addition, organized crime has abused and stolen from union welfare and pension funds and has used union power as a means to extort by putting economic pressure on businesses.

The Justice Department suggests that about 300 of the 75,000 union locals are plagued with corruption. One-third of the convictions secured by the Federal prosecutors for labor racketeering during the 1973-1980 period involved four unions: the Laborers, Teamsters, Longshoremen, and Hotel Workers.

## CHAPTER 1

### ORGANIZED CRIME IN PERSPECTIVE

This chapter focuses on what some characterize as traditional organized crime, generally referred to as the Mafia or La Cosa Nostra (other groups engaged in organized criminal activity are mentioned elsewhere in this publication). More specifically, this chapter seeks to highlight key events experienced or triggered by members of La Cosa Nostra--events that provide insight into significant developments that occurred within or between organized crime families from their inception to about 1970.

One such event was the 1957 meeting of major crime figures in a small town in New York State, a meeting that rekindled the public's interest in organized crime and created a demand for a force to deal with the problem.

#### THE APALACHIN MEETING

November 14, 1957 was a typical fall day in Apalachin, New York, a small town near Binghamton in Broome County.<sup>1</sup> For some time, Sergeant Edgar D. Croswell of the New York State Police had kept his eye on the 130-acre estate of Joseph Barbara, Sr., on McFall Road, a 15-foot-wide dirt road that ran from old Route 17 to Apalachin Creek, beyond Barbara's \$150,000 home.

Croswell knew that Barbara, who owned a local Canada Dry distributorship, had been mixed up in bootlegging, associated with gamblers, and was suspected of involvement in several gangland slayings. In 1956, he had met at the Arlington Hotel in Binghamton with a number of known gangsters, including Carmine Galente, John Bonventre, and Joseph Bonanno. Barbara, in short, was thought to be the "man behind all of the rackets in Broome County," as Croswell would later testify.

On November 13, 1957, Croswell and a fellow trooper noticed suspicious out-of-state cars parked at the Parkway Motel in Vestal, which is near Apalachin. Upon inquiry, they learned that Joseph Barbara, Jr., had reserved rooms at the motel for guests, some of whom had not registered, even though they were staying there. Croswell alerted the Alcohol and Tobacco Tax Division of the U.S. Treasury Department that the meeting might be like the one in 1956, which was thought to have concerned illicit alcohol. On November 14, Croswell, his partner, and two Alcohol and Tobacco Tax agents drove to the Barbara estate to

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<sup>1</sup>The principal sources on which this section is based are as follows: (1) F. Cook, Mafia (New York: Fawcett, 1973); (2) United States v. Russell A. Bufalino, 2nd Cir., Brief for the United States (June 1960); (3) United States v. Bufalino, 285F. 2d 408 (1960).

check it out, arriving there around 12:40 p.m.

They drove into a parking area, planning to take the license numbers of the few parked cars they expected to find. Instead, they found 8 to 10 cars in the lot and another 20 to 25 over near a barn. As the officers backed out of the parking area, eight to ten men came from behind the garage. They were, Croswell said, sharply dressed in dark clothing, like "men in the rackets wear"; they looked like "hoodlums."

The officers decided to set up a check point on old Route 17 near its junction with McFall Road, a point that any car leaving the estate would have to pass to reach the highway. From this vantage point, the officers could see the gathering begin to break up about 1:20 p.m. A number of men fled into the woods. Some left by car. The first car to be stopped, with five persons in it, arrived at the check point at 1:25p.m. The driver was Russell Bufalino of Pittston, Pennsylvania, whom Croswell recognized as having been arrested for receiving stolen property. A passenger was Vito Genovese of New Jersey, who, Croswell knew, had "an extensive criminal background." Croswell asked Genovese: "What are you doing in this area?" "I don't think I have to answer your question, do I?" Genovese replied. "No," Croswell answered. The car was permitted to pass on. Between 1:20 and 2:30, 25 persons were counted at the check point, while others were stopped in the woods or along other roads.

In all, 59 men were identified as having been at the Barbara residence. Collectively, they had more than \$300,000 cash on them. From New York City, they included Joseph Bonanno, Joseph Magliocco, Carlo Gambino, Carmine Lombardozi, Joseph Profaci, and John Bonventre; from Niagara Falls, Anthony Magaddino; from New Jersey, in addition to Genovese, Gerardo Catena, Joseph Ida, and Frank Majuri; from California, Frank DeSimone; from Texas, Joseph Civello; and from Havana, Cuba, Santo Trafficante, Jr.

Investigations were immediately launched to determine the purpose of the meeting--by the FBI, the Internal Revenue Service, the Immigration and Naturalization Service, the Alcohol and Tobacco Tax Division, Federal and state grand juries, the New York, Los Angeles, and Dallas police departments, and committees of both the New York Senate and United States Senate. There were no less than 133 examinations of the Apalachin attendees, including 27 instances before Federal grand juries and 29 by the FBI. But most of those questioned, like Genovese, said nothing. Of those who said anything, most claimed they were there to visit "a sick friend."

Not one of them would admit it was anything more than a chance meeting--pure coincidence that so many of them had got together at one time. The government, of course, did not believe it was a chance event for a number of reasons, not the least of which was the order Joseph Barbara, Sr., had placed on November 5, 1957, with Armour and Company of Binghamton for 207 pounds of steak, 20 pounds of veal cutlets, and 15 pounds of luncheon meats.

A Federal grand jury indicted 27 of the attendees for conspiracy to obstruct justice and perjury. After an eight-week trial, the jury agreed and on January 13, 1960, a verdict of guilty was entered by the Honorable Irving R. Kaufman, United States District Judge for Manhattan.

The jury's verdict was not, however, upheld on appeal. The evidence of

conspiracy, the Second Circuit held, was insufficient. Noting that there were "suspicions...that [the Apalachin meeting] was...of underworld overlords and their vassals, commonly credited with being members of the Mafia," the court observed that it was "surely a matter of public concern that more [was] not known of the purposes of the meeting," but its judgment had to rest on the evidence, and it was lacking. Judge Charles Clark concurred, adding that "the most curious feature" of the case was "that after all these years there [was] ...not a shred of legal evidence that the Apalachin gathering was illegal or even improper either in purpose or fact."

The court's judgment epitomized an attitude that was a source of great frustration for law enforcement. Apalachin had occurred. Common sense told all but the agenda of the meeting. Yet even with the power to grant immunity, the government could not break the wall of silence or prevent perjury from being committed. Several attendees even spent months in jail for civil contempt for not talking or for giving evasive testimony when they did talk. The significance of Apalachin lay in the ample circumstantial evidence that the participants had gathered for sinister purposes, though the specific purposes could not be ascertained at that time.

#### AMERICAN ROOTS OF ORGANIZED CRIME

The roots of organized crime run deep in American history and culture,<sup>2</sup> and manifested themselves well before Apalachin. The early pirates were among the first Americans to engage in organized crime. The revolutionary period, too, produced its smugglers, many of whom--such as John Hancock--are now counted among the Founding Fathers.

The 19th century also produced a variety of violent gangs: the city mobs of New York and San Francisco arising out of ethnic friction, poverty, and the crude politics of the early metropolises; the highwaymen and slave snatchers of the old West; the river and port pirates, such as Jean Lafitte, a hero of the War of 1812. The end of the century produced its frontier gangs, who were either mercenaries or parties to the struggle over land, cattle, mining and timber properties. The aftermath of the Civil War saw a variety of gangs, which, since they were usually held together by the force of a strong personality, dissipated upon the leader's death: the James boys, the Daltons, and the Youngers.

The late 19th and early 20th centuries saw the rise of the great citywide gang combinations, usually in alliance with the nouveaux riches and the nouveaux politiques. The first gangs of the Little Old New York area were Irish, and a pseudo-scientific study in 1881 concluded that the Irish were criminal by nature: even though they were a minority of the population, they made up a majority of the prison inmates.<sup>3</sup> But by the turn of the century in New York,

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<sup>2</sup>See generally Tyler, "An Interdisciplinary Attack on Organized Crime," Annals of the American Academy of Political and Social Science, Vol. 347 (1963), pp. 104, 107-109; Tyler, "The Roots of Organized Crime," Crime and Delinquency, Vol. 8 (1962), pp. 325-338.

<sup>3</sup>G. Tyler, Organized Crime in America (Ann Arbor: University of Michigan Press, 1962), p. 91.

the Jewish gangster had come into his own. New York's Police Commissioner, Theodore Bingham, noted that even though Jews comprised only 25 percent of the population, they committed 50 percent of the crimes.<sup>4</sup>

But, by the middle of the 1930s, the Italians in many areas of the nation, especially in the Northeast and Midwest, had gained some semblance of dominance,<sup>5</sup> although rarely a monopoly of organized crime activities.

#### ORIGINS OF THE MAFIA

While there is a wealth of accurate information in the public domain on La Cosa Nostra as of the early 1960s, there is no corresponding accurate source for the origin and early development of the national syndicate. The term "mafia" itself has been traced back to the 13th century, and there are various theories about its origin.

According to Vizzini's La Mafia, published in 1880, during a revolt in Sicily in 1860 against the Bourbons, Giuseppe Mazzini coined the term as a name for a secret society he established from the initials of its motto: "Mazzini autorizza furti, incendi, avvelenamenti (Mazzini authorizes thefts, arson and poisonings)." The facts of Mazzini's life have to be determined with caution, since his enemies spread vicious stories about him. It appears certain, however, that he formed more than one secret society during Italy's revolutionary period. Their codes of conduct parallel one another, as well as those of successor societies, the Mafia and La Cosa Nostra.

In September 1874, The London Times reported that refugees from Sicily were pouring into Perugia, a university town in central Italy, in flight from the atrocities of a new Camorra, a secret society "called the Sicilian Maffia [sic]," which had a code of silence, and which "had its own set of laws,... [that] replaces legal authority." On November 2, 1874, The London Times reported that the government had, in its view, crushed the new organization, which called itself the "Honorable Society." Apparently, these were the first reports in an English language newspaper of the existence of the Mafia.

Whatever the genesis of the name--or the organization it described--the Mafia attracted considerable attention in the United States in the latter part of the 19th century, particularly in New Orleans, where on October 15, 1890, the assassination of a high public official was an early milestone in the development of public awareness of the Mafia as part of organized crime in America.

#### ASSASSINATION IN NEW ORLEANS

The Mafia family now operating in New Orleans can be traced back from Carlos Marcello, its current leader, to Sam Carolla, Charles Montranga, and to

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<sup>4</sup>Tyler, "Sociodynamics of Organized Crime," Journal of Public Law, Vol. 20 (1971), p. 51.

<sup>5</sup>President's Commission on Law Enforcement and Administration of Justice, Task Force Report on Organized Crime (Washington: Government Printing Office, 1967), p. 7.

Joseph Macheca, a target of Chief of Police David Hennessey, assassinated in 1890.

According to Chandler's account in Brothers in Blood,<sup>6</sup> Joseph P. Macheca's leadership of the New Orleans Sicilian community and Mafia was challenged by Ralph Ainello, a newly arrived immigrant from Palermo. Apparently, Ainello was a Mafia member, for he proceeded to organize a local chapter. Macheca had Ainello murdered by Frank Saccaro and took over Ainello's organization. Macheca stepped aside for Guiseppo Esposito, the Sicilian bandit, but he was back in power in 1881, after Esposito was arrested and deported.

In 1890, strife erupted within the organization between factions loyal to Joseph Provenzano and Charles Montranga over control of the New Orleans docks. The conflict came to a head not long after Dave Hennessey became Chief of Police. On April 6, 1890, some of Provenzano's men attacked a group of Montranga followers with shotguns. Hennessey had the attackers arrested. Surprisingly, the Montranga group swore out complaints, and despite an evident effort to fix the case, the Provenzano people were convicted. But the judge ordered a new trial.

While the case was still pending, Hennessey let it be known that he would "show up" Macheca and the Montrangas, whereupon Macheca observed to reporters: "Hennessey is investigating the Provenzano case the wrong way and he will answer for it."<sup>7</sup> It was, he said, "strictly an Italian affair."<sup>8</sup> Macheca then posted one of his men and a 14-year-old nephew in a wooden shanty a half-block from Hennessey's house. In early October, four others moved into the shanty. On October 15, two days before the second Provenzano trial was to start, the nephew, acting as a lookout, signaled Hennessey's approach. The others were ready with their sawed-off shotguns. Before he died from multiple wounds, Hennessey identified his assailants as Italians.

Indictments were returned against 19 Italians, including Macheca, in connection with the murder.<sup>9</sup> A trial of some of the defendants resulted in acquittals, amid charges of payoffs. Still jailed pending resolution of additional charges, the 19 were beseiged by an enraged mob on March 14, 1891. Of the 19, 11 were slain, the warden having released them so that they might hide.

The killings received widespread coverage in the nation's press and strained Washington's relations with Rome. Response to the incident reflected an antagonistic attitude toward immigrants in general and towards the Mafia in particular, although the criminal society had not yet received notoriety, except in very large cities like New York, New Orleans, and Chicago.

A New Orleans grand jury, empowered to investigate the killings, reached

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<sup>6</sup>D. Chandler, Brothers in Blood (New York: E. P. Dutton & Co., Inc., 1975), pp. 75-81.

<sup>7</sup>Ibid., p. 83.

<sup>8</sup>Ibid., p. 48.

<sup>9</sup>Kendall, "Who Killa de Chief," Louisiana Historical Quarterly, Vol. 512 (1939), p. 515.

this conclusion about the Mafia: "The extended range of our research has developed the existence of the secret organization styled 'Mafia.' The evidence comes from several sources "fully competent in themselves to attest its truth ....Officers of the Mafia and many of its members are not known. Among them are men born in this city of Italian origin....The larger number of the society is composed of Italians and Sicilians...[immigrants]."10

Amazingly, as Chandler noted, the 1891 killings had little effect on the Mafia in New Orleans.<sup>11</sup> Charles Montranga succeeded to Macheuca's leadership, and, except during Prohibition, when Irish gangs challenged the Mafia's dominance, the power was passed peacefully from generation to generation. Montranga remained as leader until 1922, when he was succeeded by Sam Carolla, who in turn was succeeded by Carlos Marcello. Montranga died on October 28, 1943, at age 86; his funeral was attended by executives of United Fruit and other large corporations that had been dependent on his good will.<sup>12</sup>

#### THE FOUNDATION OF THE NATIONAL SYNDICATE

That there was in existence a national crime syndicate prior to Prohibition may be doubted. Nevertheless, substantial evidence exists outside of New Orleans that there were various independent Mafia groups in a number of major American cities.

In 1903 Nicola Gentile, a native of Siciliana, Sicily, finding little opportunity in his native village, came to the United States as a youth of 18. After a career in organized crime, he returned to Sicily in 1937, having been charged with a narcotics violation in New Orleans, where he jumped bail. In the 1950s, following his retirement, he began writing a long, rambling memoir, Vita di Campmafia, which was published in Rome in 1963. Gentile wrote:

"All organizations are born with principles and humanitarian goals, but in their midst the opportunists are never missing and will try to make a profit ....[T]he Honored Society, or Mafia, as it is commonly called...[however] finds its [current] reasons for existence in force and in terror....It...was brought to America in the sections of the country where Sicilians, Calabrians and Neapolitans lived...With the passing of time in every [major?] city of America these associations were formed. In the city of New York and Brooklyn alone there were five...borgates or families...."<sup>13</sup>

A national syndicate was apparently formed in the years immediately before Gentile's return to Sicily. The eyewitness accounts of Gentile and Joseph Valachi, a mob informer, have been independently substantiated by the reminiscences of other insiders, recorded by FBI electronic surveillance.

In the 1920s, Giuseppe Masseria ruled a Mafia family in New York City

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<sup>10</sup>R. Gambino, Vendetta (1977), pp. 67-68, 139-140.

<sup>11</sup>Chandler, op. cit., p. 97.

<sup>12</sup>Ibid., p. 98.

<sup>13</sup>H. Messick and B. Goldblatt, The Mobs and the Mafia: The Illustrated History of Organized Crime (New York: Balantine Books, Inc., 1973), p. 9.

that numbered among its members three of the most familiar names in the annals of organized crime: Charles Luciano, Vito Genovese, Frank Costello. One of the reasons that the names were to become synonymous with crime itself was the part the three men played in a conflict between Masseria and Salvatore Maranzano, who arrived in New York in 1927 and promptly founded a Mafia family to rival Masseria's.<sup>14</sup> The conflict was called the Castellammarese War, since Maranzano and many of his followers were natives of the Sicilian town of Castellammare del Golfo.<sup>15</sup> Other Mafia groups from Chicago, as well as from New York, were also drawn into conflict.

By 1931, Luciano was a ranking lieutenant of Masseria, but the Castellammarese War was not going well (Maranzano had accomplished at least 60 successful ambushes), so Luciano decided to end it his own way. On April 15, 1931, Luciano arranged a "peace" meeting with Maranzano for Masseria at the Nuovo Villa Tamaro Restaurant, 2715 West 15th Street, Coney Island.<sup>16</sup> At least three other Masseria men, including Vito Genovese, who was loyal to Luciano, were there. After a leisurely meal, everyone but Luciano and Masseria left the restaurant, according to the reconstruction by police and crime reporters. Luciano suggested cards while they waited for Maranzano. They played until about 3:30 p.m., when Luciano got up, he told the police, "to go to the washroom." While he was gone, three men, identified by the underworld grapevine as Benjamin Siegel, Albert Anastasia, and Joe Adonis, entered the restaurant and fired some 20 shots, six of which hit Masseria in the back and head.<sup>17</sup>

According to Nicola Gentile, a friend of Maranzano, Vincent Troia, was called to Luciano's apartment that night. "Don Vincenzo," Luciano said, "tell your compare Maranzano that we have killed Masseria--not to serve him but for our own personal reasons....Tell him that within 24 hours he must give us an affirmative answer for a meeting...."<sup>18</sup> Luciano got his affirmative answer. The war had ended, but for Luciano, it was just the beginning.

Toward the end of April 1931, Maranzano held a five day celebration at a big hall on Washington Avenue in the Bronx. Valachi, who was there, remembered:

"Mr. Maranzano called a meeting....The place was packed. There was at least four or five hundred of us jammed in....I didn't know until later that he was a nut about Julius Caesar and even had a room in the house full of nothing but books about him. That's where he got the idea for the new organization....In the new set up he was going to be the Capo di tutti Capi, meaning the Boss of all Bosses. He said that from here on we were going to be divided up into new Families. Each Family would have a boss and an under-boss. Beneath them there would be lieutenants or caporegime. To us regular members

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<sup>14</sup>Chandler, op. cit., p. 136.

<sup>15</sup>R. Salerno and J. Tompkins, The Crime Confederation (Garden City, New York: Doubleday and Company, Inc., 1969), p. 87; D. Cressey, Theft of the Nation: The Structure and Operations of Organized Crime in America (New York: Harper and Row, 1969), pp. 36-49.

<sup>16</sup>P. Maas, The Valachi Papers (New York: Bantam Books, Inc., 1969), p. 104.

<sup>17</sup>Cook, op. cit., p. 80.

<sup>18</sup>Messick and Goldblatt, op. cit., p. 109.

which were soldiers, he said, 'You will each be assigned to a lieutenant. When you learn who he is you will meet all the other men in your crew.'<sup>19</sup>

According to Valachi, Maranzano discussed other rules.<sup>20</sup> No longer would there be a war--Sicilians, Neapolitans, and Calabrians would forget their differences. The organization would come first; chain of command would be respected; death was decreed for talking; no violation of a member's wife would be permitted; hearings would be held to decide disputes; and so on. Few of the ideas were original. They were the standard code of Italian and Sicilian secret societies, going back at least to "The Young Italy Society," which was founded in 1831 by Giuseppe Mazzini. The criminal syndicate became known as La Cosa Nostra, as Valachi later testified before the McClellan committee.

The organization Maranzano had formed in 1927 was divided into two families, one under Joseph Profaci, the other under Joseph Bonanno. Gaetano Gagliano headed another family, with Thomas Lucchese as underboss, and Charles Luciano headed the old Masseria family, with Vito Genovese as underboss. Control of the fifth family was awarded to Philip and Vincent Mangano.<sup>21</sup>

On September 10, 1931, at 3:50 p.m., while in his office, Maranzano was shot four times and stabbed six times by four unidentified men posing as police officers. Valachi was later told that the killers were Meyer Lansky's men acting on Luciano's behalf. The Maranzano murder may not have been an isolated event. Apparently, Luciano had been planning a purge of the old line leaders of the Mafia across the country, although Humbert S. Nelli, the historian, has suggested, probably correctly, that the murders were largely restricted to New York.<sup>22</sup>

Instead of a boss of all bosses, Luciano established a commission of bosses, which made the old families of the Mafia into a new organization, the national syndicate of organized crime. Valachi was asked to go to Chicago, where a "peace conference" was to be held, "to testify against Maranzano" (the killing of a boss had to be justified), but he declined.<sup>23</sup> According to Gentile, who was there, the commission formed in Chicago consisted of Luciano, Profaci, Bonanno, Gagliano and Vincent Mangano of New York, Capone of Chicago, and Frank Milano of Cleveland.<sup>24</sup> Little by little, the other Mafia families soon recognized the new setup and associated themselves with it.

While political influence was important, Luciano was also busy strengthening alliances in his own group and sorting out territorial arrangements.<sup>25</sup> "Dixie" Davis, a corrupt lawyer who represented Arthur "Dutch Schultz" Flegenheimer, described the new order of the underworld in a series of articles

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<sup>19</sup>Maas, *op. cit.*, pp. 105-106.

<sup>20</sup>*Ibid.*, p. 107.

<sup>21</sup>*Ibid.*

<sup>22</sup>H. Nelli, *The Business of Crime* (Fair Lawn, New Jersey: Oxford University Press, 1976), pp. 179-180.

<sup>23</sup>Maas, *op. cit.*, p. 121.

<sup>24</sup>Messick and Goldblatt, *op. cit.*, pp. 111-112.

<sup>25</sup>*Ibid.*, pp. 128-135.

for Colliers in 1939.<sup>26</sup> After noting the new "system of alliances," Davis wondered at the skill with which "the underworld" had been "drawn into cooperation on a national scale" by Luciano.

#### PASSAGE OF POWER: LUCIANO TO GENOVESE

Luciano made skillful use of an awesome squad of assassins called "Murder, Inc.," a name that was given to it in 1940 by a New York journalist, Harry Feeney.<sup>27</sup> Composed mostly of Jewish killers,<sup>28</sup> Murder, Inc., was organized in 1927 by Louis "Lepke" Buchalter, who was electrocuted in 1944. The services of Murder, Inc., however, were not for hire.<sup>29</sup> The work was done exclusively on retainer, and the Mafia was its exclusive client. As Burton B. Turkus, the district attorney who prosecuted the leaders of Murder, Inc., observed: "[A]ssassinations were ordered, contracted and performed...to sustain rackets."<sup>30</sup> Turkus made another point about organized crime investigation. "[T]here is," he said, "only one way organized crime can be cracked. Unless someone on the inside talks, you can investigate forever and get nowhere."<sup>31</sup>

Apparently, a major aspect of Luciano's operations was organized prostitution. Throughout Manhattan, the Bronx, Brooklyn, and Queens, he ran 200 houses and over 1,000 girls, all of which amounted to an annual gross of \$12 million.<sup>32</sup>

At first not wanting to get into the investigation of prostitution, Thomas E. Dewey, then a special prosecutor for New York County, saw a chance to make an unassailable case against Luciano.<sup>33</sup> The high point of the trial was Dewey's cross examination of Luciano, who, though he denied any connection with prostitution, could not explain the source of the income that supported his expensive life style. The court imposed a staggering sentence of 30 to 50 years imprisonment on a stunned, 38-year-old Luciano.

Luciano was sent first to Sing Sing and then to Clinton State Prison at Dannemora, in upstate New York, where he became inmate 92168 and went to work in the laundry. He did not come to public attention again until January 3, 1946, when Dewey, by then Governor of New York, forwarded an executive clemency message to the State Legislature, as required by the state constitution. The message recited Luciano's conviction, sentence, and prison record; it noted that Luciano was "deportable to Italy." The next to last paragraph of the message would have far-reaching repercussions: "Upon the entry of the United States into [World War II], Luciano's aid was sought by the Armed

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<sup>26</sup>J. Davis, "Things I couldn't Tell Till Now," Colliers, July 22, 29 and August 12, 19, 26, 1969.

<sup>27</sup>Chandler, op. cit., p. 164; Nelli, op. cit., p. 217.

<sup>28</sup>Ibid.

<sup>29</sup>B. Turkus and S. Feder, Murder, Inc. (New York: Manor Books, 1974), pp. 4-5.

<sup>30</sup>Ibid., p. 2.

<sup>31</sup>Ibid., p. xii.

<sup>32</sup>R. Campbell, The Luciano Project (New York: McGraw-Hill Book Company, 1977), p. 77.

<sup>33</sup>Ibid., p. 79.

Services in inducing others to provide information concerning possible enemy attack. It appears that he cooperated in such effort, although the actual value of the information procured is not clear."<sup>34</sup>

Luciano was paroled and released into the custody of the Immigration and Naturalization Service for deportation. On Sunday, February 10, 1946, Luciano set sail for Italy, never to return to America again.

(During World War II, the Navy, which was fearful of sabotage and espionage along New York's sprawling waterfront, decided to seek Luciano's assistance. Luciano agreed to help through his organized crime network by gathering intelligence and maintaining control of the docks. He also assisted in gathering intelligence and making contact with Mafia figures overseas in anticipation of the invasion of Sicily.)

Luciano settled in Naples. He died of an apparent heart attack at the Capodichono Airport near Naples on January 26, 1962.

Well before his death, Luciano, in November 1946, made a surprise appearance in Havana and placed calls to New York, Chicago, Detroit, and New Orleans to announce an important meeting.<sup>35</sup> All the top Mafia figures came: Genovese, Costello, Anastasia, Accardo, Marcello, even Lansky, a power thought not really a member.<sup>36</sup> It was the occasion for Luciano to pass the power to Genovese.

#### THE GENOVESE YEARS

Vito Genovese was born in Rosiglino, near Naples, on November 21, 1897, and came to the United States with his parents at the age of 15, settling in the Borough of Queens, where his father established a small contracting business. He soon became too much for his family to handle (his first arrest, at age 20, was for carrying a gun, for which he spent 60 days in jail), so he was sent to live with relatives on Mulberry Street in the heart of Little Italy on Manhattan's Lower East Side, where he met Luciano and a number of young toughs with whom he would associate during a career in crime. Gradually, Genovese moved out of petty crime into the rackets. He was involved with Luciano in prostitution; he had a hand in the Italian lottery; and by the middle of the 1920s, he was a rising figure in organized crime. Genovese fled to Italy in 1937 to stay beyond reach of a murder investigation. He returned in 1945.

According to Valachi, Genovese was angry that others, while he was in Italy, had been allowed "to sew up everything."<sup>37</sup> It would take time, but Genovese was determined to take action against a number of his associates, including Costello, in an effort to enhance his position.

On May 2, 1957, Costello, free on bail pending an appeal of a tax evasion

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<sup>34</sup>Ibid., p. 1.

<sup>35</sup>Maas, op. cit., p. 216.

<sup>36</sup>Cook, op. cit., p. 157.

<sup>37</sup>Maas, op. cit., p. 217.

conviction, was shot in the head by Vincent Gigante, who had been given the contract on Costello by Genovese, according to Valachi.<sup>38</sup> Costello survived. However, he refused to testify against Gigante, who was acquitted. But Costello took the hint and let it be known that he was retiring from the rackets. The final ruling on his tax case was handed down in October 1958; it went against Costello. He returned to prison and was not released until June 1961. He died in 1973, victim of a coronary.

As explanation for the assault on Costello to the rest of the underworld, Genovese let it be known that Costello had been talking to the government, a rationale that Albert Anastasia, for one, did not accept.<sup>39</sup> No one was safe, Anastasia argued, if Genovese could order Costello's execution without the prior approval of the national commission.<sup>40</sup> Anastasia's fears were well-founded.

On the morning of October 25, 1957, Anastasia, accompanied by two bodyguards, strolled into the barber shop of the Park-Sheraton Hotel at Seventh Avenue and 56th Street in Manhattan. He seated himself in chair number four, loosened his tie, and closed his eyes for the last time. As his barber covered his face with a hot towel, the bodyguards disappeared and two other men walked in from the hotel lobby, strode up behind chair number four, and fired .32 and .38 caliber bullets into Anastasia's head and body, literally blasting him out of the chair. The high executioner of Murder, Inc. had himself been executed.

All versions of the murder were in agreement that Genovese was ultimately responsible for Anastasia's death. One version is that the killing was the result of a Genovese-Gambino conspiracy, the contract being awarded to Joseph Gallo.

The motivation could have been read as a simple thirst for power, but the involvement of other major figures--Patriarca and, apparently, Santo Trafficante, Jr.--indicated that the murder of Anastasia had the support of others within the organization and was rooted in reasons that went beyond the personal ambitions of Genovese and Gambino. Those reasons would be learned, however, if for no other reason than Genovese would be called on to justify to the heads of the other Mafia families the killing of Anastasia. Anastasia's complaint, after all, was more pertinent than ever: no one was safe unless Genovese was required to follow proper procedure.

According to Robert Kennedy, when he testified before the McClellan committee in September 1963, the principal purpose of the Apalachin meeting in November 1957 was to permit Genovese to explain to the other leaders of La Cosa Nostra the assault on Costello and the murder of Anastasia.<sup>41</sup>

Valachi said that Anastasia was killed because he had been selling Cosa

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<sup>38</sup>Ibid., pp. 253-255.

<sup>39</sup>L. Katz, Uncle Frank (New York: Pocket Books, Inc., 1975), p. 282.

<sup>40</sup>Ibid., p. 229.

<sup>41</sup>U.S. Congress, Senate, Organized Crime and Illicit Traffic in Narcotics, Hearings before the Permanent Subcommittee on Government Operations, 88th Cong., 1st Sess. (Washington: Government Printing Office, 1963), pp. 6-71.

Nostra memberships to unfit applicants for up to \$40,000, when the "books were open" in 1954, after having been closed since 1931. This hardly seemed sufficient to warrant an unauthorized execution of a family boss, however. Far more significant was Anastasia's attempt to move in on the gambling operations in Cuba, which belonged, in large measure, to Santo Trafficante, boss of Tampa's crime family. In fact, there apparently was a showdown meeting in Anastasia's suite at the Warwick Hotel on October 24, 1957. Trafficante, who was registered in the hotel as "B. Hill," checked out an hour or two after Anastasia was gunned down in the barber shop a few blocks away the next morning.<sup>42</sup> Even Anastasia must have realized that there was too much at stake in Havana for it to be given up without a fight.

The estimated value to Cuba of tourism associated with the high life of the casinos in 1958, the last year before the success of the revolution, was \$60 million. The ugly reality behind the creation of these casinos, and others just as lavish, was an important episode in the annals of organized crime.

On June 29, 1962, Angelo DeCarlo wistfully remembered for an FBI bug how it had been under Batista: "[T]he mob had a piece of every joint down there," he said. "There wasn't one joint they didn't have a piece of."<sup>43</sup> Knowing the value of legalized gambling to a government willing to exploit it, Batista had changed the Cuban laws to attract the gambling industry and to create for himself a lucrative source of illicit income.

New casino hotel complexes sprang up. Lansky built the Hotel Havana Riviera on the Malecon for \$14 million, at least \$6 million of which was provided by government-controlled banks; Dino and Eddie Cellini, both organized crime figures from Ohio, ran the casino. Most of the \$24 million for the 630 room, 30-story Havana Hilton came from pension and welfare funds of Cuba's Cooks and Bartenders Union. Beyond Havana, at Varo Daro Beach, the Hotel International was built. In addition, old casinos were taken over by organized crime figures. Jake Lansky, Meyer's brother, managed the gambling operations at the Hotel Nazionale whose principal owners were, in addition to Meyer Lansky, three syndicate gamblers from Cleveland, Morris Dalitz, Sam Tucker, and Thomas J. McGinty.<sup>44</sup>

Santo Trafficante, Jr., owned substantial interests in the San Souci, a nightclub and casino where fellow-racketeer John Roselli had a management role; the Hotel Capri, in which Charles Tourine of the Genovese family also had a share; the old Hotel Commodoro; and the spanking new Havana Hilton.<sup>45</sup>

Santo Trafficante, Jr., born in Tampa, Florida, on November 14, 1914, was the namesake of a Mafia leader who had come from Sicily in 1904 and was described by the Keiauver committee as "a reputed leader in Tampa for more than 20 years."<sup>46</sup>

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<sup>42</sup>Ibid., pp. 524-525.

<sup>43</sup>H. Zeiger, The Jersey Mob (New York: Signet Books, 1970), p. 71.

<sup>44</sup>H. Messick, Lansky (New York: Berkeley, 1971), pp. 196-197.

<sup>45</sup>Life, March 10, 1958, p. 36.

<sup>46</sup>Kefauver Committee Report on Organized Crime (New York: Didier Publishers, 1951), p. 45.

When Santo Trafficante, Sr., died on August 11, 1954, Santo, Jr., one of six sons, succeeded to the leadership of the Tampa organized crime family, whose principal activities were narcotics trafficking and gambling, both casino gambling and bolita, a Cuban version of numbers.<sup>47</sup>

Besides the Genovese-instigated assault on Costello and murder of Anastasia, the Apalachin agenda also included, apparently, a discussion of the continuing involvement of La Cosa Nostra in narcotics traffic.<sup>48</sup> According to Valachi, Frank Costello forbade members from engaging in it.<sup>49</sup> Between the Costello edict and the Apalachin meeting, Congress had also passed legislation to meet the narcotics problem. The Boggs Act of 1951 provided for mandatory penalties after a first conviction. The Boggs-Daniels Act of 1956 provided for stiff mandatory penalties for all narcotics convictions. This legislation was of great concern to La Cosa Nostra, and one conclusion reached at the Apalachin meeting, or shortly thereafter, was that members would be forbidden from direct involvement in narcotics traffic, although financing and importation were permissible.<sup>50</sup> In other words, dealing was to be "franchised" to non-Mafia groups--for example, blacks and Puerto Ricans. Other, more drastic measures--killing known narcotics agents--were considered and rejected. But, as Valachi noted, narcotics trafficking was too lucrative for self-policing by the underworld to work,<sup>51</sup> which led to the narcotics prosecution of Vito Genovese in 1959. He was sentenced to prison, where he died in 1969.

#### RESPONSE TO ORGANIZED CRIME: 1930-1950

The lawlessness of the Prohibition years spurred President Hoover to establish the National Commission on Law Observance and Enforcement (Wickersham Commission), the first national body appointed to study crime throughout the United States and the first to recognize the potential menace of organized crime.<sup>52</sup>

Fortunes amassed from the sale of illicit liquor in the 1920s were used to convert the gangs that operated around the turn of the century into criminal groups vastly improved in organization and efficiency. Alarmed, the Wickersham Commission urged the following in its 1931 report: "The carrying out of our recommendation for immediate, comprehensive, and scientific nationwide inquiry into organized crime should make possible the development of an intelligent plan for its control."

Contrary to this recommendation, little official attention at the national level was paid to organized crime for the next 20 years.

The beginning of a national effort to understand and combat organized crime may be best dated from the 1950 Conference on Organized Crime, called by

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<sup>47</sup>U.S. Congress, Senate, *op. cit.*, pp. 531-537.

<sup>48</sup>Maas, *op. cit.*, p. 262.

<sup>49</sup>U.S. Congress, Senate, *op. cit.*, p. 319.

<sup>50</sup>*Ibid.*, p. 320.

<sup>51</sup>*Ibid.*

<sup>52</sup>National Advisory Committee on Criminal Justice Standards and Goals, *Organized Crime* (Washington: Government Printing Office, 1976), p. 15.

Attorney General J. Howard McGrath at the urging of the U. S. Conference of Mayors, the American Municipal Association, the National Institute of Municipal Law Officers, and the National Association of Attorneys General.<sup>53</sup> The conference was part of the annual meeting of United States Attorneys. Law enforcement officials from all over the nation met in Washington on February 15, 1950, to consider the growing nationwide scope of organized crime, particularly in professional gambling.

New Orleans' liberal mayor, De Lesseps S. Morrison, spoke for the majority: "We do not have the whole picture--but each of us present--and hundreds of other(s)...[has] seen a small segment of this national scene of organized...crime. These pieces fit together in a pattern of mounting evidence concerning several highly organized...syndicates whose wealth, power, scope of operations, and influence have recently grown to...alarming proportions."<sup>54</sup>

He went on to comment specifically on the casino and slot machine gambling operations of Frank Costello, Phil Kastel, and Carlos Marcello in Jefferson Parish, Louisiana, and the takeover of a nationwide wire service that supplied horse-race results to bookmakers by the "old Capone gang."<sup>55</sup>

Morrison's view of the nationwide character of organized crime was echoed by Will Wilson, the district attorney from Dallas, Texas, who cited as evidence slot machines and punchboards that had come to his city from Chicago. Wilson added that the syndicate's control over gambling in his area was maintained "by dealing in killing, killing of the most reckless kind."<sup>56</sup>

A U.S. attorney from Chicago, Otto Kerner, dissented from the majority view: "There was," Kerner said, "no organized gambling in the city of Chicago ...." He then told the Conference that he did "not know that the Capone syndicate exist[ed]. I have read about it in the newspapers. I have never received any evidence of it."<sup>57</sup> The Mayor of Los Angeles, Fletcher Brown, took issue with Kerner. He said he would like to say that his city was "lily-white, but it...[was] not."<sup>58</sup> He agreed with the majority. "This is no fiction about organized crime--it is a reality, and it extends from one end of the nation to the other."<sup>59</sup>

The 1950 conference was an important step in the development of a national awareness of organized crime, and a number of its participants subsequently made significant contributions in the effort to combat it. When Price Daniel, attorney general of Texas in 1950, for example, became United States Senator from Texas, his efforts led in 1956 to tough narcotic laws, which were to result in the convictions of several syndicate leaders.<sup>60</sup> Otto Kerner, on the

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<sup>53</sup>See generally, Attorney General of the United States, Conference on Organized Crime (Washington: Government Printing Office, 1950).

<sup>54</sup>Ibid., p. 28.

<sup>55</sup>Ibid., pp. 27-29.

<sup>56</sup>Ibid., p. 40.

<sup>57</sup>Ibid., p. 41.

<sup>58</sup>Ibid., p. 50.

<sup>59</sup>Ibid., p. 51.

<sup>60</sup>N. Gage, Mafia (New York: Dell Publishing Co., 1973), p. 114.

other hand, though he went on to become Governor of Illinois in 1960 and a United States Circuit Court Judge in 1968, was convicted on February 19, 1973, of accepting \$150,000 in bribes from horse-racing interests in Illinois.<sup>61</sup> And J. Vincent Keogh, the U.S. Attorney from Brooklyn and later a New York Supreme Court Justice, was convicted in 1962 with Anthony Corallo, a New York underworld figure, of improperly attempting to influence a bankruptcy petition.<sup>62</sup>

The Attorney General's Conference considered a number of recommendations. The most important one advocated a Senate investigation of organized crime, but the recommendation was blocked by Attorney General McGrath. Nevertheless, a resolution authorizing a Select Senate Committee for that very purpose was then pending in the Senate under the sponsorship of Senator Estes Kefauver of Tennessee. It was adopted by the Senate.

### THE KEFAUVER INVESTIGATION

Senator Kefauver introduced Senate Resolution 202 on January 5, 1950. It called for a sweeping examination of organized crime in the United States. Swift passage of the resolution, however, was not assured. Democrats feared that too much light would be shed on alliances between gangsters and the big-city political machines that their party dominated; Republicans feared a whitewash. A tie-breaking vote by Vice-President Alben Barkley brought the Senate Special Committee to Investigate Organized Crime in Interstate Commerce into existence.

Senator Kefauver was known in the House as one of the brightest and most effective of the Southern liberal bloc, something of a political maverick. His selection of the committee's staff, too, broke traditional practices. He would, he said, "like to see all personnel chosen without regard to patronage or politics." "Competence rather than influence," he noted, "[should be] the yardstick for choosing the staff."<sup>63</sup> Fortunately, he got his way.

Kefauver had a vision for the committee. His concern was not with crime in general, but organized crime, and he wanted answers to certain basic questions: Did a nationwide crime syndicate exist? If so, where did its sources of power lie? To what degree had it purchased the cooperation of local governments?

The Kefauver committee, in conducting the first nationwide investigation into organized crime, held hearings from May 10, 1950, until May 1, 1951. Kefauver himself traveled 52,380 miles and presided over 92 days of hearings.

The principal interest of the Kefauver committee was professional

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<sup>61</sup>United States v. Isaacs, 493F. 2d 1124, 7th Cir. (1973).

<sup>62</sup>United States v. Kahaner, 317F. 2d 459 (2d Cir.) cert. denied, 375 U.S. 336 (1963).

<sup>63</sup>E. Kefauver, Crime in America (New York: Greenwood Press Publishers, 1951), p. 18. Except as otherwise noted, the balance of this section is based on this source as well as the Kefauver Committee Report on Organized Crime, op. cit.

gambling, particularly casino gambling, which was found to be operating wide-open throughout the country. Bookmaking was equally widespread, as were illegal slot machines and punch boards. Professional gambling was found by the Kefauver committee to be "the principal support of big time racketeering and gangsterism." The Kefauver committee made only a cursory examination of the narcotics traffic (it found it to be a "highly organized crime"), but its pioneer study of the infiltration of legitimate business was a milestone. It found that the "unscrupulous and unethical business practices, extortion, banking, and other forms of violence" were being used by racketeers in legitimate enterprises, and it found "evidence of hoodlum infiltration in approximately 50 areas of business."

The Kefauver committee visited Chicago on three separate occasions, amassing a record of 1,416 printed pages of hearing transcript, the most for any single city. Quite contrary to Otto Kerner's view of Chicago, the committee found that the rackets were thriving. Senator Kefauver wrote in his book, Crime in America: "If we had gone no farther than Chicago in our quest for evidence of...the link between organized crime and politics, we could have written a complete report-in-miniature of the nationwide criminal and political corruption."

The committee found no casinos in operation in Chicago proper, but just outside the city limits, particularly in Cicero where there was a tradition of corruption, the committee found numerous plush gambling houses. Policy play, however, was widespread within the city itself, especially in the densely populated South Side. The committee estimated the policy play in the preceding five years at \$150 million. Chicago was also found to be the source of the slot machines and punch boards used throughout the United States and the base of the racing news service that was essential for offtrack betting by bookmakers.

Most disturbing to the committee, however, was the open and bipartisan alliance that existed in Chicago between crime and politics. Roland Libonati, a Democratic state senator, and James J. Adducci, a Republican state senator, both from the West Side, were identified as leaders of a bloc of legislators that associated with racketeers and fought to defeat reform legislation. As the committee's final report quoted John Roselli, a Chicago hoodlum at the time: "[T]he wire service, the hand books, the slot machines, and the other rackets which have thrived in the city of Chicago cannot operate without local corruption; if the hand books are open, the conclusion is inescapable that the police are being paid off."

The Kefauver committee traced the rise of power in Chicago of Alphonse Capone from an obscure, scar-faced, 23-year-old bodyguard of Johnny Torrio, his mentor, in 1924, to the absolute master of Chicago crime by 1929--brothel keeper, bootlegger, and gambler. As the committee noted, however, Capone was convicted in 1931 for tax evasion, and his reign ended, although he left behind an organization that would be run by the men around him: Jake "Greasy Thumb" Guzik, his business adviser, Frank Nitti, Felice DeLucia, Anthony Accardo, Murray Humphries, and the Fischetti brothers, Charles and Roco, Capone's cousins.

According to the Kefauver committee, Capone's power passed first to Frank Nitti, who committed suicide in 1943 while under indictment in a highly publicized motion picture industry extortion prosecution; next to Felice

DeLucia; and then to Anthony Accardo, an old Capone bodyguard who may have been one of the planners of the St. Valentine's Day Massacre. The faces changed, but the nature of the syndicate did not. Its response to the Kefauver hearings was typical, as evidenced by the murder of two important witnesses before they could testify.

Kefauver commented on the evidence developed in Chicago: "[O]rganized crime and political corruption go hand in hand....There [can]be no big-time organized crime without a firm and profitable alliance between those who run the rackets and those in political control."

The Kefauver committee also visited De Lesseps Morrison's New Orleans. As in Chicago, there were no casinos within the city, but just over the Orleans Parish line--in Jefferson and St. Bernard Parishes--there were a number of plush houses. The Kefauver committee called it "one of America's largest concentrations of gambling houses." One of the most elaborate, featuring "expensive night club entertainment," was the Beverly Club, which was owned by Phil Kastel, Frank Costello, and Jake Lansky, all of New York, and Carlos Marcello, who the Kefauver Committee identified as the local Mafia leader.

The slot machine racket had been imported in the mid-1930s into New Orleans by Costello, who made a deal with Huey P. Long, then a U.S. Senator, after Costello had been threatened with banishment from New York City by Mayor-elect Fiorello La Guardia. After Morrison was elected Mayor in 1946, the Costello operation was moved to the neighboring parishes, but illegal pinball machines still flourished in the city, apparently with the aid of corruption. The Kefauver committee found an alliance between gangsters and corrupt "sheriffs, marshalls and other law enforcement officials."

The Kefauver committee prepared a profile of the man it identified as the organized crime leader in New Orleans. (Actually, Sam Carolla headed the New Orleans family then.) Carlos Marcello was born February 6, 1910, in Tunisia, of Sicilian parents, who immigrated to New Orleans later that year. His real name was Calogero Minacore, which was subsequently changed to Marcella and later masculinized to Marcello. Marcello was, the Committee found, active in all phases of the rackets in the New Orleans area. He operated casinos, horse betting parlors, and slot machines; he was involved in the narcotics traffic. In addition, Marcello had invested heavily in legitimate businesses, including bars, restaurants, inns, and food-processing concerns, particularly seafood and other frozen foods. Marcello's nationwide criminal contacts included Costello in New York, Joseph Civello in Dallas, Sam Yaras in Chicago, and Mickey Cohen in Los Angeles.

Attention soon turned to the committee's work in New York City, where hearings were opened on March 12, 1951. While the earlier hearings had considered general aspects of organized crime, the New York hearings personalized the corrupt alliance between crime and politics by focusing on two men--Frank Costello and William O'Dwyer.

Costello was born Francesco Castiglia on January 26, 1918, in Lauropoli, a hill town in Italy's southernmost province, Calabria.<sup>64</sup> When he was four,

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<sup>64</sup>See generally, Katz, op. cit.

he was brought to New York by his parents, where they traded a life of rural squalor for an existence of urban poverty. Yet by the time of the Kefauver committee's hearings, Costello was hardly a man of the slums: his apartment was on the fashionable West Side of New York; his summer home was in Sands Point; and he traveled regularly each year to Florida, New Orleans, and Hot Springs, Arkansas. He presented himself to the Kefauver committee as a legitimate businessman, with interests in real estate and oil, and as a friend of politicians, though not a politician.

The Kefauver committee saw him quite differently: he was a bootlegger who had moved into the legitimate liquor industry; he was the owner of illegal casinos and slot machines; and he was a bookmaker. The criminal syndicate he headed included such big-name criminals as Meyer Lansky, Joe Adonis, Willie Moretti, Abner Zwillman, Vito Genovese, and Joseph Profaci, and he was associated with Joseph Lanza, Charles Luciano, and Carlos Marcello, all reputed hoodlums. The Kefauver committee credited him with the political dominance of Tammany Hall, the New York City political machine in 1942. The evidence on Costello was unusually reliable, since it had been obtained from wiretaps by Manhattan District Attorney Frank Hogan, which, the committee observed, "gave a vivid picture of Frank Costello as a political boss and an underworld emperor."

William O'Dwyer followed a much different career. He was a policeman from 1917 to 1924 at which time he left the force to practice law. He was elected to a judgeship in 1938 and, in 1940, became district attorney of Kings County, which gave him jurisdiction over the Borough of Brooklyn. As district attorney, he conducted an investigation of more than 20 gangland murders. With the help of one of the hired killers, Abe Reles, who turned state's evidence, O'Dwyer's office identified an organization popularly known as Murder, Inc., which was headed by Albert Anastasia (though he was said to report to Joe Adonis) and staffed by Jewish gunmen. Murder, Inc., was responsible for numerous killings in New York and elsewhere, but on November 12, 1941, before an indictment could be returned against Anastasia, Reles plunged to his death from the bedroom of his suite on the sixth floor of Coney Island's Half Mood Hotel, even though he was under the protection of a special squad of six policemen.<sup>65</sup>

According to the Kefauver committee, however, there was little evidence that O'Dwyer ever intended to seek an indictment of Anastasia, who continued to maintain a "stranglehold," as the committee characterized it, on the Brooklyn waterfront through control of a local of the International Longshoremen's Association. The Murder, Inc., investigation was, the Kefauver committee found, riddled with "glaring deficiencies."

Nevertheless, O'Dwyer was able to ride it to political advantage, and in 1945, he was elected Mayor of New York. Yet the committee reached this conclusion about O'Dwyer, who was the United States Ambassador to Mexico at the time of the hearings: "A single pattern of conduct emerges from...[his] official activities in regard to the gambling and waterfront rackets, murders, and police corruption, from his days as District Attorney through his term as

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<sup>65</sup>Cook, op. cit., p. 108.

mayor. No matter what the motivation of his choice, action or inaction, it often seemed to result favorable for men suspected of being high up in the rackets."

As a case study of the nationwide operations of organized crime, the Kefauver committee examined the wire service, which provided bookmakers with up-to-the-minute racing news, an essential ingredient in any betting operation. As the committee noted, the "wire service (was)...as essential to a bookmaker as the stock ticker to a stockbroker." The committee found that the dominant corporation in the racing news business, Continental Press, was controlled by the old Capone syndicate.

The first wire service, Nationwide News Service, was founded in the 1920s by M. L. "Moe" Annenberg, whose principal associate was James A. Ragen, Sr. In the face of a monopoly investigation and an inquiry into his income tax affairs, however, Annenberg had to divest himself of his interest in 1939. The company was transformed into Continental Press Service. By 1946, its management having changed more than once, Continental ended up in Ragen's hands, but that was when trouble began. Mickey Cohen and Joseph Sica, acting on behalf of West Coast Mafia leader Jack Dragna, tried to muscle into the company, and a Chicago firm controlled by Anthony Accardo and the Capone syndicate, R&H Publishing, began to give Continental competition. A new nationwide service, named Trans-America, was founded, and it began to displace Continental in a number of cities, including New Orleans.

On June 24, 1946, Ragen was shotgunned in typical gangland style. He died three months later of mercury toxin poisoning, even though he was under police guard. Four witnesses identified Lenny Patrick, Dave Yaras, and William Block as the gunmen, but after one witness was murdered, two others recanted, and another fled, the indictment was dropped.

Continental passed into the control of the Capone syndicate without further violence. Carlos Marcello was named its New Orleans distributor, and Jack Dragna was awarded a \$50,000 "service contract." Bookies everywhere had to deal with the national syndicate's front operation--and pay a premium--or go out of business.

Senator Kefauver was particularly interested in the structure of organized crime. His committee concluded at the completion of its hearings:

"The structure of organized crime today is far different from what it was many years ago....New types of criminal gangs have emerged during prohibition....Organized crime in the last thirty years has taken on new characteristics....Criminal groups today are multi-purpose in character, engaging in any racket wherever there is money to be made....The Mafia...has an important part in binding together into a loose association the...major criminal...gangs and individual hoodlums throughout the country....The domination of the Mafia is based fundamentally on 'muscle' and 'murder.'...[It]...will ruthlessly eliminate anyone who stands in the way of its success..."

Other than its clear portrayal of the structure of organized crime, the accomplishments of the Kefauver committee were hard to measure. With the exception of the Johnson Act, which regulated the interstate shipment of gambling devices, its legislative proposals were not received favorably until

they were embodied in the Kennedy Administration's legislative program, which was passed by Congress in 1961.<sup>66</sup> The Kefauver committee was successful in arousing the consciousness of the public and stirring its sensitivity to organized crime, a sensitivity that would be enhanced seven years later by another series of Senate hearings.

#### THE MCCLELLAN HEARINGS

Following the meeting of underworld leaders at Apalachin on November 14, 1957, a Senate committee chaired by Senator John L. McClellan of Arkansas turned its attention away from investigating corruption in the Teamsters union and began holding hearings on organized crime--its structure and membership. In June and July 1958, there were hearings on the background of the Apalachin attendees, which was summarized in the committee's final report.

Of the 59 men who had been identified as in attendance, 50 had arrest records, 35 had convictions, and 23 had spent time in jail or prison.<sup>67</sup> The committee broke the statistics down further: 18 of the men had either been arrested or questioned in connection with murder investigations; 15 had been arrested or convicted for narcotics; 30 had been arrested or convicted for gambling; and 23 had been arrested or convicted for the illegal use of firearms. As to their legitimate business activities, 9 were or had been in coin-operated machine businesses; 16 were involved in garment manufacturing or trucking; 10 owned grocery stores or markets; 17 owned taverns or restaurants; 11 were in the olive oil-cheese importing or exporting business; 9 were in the construction business. Others were involved in automotive agencies, coal companies, entertainment establishments, funeral homes, horses and racetracks, linen and laundry enterprises, trucking companies, waterfront unions, and bakeries.

The McClellan committee did not credit the participants' story that the meeting had been a chance event, citing the extensive telephone communications between the attendees that preceded it.<sup>68</sup> The conclusion of the committee was reflected in remarks of Chairman McClellan during the hearings, which were quoted in the committee's final report:

"There exists in America today what appears to be a close-knit, clandestine, criminal syndicate. This group has made fortunes in the illegal liquor traffic during Prohibition, and later in narcotics, vice and gambling. These illicit profits [are today invested in]...legitimate business...[T]he criminal syndicate...is not...localized...but national in scope."<sup>69</sup>

On September 25, 1963, Senator McClellan began a new set of hearings on the nationwide structure of the Mafia or La Cosa Nostra, as it was known by its members. The hearings would feature the testimony of Joseph Valachi, the

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<sup>66</sup>Blakey and Kuerland, "The Development of the Federal Law of Gambling," Cornell Law Review, Vol. 61 (1978), pp. 964-977.

<sup>67</sup>U.S. Congress, Senate, Senate Report No. 139 (Part 3), Select Committee on Improper Activities in Labor or Management Field, 86th Cong., 2nd Sess. (Washington: Government Printing Office, 1960), pp. 487-488.

<sup>68</sup>Ibid.

<sup>69</sup>Ibid.

first member of La Cosa Nostra ever to testify publicly about the nature of the organization. Senator McClellan opened with a statement, in which he observed:

"The existence of such a criminal organization as Cosa Nostra is frightening. [It]...attempts to be a form of government unto itself....Murder [in its behalf] has often been ordered for a variety of reasons: a grab for power, the code of vengeance, gangland rivalries, infidelity to the organization or even for suspicions of derelictions...."<sup>70</sup>

The lead-off witness before the Committee was Attorney General Kennedy: "Because of intelligence gathered from Joseph Valachi and from informants, we know that Cosa Nostra is run by a commission [of 9 to 12 men], and that the leaders of Cosa Nostra in most cities are responsible to the commission."<sup>71</sup> Continuing, he commented, "It is an organization. It is [the] Mafia. It is the Cosa Nostra. There are other names for it, but it all refers to the same organization."<sup>72</sup>

He noted the difficulty in solving organized crime murders: "[T]he members of the commission, the top members, or even their chief lieutenants, have insulated themselves from the crime itself; if they want to have somebody knocked off, for instance, the top man will speak to somebody who will speak to somebody else who will speak to somebody else and order it. The man who actually does the gun work...does not know who ordered it. To trace that back is virtually impossible."<sup>73</sup>

Finally, Kennedy discussed the tendency of organized crime figures to move out of gambling and narcotics into legitimate business and unions, but he added:

"I don't want anybody to misunderstand the fact that they are also doing the same things that they were doing during the days of Al Capone. Because there have been large numbers of very brutal murders which have been committed by those in organized crime just over a period of the last two years. Certainly not a week goes by that somewhere in the United States an individual is not killed or murdered in some kind of gangland battle or a witness is not garroted and killed."<sup>74</sup>

The Attorney General was followed by law enforcement officials from all over the country, who advised the committee on the structure of organized crime in their respective areas. In addition, the committee was able to identify from Federal and local intelligence reports the organized crime families that dominated various areas and various illicit activities, including the identity of their bosses, underbosses, consiglieri, caporegime, and their members. To the general intelligence presented by the law enforcement

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<sup>70</sup>U.S. Congress, Senate, Organized Crime and Illicit Traffic in Narcotics, op. cit., p. 1.

<sup>71</sup>Ibid., p. 6.

<sup>72</sup>Ibid., p. 21.

<sup>73</sup>Ibid., p. 23.

<sup>74</sup>Ibid., p. 31.

witnesses, Joseph Valachi added his personal knowledge of the history of organized crime in New York, where he had for years been a member of the Vito Genovese family.

The McClellan committee, in July and August 1964, resumed hearings that had been suspended in October 1963. The committee's principal interest was syndicate activity in narcotics. The McClellan committee filed a three-part final report on March 4, 1965, which set out its basic findings about the national syndicate, in particular what the committee had learned from the testimony of Joseph Valachi. The annual report of the Attorney General, submitted by Kennedy for 1963, had termed Valachi's testimony a "significant" intelligence "breakthrough," which enabled the Department "to prove conclusively" the existence of the "nationwide" organization known as "Cosa Nostra."<sup>75</sup> The McClellan committee agreed that Valachi's testimony was trustworthy, and it, too, credited his description of the character of the organization of the underworld.

Nevertheless, not all writers then or later agreed either with the Department of Justice or the McClellan committee evaluation of Valachi's testimony. The judgment of knowledgeable professionals outside the government, however, was aptly expressed in 1969 by Ralph Salerno, a highly respected authority on organized crime:

"The Valachi confessions are ranked next to Apalachin as the greatest single [intelligence] blow ever delivered to organized crime in the United States. This evaluation came from the lips of those most affected by it: members of the criminal network whose comments were overheard through bug and wiretap.

"Many of the incidents Valachi described had...been known to the police, but...[Valachi] was able to fill in the gaps and connect one incident to another....[Valachi]...drew a schematic picture of the organization, described it and told how it worked. The police, for example, had long realized that certain underworld figures were often seen with each other, but they did not realize that these were formal, not casual, associations, relationships of rank in a system governed by rules and regulations. The pattern that Valachi furnished made it possible for police intelligence men to begin to see the dimensions of syndicated crime and stop looking at it as a series of unconnected cases."<sup>76</sup>

Valachi had agreed to testify against other members of organized crime only after Genovese had marked him for death, thinking he was an informer. One of the most protected prisoners in the history of the Federal prison system, he died of natural causes at LaTuna Federal Penitentiary, in 1971.

#### THE INTERNATIONAL BROTHERHOOD OF TEAMSTERS

Senator McClellan and his committee, which was created by a unanimous

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<sup>75</sup>U.S. Department of Justice, Attorney General's Annual Report: 1963 (Washington: Government Printing Office, 1963), pp. 204-205.

<sup>76</sup>Salerno and Tompkins, op. cit., p. 312.

vote of the Senate on January 30, 1957, also probed the Teamsters union, an organization with links to organized crime.

In its first major investigation, the committee found that Dave Beck, president of the Teamsters, had abused his trust by receiving more than \$32,000 in kickbacks<sup>77</sup> and by helping himself to more than \$370,000 in union funds altogether.<sup>78</sup> Beck had capitulated to forces within the Teamsters who had promoted the interests of racketeers and hoodlums. He was convicted in state court and imprisoned for larceny in 1957, and found guilty of tax evasion in Federal court in 1959. As a power in the labor movement, Beck was finished, although he went free in May 1975, having obtained a full pardon from President Gerald R. Ford. Beck's downfall, however, proved to be the occasion for the rise to the presidency of the union of another labor leader, whose ties to organized crime were even tighter--James Riddle Hoffa.

Following its investigation of Beck, the McClellan committee turned to Hoffa. It was the beginning of what Hoffa termed the "Kennedy vendetta." The committee's investigation considered Hoffa's rapid ascent to leadership, his centralization of power, his questionable business transactions with various trucking companies, and his frequent associations with a number of organized crime figures, including John Dioguardi, Anthony Corallo, and Paul Dorfman.<sup>79</sup>

For the committee, Hoffa's relationship with Dioguardi and Corallo typified the subversion of the labor movement by the underworld. Dioguardi was described by the committee as a "three-time convicted labor racketeer and the suspected instigator of the [acid] blinding of columnist Victor Riesel,"<sup>80</sup> who had been writing a newspaper expose on corruption in the labor movement. Dioguardi, identified in subsequent investigations as a member of the Lucchese family of La Cosa Nostra,<sup>81</sup> obtained control of a local of the Allied Industrial Workers of America in 1950, in part through the aid of Paul Dorfman, whom the McClellan committee described as "an associate of Chicago mobsters and the head of a local of the Waste Material Handlers Union"<sup>82</sup> in Chicago.

As Dioguardi's influence grew, he enlisted the assistance of Corallo, whom the McClellan Committee described as a "long-term kingpin in the New York narcotics and labor rackets."<sup>83</sup> Subsequent investigation identified him as a

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<sup>77</sup>U.S. Congress, Senate, Senate Report No. 1417, Select Committee on Improper Activities in the Labor or Management Field, 86th Cong., 2nd Sess. (Washington: Government Printing Office, 1958), pp. 84-85.

<sup>78</sup>U.S. Congress, Senate, Senate Report No. 139 (Part 4), Select Committee on Improper Activities in the Labor or Management Field, op. cit., p. 872.

<sup>79</sup>U.S. Congress, Senate, Senate Report No. 621, Select Committee on Improper Activities in the Labor or Management Field, 86th Cong., 1st Sess. (Washington: Government Printing Office, 1959), p. 253.

<sup>80</sup>Ibid., p. 218.

<sup>81</sup>U.S. Congress, Senate, Organized Crime and Illicit Traffic in Narcotics, op. cit., p. 24.

<sup>82</sup>U.S. Congress, Senate, Senate Report No. 621, op. cit., p. 218.

<sup>83</sup>Ibid.

caporegima in the Lucchese family.<sup>84</sup> Dioguardi and Corallo brought into the industrial workers union 40 individuals who had been arrested 178 times and convicted 77 times for such crimes as theft, narcotics, extortion, bookmaking, assault, robbery, burglary, forgery, and murder.<sup>85</sup> Even after they joined the local, 25 of them were indicted or convicted for extortion, perjury, bribery, or forgery.

The union hardly represented its members. In particular, it worked closely with employers to legitimize the misery of thousands of black and Puerto Rican employees, who were forced to tolerate low wages, high initiation fees and dues, no welfare benefits, no seniority, and poor working conditions--unheated buildings in the winter and stifling buildings in the summer.<sup>86</sup> Despite their background, Hoffa supported Dioguardi and Corallo, as state court order wiretaps showed,<sup>87</sup> in a taxi driver organization drive in 1954 against Thomas Hickey, who represented Hoffa's own Teamsters. In 1956, Hoffa initiated a successful effort to bring the Dioguardi-Corallo local into the Teamsters and to take over Joint Council No. 16, the ruling body of New York City's 58 Teamster locals. It was also during this time that Hoffa lent his support to the corrupt International Longshoremen's Association in its fight with the American Federation of Labor.<sup>88</sup>

In July 1957, before the McClellan committee held hearings on the Dioguardi-Corallo local, Hoffa was tried and acquitted for attempting to bribe a committee lawyer. Despite FBI films of the passing of information and an arrest of Hoffa right after the money was exchanged, Hoffa was able to win acquittal.

Following his acquittal, Hoffa testified before the McClellan committee, initially on August 20, 1957. His tactic was to avoid pleading the Fifth Amendment, claiming instead a poor memory. Hoffa left the committee hearing a wounded, but not disabled, man. He was subsequently indicted in New York on a wiretapping charge, which first ended in a hung jury, then an acquittal, in the spring of 1958. He was also indicted in New York for perjury, but the case had to be dropped when the U.S. Supreme Court ruled unexpectedly in 1957 that state court order wiretaps could no longer be used in evidence.

The McClellan committee held further hearings on Hoffa in 1958, which confirmed and added detail to the sordid picture painted in 1957. Nevertheless, unlike Beck, Hoffa's contest with the committee did not result in his unseating. It was a blunt and acrimonious confrontation in an investigative setting that would only later be settled in a judicial forum.

When Robert F. Kennedy, having been the McClellan committee's chief counsel, was appointed Attorney General in 1961, he established a special group in the Department of Justice "to take a fresh look at the findings of the McClellan committee and to probe generally into the field of racketeering,

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<sup>84</sup>U.S. Congress, Senate, Organized Crime and Illicit Traffic in Narcotics, op. cit., p. 24.

<sup>85</sup>U.S. Congress, Senate, Senate Report No. 621, op. cit., p. 218.

<sup>86</sup>Ibid., pp. 218-219.

<sup>87</sup>Ibid.

<sup>88</sup>Ibid., pp. 220-221.

particularly into the activities of Hoffa and the Teamsters."<sup>89</sup> The group came to be known as the "Get Hoffa Squad."

The effort did show some impressive results. During Kennedy's tenure as Attorney General, 201 Teamster officials and their associates were indicted, and 126 of them were convicted.<sup>90</sup> Nevertheless, the most important prosecutions were the three brought against Hoffa himself.

On May 18, 1962, Hoffa was indicted under the Taft-Hartley Act in Nashville, Tennessee, for receiving \$1 million in illegal payments through a trucking company, the Test Fleet Corporation, which had been set up in his wife's name.<sup>91</sup> His trial ended with a hung jury on December 23, 1962, but the judge ordered the convening of a grand jury to investigate charges of jury tampering.

The grand jury investigation resulted in Hoffa and five others being indicted in Nashville on May 9, 1963. Hoffa and seven others were also indicted in Chicago on June 4, 1963, for obtaining by fraud \$20 million in loans from the Central States Pension Fund, from which, it was charged, they had diverted \$1 million for their own benefit.<sup>92</sup>

On November 7, 1963, it was learned that an effort was being made by a Hoffa's attorney, Z. T. "Tommy" Osborn, Jr., to tamper with the jury in the jury-tampering trial. He was the leading candidate for president of the Nashville Bar Association. With the trial judge's permission, key conversations between Osborn and Robert Vick, a man whose assistance Osborn had sought in the bribery attempt, were recorded. Osborn was confronted with the allegation by the court; he denied it, until the tape was presented to him. He then claimed he had been entrapped. On November 21, the court disbarred Osborn, terming his actions "a callous and shameful disregard of duty...."<sup>93</sup> Eventually, Osborn was indicted and tried for endeavoring to obstruct justice. After imprisonment, he committed suicide in 1970.

Hoffa's jury tampering trial got under way on January 20, 1964. Six weeks later it ground to an end. Hoffa was found guilty and sentenced to eight years in prison on March 12, 1964.

Hoffa's Chicago trial for fraud in connection with the pension funds began on April 27, 1964. Hoffa was found guilty. He was sentenced on August 17, 1964, to serve five years in addition to his jury tampering term. Hoffa did not go to jail until March 1967, when all his appeals had become final.

There was more to Hoffa's battle to stay out of prison than showed in the court records. The Chicago underworld had a plan to fix Judge Miller in

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<sup>89</sup>W. Sheridan, The Rise and Fall of Jimmy Hoffa (New York: Saturday Review Press, 1972), p. 166.

<sup>90</sup>Ibid., p. 382.

<sup>91</sup>Ibid., p. 206.

<sup>92</sup>Ibid., p. 218.

<sup>93</sup>Ibid., p. 299.

Nashville, but no one had the courage to offer the bribe.<sup>94</sup> Among other desperate efforts, there was also a threat against the brother of Supreme Court Justice William J. Brennan in connection with Hoffa's appeal, which was ignored.<sup>95</sup>

However, Hoffa received an Executive Grant of Clemency from President Richard M. Nixon on December 23, 1971, without the customary consultation with the judge who sentenced him, and even though the U.S. Parole Board on three occasions in the preceding two years had considered and unanimously rejected his requests for release.<sup>96</sup> The Parole Board's decisions had, in part, been based on advice from the Justice Department that Hoffa was tied to organized crime. But the terms of his release forbade Hoffa from union involvement.

Once out, Hoffa filed suit to declare the restriction null and void, and he began to make a move to regain the presidency of the union. He was sounding like a reformer, and one promise he made, if elected in 1976, ironically, was to end the Teamsters' relations with the mob. That promise went too far. It led to his murder by the mob in 1975.

#### ORGANIZED CRIME AND THE TEAMSTERS PENSION FUND

Before his death, Hoffa represented the mob's access to an important source of wealth: The Teamsters Union Central States Pension Fund. As an FBI electronic surveillance<sup>97</sup> showed, Hoffa was the mob's "connection" to the Fund.

Several factors contributed to Hoffa's influence over the fund, a joint employer-union trusteeship for the employees, which was established in January 1955.<sup>98</sup> The union had de facto control over the investment decisions made, as the employers did not want to antagonize Hoffa. In addition, the decision was made to invest the fund's assets directly and not to give its management over to professionals. Hoffa, himself, therefore, became the controlling figure in the making of loans.

Hoffa's chief adviser on pension loans was Allen Dorfman, the stepson of Paul Dorfman, through whom Hoffa had established and maintained his Chicago mob connections. Paul Dorfman was one of the five or six closest associates of Anthony Accardo, one of Al Capone's successors in Chicago. When Hoffa went to prison in 1967, he told Fitzsimmons that Allen "speaks for me on all pension fund questions."<sup>99</sup>

There were organized crime overtones to pension fund loans Dorfman administered, particularly some in Las Vegas. Most pension funds tend to have

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<sup>94</sup>Ibid., p. 222.

<sup>95</sup>Ibid., p. 398.

<sup>96</sup>Ibid., p. 1.

<sup>97</sup>D. Moldea, The Hoffa Wars (New York: Paddington Press Ltd., 1978), pp. 176-177.

<sup>98</sup>S. Brill, The Teamsters (New York: Simon and Schuster, 1978), pp. 206-207.

<sup>99</sup>Ibid., p. 214. Except as otherwise noted, the balance of this section is based on this source.

a conservative policy, investing primarily in government bonds and having less than 2 percent of their assets in real estate. Yet by 1963, the Central States Fund, with accumulated assets of \$213 million, had 63 percent of its investments in real estate and only 3 percent in government bonds, with the rest held in bank accounts and corporate bonds. Fund loans included a series made to Morris "Moe" Dalitz in 1959 and 1960, a gambler and former bootlegger from Cleveland, whom Hoffa had known in Detroit and through whom a payoff had been allegedly arranged to settle a Teamster laundry strike in 1949.<sup>100</sup> The Dalitz loans were obtained to build Sunrise Hospital as well as to finance the Stardust Hotel and Country Club, the Fremont Hotel, and the Desert Inn, all in Las Vegas. According to FBI evidence, the Stardust, Fremont, and Desert Inn casinos were taken to the tune of \$100,000-a-month in the early 1960s by a skim operation for the benefit of organized crime figures, including Sam Giancana of Chicago, John Scalish of Cleveland, and Meyer Lansky of Miami.<sup>101</sup> Pension records showed that from 1965 to 1972, \$20.4 million was lent to Caesar's Palace, the ostensible owner of which was Jay Sarno, but who was really, according to the FBI, a front for organized crime interests in the Midwest and New England.

Skimming was suspected at Caesar's Palace but not documented by the FBI. In 1971, on Dorfman's recommendation, fund assets were also put into the Circus Circus Hotel and Casino. Loans of \$15.5 million and \$2 million were approved, the total figure finally reaching \$26 million. Jay Sarno was again the paper owner, but the real party in interest, according to the FBI, was Anthony Spilotro, described by the Illinois Crime Investigation Commission as "one of the most dangerous gang terrorists in the Chicago area." The FBI was also suspected skimming at the Circus Circus Casino. In 1974, the fund also approved a \$62.7 million loan to the Argent Corporation, owned by Allen R. Glick, to purchase the Stardust and the Fremont. Glick, in turn, put Frank Rosenthal in charge of his gambling operations. Rosenthal, who was an associate of Spilotro and who was convicted in the 1960s of bribing a college basketball player, proceeded to organize a sophisticated scheme to defraud the casinos and the State of Nevada of at least \$20 million in 18 months, the largest known skim operation up until that time.<sup>102</sup>

It has been estimated that if all of the organized crime-connected loans from 1957 to 1974 were added up, they would amount to \$600 million, out of approximately \$1.2 billion that had been loaned by the Central States Pension Fund. At least \$100 million has been lost in undercharged interest and another \$285 million has been lost in defaults. Indeed, the mismanagement of the fund was so bad that, in 1974, it ceased making loans and, in 1979, under Labor Department pressure, the trustees resigned and Central States Pension Fund was put into the hands of Equitable Life Assurance Society and Victor Palmiers & Company. The percentages of real estate loans dramatically shifted from a top-heavy 70 percent to about 35 percent by 1979. The cash return went up to more than 9 percent from roughly 4 percent.

Arguably, the top underworld leaders had too much at stake to permit

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<sup>100</sup>U.S. Congress, Senate, Senate Report No. 621, op. cit., pp. 113-120.

<sup>101</sup>Chicago Sun Times, July 10, 1966, p. 1.

<sup>102</sup>Wall Street Journal, August 10, 1979.

Hoffa to return to the presidency of the Teamsters on a reform ticket. It would have been, as Hoffa himself said of Robert Kennedy, "He's got to go."

#### INSIGHTS THROUGH INTENSIVE INTELLIGENCE GATHERING

The Apalachin meeting on November 14, 1957, served not only to focus the McClellan committee's attention on organized crime but also to underscore how little was known by law enforcement about organized crime in the United States. As Robert Kennedy recalled, "The FBI didn't know anything, really, about [the Apalachin attendees]...that was rather a shock to me."<sup>103</sup> Apalachin, however, marked the beginning of a broad effort to catch up.

Within days of the Apalachin meeting, the FBI established what it termed its Top Hoodlum Program. Selected field offices around the country were required to collect intelligence on the Apalachin attendees.<sup>104</sup> During the Kennedy Administration, the effort was expanded, and electronic surveillance was made the mainstay of the program.<sup>105</sup> Perhaps the single most reliable source of organized crime information is the transcripts and summaries of conversations of underworld figures that were obtained in the course of a comprehensive program of electronic surveillance that was conducted by the FBI between 1959 and 1965. As J. Edgar Hoover himself acknowledged in 1967, the Bureau would never have learned what it did "about the Cosa Nostra without electronic surveillance."<sup>106</sup> The FBI intelligence system was termed "significant" by the President's Commission on Law Enforcement and Administration of Justice, which, in its report in 1967, noted that only the Bureau had been able "to document fully the national scope" of organized crime.<sup>107</sup>

Devices were installed in Chicago and throughout the country as the effort was directed at the major organized crime figures: Stefano Magaddino,<sup>108</sup> the chairman of the commission and family boss in Buffalo, at Memorial Chapel, a funeral home he owned in Niagara Falls; Sam Giancana,<sup>109</sup> a commission member and family boss in Chicago, at the Armory Lounge in Forest Park, Illinois; Angelo Bruno,<sup>110</sup> a commission member and family boss in Philadelphia, at his Penn Jersey Vending Company in Philadelphia; and Raymond Patriarca,<sup>111a</sup>

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<sup>103</sup>Arthur M. Schlesinger, Jr., Robert Kennedy and His Times (Boston: Houghton Mifflin Company, 1978), p. 168.

<sup>104</sup>U.S. Congress, House of Representatives, Investigation of the Assassination of President John F. Kennedy, Appendix to Hearings before the Select Committee on Assassinations, 95th Cong., 2nd Sess., Vol. 9 (Washington: Government Printing Office, 1979), p. 10.

<sup>105</sup>Ibid., pp. 12-15.

<sup>106</sup>The Prosecutor, September-October 1967.

<sup>107</sup>President's Commission on Law Enforcement and Administration of Justice, The Challenge of Crime in a Free Society (Washington: Government Printing Office, 1967), pp. 192, 199.

<sup>108</sup>United States v. Magaddino, 496F. 2d 455, 457 (1974)

<sup>109</sup>W. Brashler, The Don: The Life and Death of Sam Giancana (New York: Harper and Row, 1977), p. 170.

<sup>110</sup>J. Voltz and P. Bridge, The Mafia Talks (Greenwich, Connecticut: Fawcett Publications, Inc., 1969), p. 119.

<sup>111</sup>American Bar Association, Electronic Surveillance (Chicago: 1971), pp. 52-58.

commission member and family boss in New England, at National Cigarette Service, a vending machine company he owned in Providence.

Lesser figures, but nonetheless important members of the organization, who were put under surveillance included: Sam DeCavalcante,<sup>112</sup> a family boss in New Jersey, at the Kenworth Corporation, a plumbing company he operated in Kenilworth, New Jersey; Angelo DeCarlo,<sup>113</sup> a caporegima in the Genovese family, at The Barn, a restaurant in Mountainside, New Jersey; and Michael Clemente,<sup>114</sup> a member of the Genovese family, at the Prisco Travel Bureau in New York City.

Some of the surveillance was aimed not so much at individual criminals as at areas of operation. For example, certain Las Vegas casinos, including the Stardust, Fremont and Desert Inn, were bugged,<sup>115</sup> and a device was placed in the office of the First Ward Democratic organization in Chicago, the base of operations of the West Side Bloc, a group of politicians who had traditional ties to the Chicago syndicate.<sup>116</sup>

In all, the Bureau had in operation at any given time from 75 to 100 "bugs" planted in most metropolitan areas, and many were kept in for substantial periods. The Magaddino bug<sup>117</sup> was "on" for more than four years (April 1961 to July 1965), while Patriarca's bug<sup>118</sup> was being overheard for over three years (March 1962 to July 1965).

Electronic surveillance confirmed the reality of the commissione, or commission, established by Luciano in the 1930s, as the highest ruling body of La Cosa Nostra, which was composed exclusively of individuals of Italian birth or extraction. The powers of the commission--its authority, for example, to overrule individual family bosses--was discussed within earshot of the FBI on September 21, 1964, by Sam DeCavalcante: "The commission was formed by people --all bosses--who have given the commission the right to supersede any boss. Joe [Bonanno] knows that! He made the rules!...[H]e tried to move in California. The commission chased him out of California....They were trying to take over DeSimone's [Los Angeles] outfit."<sup>119</sup>

In 1963, the membership of the Commission included Gerardo Catena (the underboss who took over for Vito Genovese when he went to prison), Thomas Lucchese, Carlos Gambino, and Joseph Bonanno of New York City, as well as Sam Giancana of Chicago, Joseph Zerilli of Detroit, Stefano Magaddino of Buffalo, and Angelo Bruno of Philadelphia.<sup>120</sup> The members of the commission were

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<sup>112</sup>National Commission for the Review of Federal and State Laws Relating to Wiretapping and Electronic Surveillance, Commission Hearings, Vol. 2 (Washington: Government Printing Office, 1976), p. 1600.

<sup>113</sup>Zeiger, op. cit.

<sup>114</sup>United States v. Clemente, 289F. Supp. 43, 47.

<sup>115</sup>E. Reid, The Grim Reapers (New York: Bantam Books, 1972), p. 235.

<sup>116</sup>Brashler, op. cit., p. 171.

<sup>117</sup>United States v. Magaddino, op. cit.

<sup>118</sup>American Bar Association, op. cit., p. 54.

<sup>119</sup>Voltz and Bridge, op. cit., pp. 154, 159.

<sup>120</sup>U.S. Congress, House of Representatives, Investigation of the Assassination of President John F. Kennedy, op. cit., p. 18.

called reppresentanti, or bosses. The bosses settled disputes between members in an arguimendo, or sit down.

Each group of Cosa Nostra members was called a family, or borgata. A boss of a family was also called a capo. Under him, was an underboss or sottocapo, the second in command. A lateral position, usually an elder statesman or advisor, available for consultation to any member, was a consiglieri, consulieri, or a counselor. The terminology was illustrated by a conversation that was overheard on August 31, 1964, between DeCavalcante and Joseph Sferra, a caporegima in the DeCavalcante family and a business agent of Local 394, Laborers International Union, Elizabeth, N. J.:

DeCavalcante: "It's about Joe Bonanno's borgata. The Commission don't like the way he comporting himself."

Sferra: "The way he conducting himself, you mean?"

DeCavalcante: "Well, he made his son consigliere--and it's been reported, the son, that he don't show up [when the commission asked to see him.]"

Each family was divided into subgroups, or regime, which were headed by capodecine, caporegime, or captains. On June 4, 1965, DeCavalcante told Louis Larasso, a caporegima, that he was removing Joseph Sferra "from everything."<sup>121</sup>

Larasso: "Are you taking him off caporegima, too?"

DeCavalcante: "Yeah."

Individual members of each subgroup were known as soldati, soldiers, or buttonmen.

The membership of La Cosa Nostra in 1963 was estimated to be between 4,000 and 5,000, with 50 percent of it based in the New York metropolitan area.<sup>122</sup> In all, there were thought to be 24 families.

In New York City, there were five families: Genovese (600 members); Lucchese (150 members); Gambino (1,000 members); Bonanno (400 members); and Profaci (200 members).

Other cities, had one family each: Philadelphia, Bruno (200 members); Chicago, Giancana (300 members); Buffalo, Magaddino (300 members); Detroit, Zerilli (250 members); Newark, New Jersey, DeCavalcante (40 members); Milwaukee, Frank Balistreri (50 members); San Jose, Joseph Cerrito (30 members); Kansas City, Nicholas Civella (75 members); Denver, Jones Colletti (40 members); San Francisco, James Lanza (12 members); Pittsburgh, Sebastian John LaRocca (50 members); Los Angeles, Frank DeSimone (75 members); New Orleans, Carlos

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<sup>121</sup>National Commission for the Review of Federal and State Laws Relating to Wiretapping and Electronic Surveillance, op. cit., p. 1602.

<sup>122</sup>President's Commission on Law Enforcement and Administration of Justice, Task Force Report on Organized Crime, op. cit., p. 7.

Marcello (50 members); New England, Raymond Patriarca (150 members); Cleveland, John Scalish (150 members); St. Louis, Anthony Giordano (35 members); Scranton, Pennsylvania, Russell Bufalino (50 members); Tampa, Santo Trafficante (75 members); Dallas, Joseph Civello (25 members).

The various families were not equal in wealth, power, or status. Some were small and more or less ineffective. Others were largely satellites of more important families. The Milwaukee family was, for example, dominated by the Chicago family. On the other hand, some families had a measure of independence from the commission, as Joseph Columbo was to explain to family members on December 4, 1968, as the FBI listened. New Orleans was, he said, the first Cosa Nostra family in the United States; it was set up by members from Sicily. As such, it had special privileges. It did not have to submit to the commission on various matters, including membership approval.

In 1963, it was an undeniable fact that the national structure forged by Luciano in 1931 had meant, throughout most of the country and even for the less important groups, leadership stability, and because of that stability, the amassing of wealth and power. New York, with its five families and violent struggle for control, was the exception, not the rule. In Cleveland, leadership had passed easily from Frank Milano, who retired to Mexico, to John Scalish, as the Mayfield Road mob was merged into La Cosa Nostra.

But the best example of power consolidation with a minimum of bloodletting was set by the Zerilli family in Detroit. Joseph Zerilli and William Tocco, his brother-in-law, both of whose families were from the Terrasini Province of Sicily, formed an alliance with Joseph Profaci following World War I. It was cemented by marriages between Profaci's daughters and Zerilli's son, Anthony, and Tocco's son, also named Anthony.

Zerilli's group, known as the East Side Gang, was involved in a variety of legal and illegal activities, including bootlegging. A Jewish group, the Purple Gang, operated in the northwestern part of the city, at first preying on Jewish shopkeepers, subsequently turning to labor racketeering and then to rum running. By the end of 1930, the Purple Gang had been run out of town, and since Zerilli was able to consolidate his power over the various Sicilian and Italian factions, a state of relative peace was achieved.

The effect of the peace brought on by Zerilli's control was demonstrated statistically in 1963 to the McClellan committee: from 1917 to 1930, there were 135 gangland slayings in Detroit, while from 1931 to 1962, there were only 38.<sup>123</sup> As Prohibition ended, the Zerilli family moved into gambling, primarily the numbers racket, and in 1931, Zerilli took his place on the national Commission.

#### THE KENNEDY ADMINISTRATION'S IMPACT ON ORGANIZED CRIME

As can be inferred from the stepped up electronic surveillance of Cosa Nostra leaders, Robert F. Kennedy, upon his appointment as Attorney General in

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<sup>123</sup>U.S. Congress, Senate, Organized Crime and Illicit Traffic in Narcotics, op. cit., p. 430.

1961, made organized crime his top priority.<sup>124</sup> At his first press conference, he announced that his organized crime drive had the President's backing and needed national support.

Nevertheless, the obstacles to doing something about organized crime were formidable. As late as January 1962, J. Edgar Hoover, the Director of the FBI, was on record as saying, "No single individual or coalition of racketeers dominates organized crime across the nation."<sup>125</sup> Some of the other 26 Federal investigative agencies may have been more receptive to the idea that a national crime syndicate existed--the Bureau of Narcotics, for example--but none of those involved in them was especially excited about cooperating and sharing information, or working under the leadership of Justice Department attorneys. Robert F. Kennedy may not have changed those attitudes, but he did change performances, and the results were impressive.

Hoover said the FBI did not have adequate legal jurisdiction to investigate organized crime. Kennedy fought for the passage of new criminal statutes dealing with interstate racketeering legislation that had originally been proposed by the Kefauver committee, but ignored by Congress. The number of attorneys in the Organized Crime and Racketeering Section in the Department of Justice was increased from 17 to 60 between 1960 and 1964.<sup>126</sup> Criminal intelligence from the various investigative agencies was pooled.

Targets were selected for concentrated attention: the list started out at 40, including Mickey Cohen and John Roselli on the West Coast; Anthony Accardo and Sam Giancana in the Midwest; Carlos Marcello and Santo Trafficante, Jr., in the South; and numerous Apalachin attendees from the Northeast.<sup>127</sup> By 1964, the list had grown to 2,300 top mob figures and their associates, and the Organized Crime and Racketeering Section also had 175,000 cards in its master file of information on racketeers and associates.<sup>128</sup>

Attorney General Kennedy made sure that the post of Internal Revenue Commissioner was filled by someone who supported vigorous tax enforcement against the mob. Kennedy knew that he would be "criticized on the grounds that tax laws are there to raise money for the government and should not be used to punish the underworld."<sup>129</sup>

Ramsey Clark, the Assistant Attorney General for the Lands Division, later named Attorney General by President Johnson, believed, for example, that even if you applied "tax criteria," it was not "okay to select organized crime cases...."<sup>130</sup> But that was precisely Kennedy's point. Should mob figures,

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<sup>124</sup>V. Navasky, Kennedy Justice (New York: Atheneum, 1971), p. 37.

<sup>125</sup>Johnson, "Organized Crime: Challenge to the American Legal System," Journal of Criminal Law, Criminology and Police Science, Vol. 53 (1962), p. 401.

<sup>126</sup>U.S. Congress, Senate, Measures Relating to Organized Crime, Hearings before the Subcommittee on Criminal Laws and Procedures, Committee on the Judiciary, 91st Cong., 1st Sess. (Washington: Government Printing Office, 1969), p. 117.

<sup>127</sup>Novasky, op. cit., p. 55.

<sup>128</sup>U.S. Department of Justice, op. cit., p. 202.

<sup>129</sup>Novasky, op. cit., p. 57.

<sup>130</sup>Ibid., p. 58.

because they were mob figures, be free to evade taxes? Kennedy believed that the arguments against bringing mob prosecutions in the tax area "were specious."<sup>131</sup> Moreover, Kennedy could argue that revenue raising was a function of the organized crime program, for while he was Attorney General, the IRS civilly assessed top racketeers a quarter of a billion dollars in taxes beyond the amount paid when they had filed their returns.<sup>132</sup>

IRS man-days of participation in organized crime investigations rose from 8,836 in 1960 to 96,182 in 1963.<sup>133</sup> In 1967, the President's Commission on Law Enforcement and the Administration of Justice found that 60 percent of all organized crime prosecutions brought between 1961 and 1965 turned out to have originated in tax investigations.<sup>134</sup>

During the Kennedy Administration, the overall statistics of the organized crime program in the Department of Justice were impressive.<sup>135</sup> In 1960, Organized Crime and Racketeering Section attorneys spent 61 days in court, 660 days in the field, and 100 days before a grand jury; in 1963, they spent 1,081 days in court, 6,177 days in the field and 1,353 days before a grand jury. The number of indicted individuals rose from 121 in 1961 to 615 in 1963; convictions, which always lag two to three years behind indictments, rose from 73 in 1961 to 288 in 1963.

In all, 116 individuals who, according to subsequent investigations, were members of La Cosa Nostra, were included in the Department's racketeering indictments between 1960 and 1964, including such top syndicate figures as Anthony Accardo (tax evasion) in Chicago, Anthony Provenzano (extortion) in New Jersey, Alfred Sica (tax evasion) in California, Joseph Valachi (narcotics) in New York, Angelo Bruno (extortion) in Philadelphia, Carlos Marcello (conspiracy) in New Orleans, Carmine Lombardozi (tax evasion) in New York, Anthony Giacalone (tax evasion) in Detroit, and Joseph Glimco (unlawful payments) in Chicago. In addition, Mickey Cohen, a West Coast underworld figure, though not a member of La Cosa Nostra, was convicted of tax evasion.

For the first time on a sustained, comprehensive basis, the syndicate was feeling the pressure, not just from the public exposure of a Congressional investigation but from prosecution for serious crime as well.

As evidence of the building pressure, there was an unheard-of development --an outbreak of hostility between the Mafia and the FBI.

On April 3, 1963, the funeral of Carmelo Lombardozi, who was the father of a caporegima in the family of Carlo Gambino, took place at the Immaculate Heart of Mary Church in Brooklyn. Law enforcement officers covered the wake and

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<sup>131</sup>Ibid., p. 57.

<sup>132</sup>Ibid., p. 45.

<sup>133</sup>U.S. Congress, Senate, Measures Relating to Organized Crime, op. cit., p. 123.

<sup>134</sup>President's Commission on Law Enforcement and Administration of Justice, Task Force Report on Organized Crime, op. cit., p. 61.

<sup>135</sup>U.S. Congress, Senate, Measures Relating to Organized Crime, op. cit., pp. 117-139.

requiem mass for intelligence purposes. As the funeral cortege entered the church, several young men, who were among the mourners, assaulted Special Agent John P. Foley, who had a camera. Foley was badly beaten and his service revolver was stolen.

As for FBI agents at the street level, there was no indication in the files that they were seeking permission to avenge the assault on Foley directly, but they did begin a series of interviews designed, apparently, to intimidate members of the Gambino organization, and on one occasion a member of the Lombardozi group was beaten and dumped in an ash can.

On May 20, 1963, Angelo Bruno discussed the incident with several men at his Penn Jersey vending company in Philadelphia. He quoted one FBI agent as having asked an associate of Carmine Lombardozi:<sup>136</sup> "Did you change the laws in your family, that you could hit FBI men, punch and kick them? Well, this is the test, and if you change the laws and now you are going to hit FBI men, every time we pick up one of your people we are going to break their head for them."

Bruno then related that they had in fact picked up one man: "They almost killed him, the FBI. They don't do that you know. But they picked up one of his fellows and they crippled him. They said, 'This is an example. Now the next time anybody lays a hand on an FBI man, that's just a warning. There is nothing else we got to tell you.'"<sup>137</sup>

#### KEY CRIME FIGURES DURING THE KENNEDY YEARS

Illustrative of the La Cosa Nostra members targeted by the Department of Justice during the Kennedy Administration were Joseph Valachi, Carlos Marcello, and Sam Giancana.

On June 22, 1962, Joseph Valachi, then a prisoner in the Federal Penitentiary in Atlanta, seized a two-foot length of iron pipe, rushed a fellow inmate, John Saupp, and beat him to death. Valachi, it turned out, believed that the man he had killed was Joseph DiPalermo, who had been, Valachi thought, ordered by Vito Genovese, then in prison with Valachi, to kill him. The murder precipitated Valachi's break with La Cosa Nostra and the chain of events that led to his public testimony before the McClellan committee on the structure of organized crime in America.<sup>138</sup> Valachi's decision to cooperate was not made public at the time, yet it was not long before members of the Mafia were discussing it. On April 23, 1963, for example, Angelo DeCarlo discussed it with a man named Barney, who said, "He [Valachi] knows about things from 35 years ago."<sup>139</sup>

Once Valachi had begun to testify, the anger mounted. On September 17, 1963, Magaddino commented, "We passed laws that this guy has got to

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<sup>136</sup>U.S. Congress, House of Representatives, Investigation of the Assassination of John F. Kennedy, op. cit., p. 33.

<sup>137</sup>Ibid.

<sup>138</sup>Maas, op. cit., p. 22.

<sup>139</sup>Zeiger, op. cit., p. 185.

die."<sup>140</sup>

The reactions of organized crime figures were not limited to expressions of anger against Valachi or Robert Kennedy. Members in New York developed a strategy to discredit Valachi's testimony by suggesting he was insane, citing a history of mental illness in his family. Efforts were also made to plant other unfavorable stories with compromised members of the press, including a Pulitzer Prize-winning reporter, who had been set up with a prostitute. At the conclusion of the hearings, FBI Director Hoover got right to the point in a phone call to Senator McClellan. The hearings had, Hoover said, "shook ...[the mob] up."<sup>141</sup>

Carlos Marcello, the Cosa Nostra boss in New Orleans, was familiar with congressional investigations. He had been a witness before the Kefauver committee in 1951, as well as before the McClellan committee in 1959. Undoubtedly, Marcello had learned to live with the adverse publicity generated by such investigations. The advent of the Kennedy Administration in 1961, however, threatened much more.

Marcello was erroneously identified by the Kefauver committee as the head of organized crime in New Orleans. In fact, the leader in New Orleans in 1951 was Sam Carolla, who had, in 1922, succeeded Charles Montranga, the boss who survived the 1891 killings that followed the Mafia murder of Police Chief David C. Hennessey.

The year 1947 was significant for both Carolla and Marcello. It was the year Carolla, along with Costello and Meyer Lansky, expanded gambling operations to include a race wire service and several plush casinos, as well as slot machines. Marcello represented the New Orleans family in the expanded enterprise. It was also the year the government succeeded in deporting Carolla to Sicily, despite efforts by a Louisiana Congressman, James Morrison, to have private immigration bills passed to grant Carolla citizenship. Syndicated columnist Drew Pearson exposed the scheme, and the bills were defeated. Although Carolla returned illegally to the United States on two occasions (he died in New Orleans in 1972), his power passed to Marcello.

By 1963, Carlos Marcello was one of the wealthiest men in Louisiana, as well as the head of the New Orleans organized crime family. His ventures, according to the Metropolitan Crime Commission, were grossing many millions annually: \$500 million from illegal gambling; \$100 million from illegal activities in over 1,500 syndicate-connected bars; \$8 million from professional burglaries and hold-ups; \$6 million from prostitution; and \$400 million from diverse "legitimate investment" in the fields of transportation, finance, housing, and service.<sup>142</sup> Marcello claimed he only earned "a salary of about \$1,600 a month" as a tomato salesman, although he did acknowledge making certain "land investments."

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<sup>140</sup>U.S. Congress, House of Representatives, Investigation of the Assassination of President John F. Kennedy, op. cit., p. 38.

<sup>141</sup>Ibid., p. 39.

<sup>142</sup>Ibid., p. 65.

In 1967, however, Life estimated his personal worth at \$40 million. Beyond his interest in numerous illegal endeavors, he owned motels, a juke box and vending machine company, a sightseeing bus line, and a 6,500 acre, \$22 million estate, Churchill Farms, just outside New Orleans in Jefferson Parish. Much of what Marcello owned, however, he concealed by putting the property in the names of close relatives.

As with Sam Carolla, there was a long-standing deportation order against Marcello starting with the proceedings that were brought against him following his appearance before the Kefauver committee. Born in Tunisia of Sicilian parents and brought to the United States before he was a year old, Marcello held no passport except a Guatemalan one, which he obtained in 1956 by paying a bribe, perhaps as much as \$100,000, to Antonio Valladares, the law partner of Guatemala's Prime Minister.<sup>143</sup> Nevertheless, as the Kennedys came to power, Marcello was running out of maneuvering room.

On March 3, 1961, the director of the Immigration and Naturalization Service advised the FBI in a memorandum that "the Attorney General had been emphasizing...the importance of taking prompt action to deport...Marcello... [whose] final order...[had] been entered...but...[was] being held in strictest confidence."<sup>144</sup> Marcello did not learn of the order until April 4, 1961, when he came in to the INS office in New Orleans for his regular quarterly appointment as an alien. He was arrested, handcuffed and, sirens blaring, taken to the Moisant International Airport, where a United States Border Patrol aircraft was waiting with its engines warmed up.<sup>145</sup> Marcello was flown 1,200 miles to Guatemala City and dumped there, without luggage and with little cash.

Eventually, Marcello illegally re-entered the United States. On June 3, 1961, Marcello's lawyers acknowledged that he had returned to the United States, was in hiding, but could be produced in court if necessary.

Marcello's troubles with the Kennedy Administration were only just beginning. On April 10, 1961, six days after the deportation, the Internal Revenue Service filed a \$835,396 tax lien against him and his wife. On June 8, 1961, six days after his attorneys announced he had returned, a Federal grand jury in New Orleans indicted him for illegal entry. Four months later, Attorney General Kennedy himself announced that the Federal grand jury in New Orleans had indicted him for conspiracy to defraud the United States in connection with the false Guatemalan birth certificate.<sup>146</sup>

On November 4, 1963, Marcello went on trial in New Orleans on criminal charges in connection with the false Guatemalan birth certificate; he was acquitted on November 22, 1963. News of President Kennedy's assassination reached the courtroom only shortly before the verdict was returned. On October 6, 1964, Marcello was indicted for jury bribing in connection with the November

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<sup>143</sup>Chandler, op. cit., p. 187.

<sup>144</sup>U.S. Congress, House of Representatives, Investigation of the Assassination of President John F. Kennedy, op. cit., p. 71.

<sup>145</sup>Chandler, op. cit., p. 188.

<sup>146</sup>U.S. Congress, House of Representatives, Investigation of the Assassination of President John F. Kennedy, op. cit., p. 73.

1963 verdict. The indictment also charged obstruction of justice, in that Marcello had plotted the murder of the principal witness against him, Carl Noll. Subsequently, Marcello was acquitted of the bribery charge, and the obstruction of justice charge was dropped when Noll refused to testify against him.<sup>147</sup>

Sam Giancana, the family boss in Chicago, was one of the principal targets of the Kennedy Administration's organized crime drive because of his position in Chicago, a position that had been won over a long period by an aggressive nature and raw violence.

Before he was 20, he had been arrested and rearrested in three murder investigations. By 1963, Giancana had been arrested 60 times, and he had served time, not only for auto theft but also for burglary and moonshining.<sup>148</sup>

In the mid-1940s, Giancana had made himself a partner in the black policy racket and proceeded to lead the syndicate's takeover of the major policy operations in Chicago's Black Belt.<sup>149</sup> It was part of a general move in the 1940s by the old Capone gang to consolidate its control of all gambling in Chicago. It was a period marked by bombings, kidnappings, and ambushes, with high casualties for all of the warring factions. The syndicate itself lost more than a dozen people. In the end, the horse rooms, race wire service, casinos, and policy wheels came under the domination of the syndicate, which had successfully transferred its monopoly from bootleg alcohol to illegal gambling.

As for Giancana, his rising status in the syndicate was symbolized by his new job as chauffeur for Anthony Accardo, who had taken over the syndicate in 1944. Subsequent tax prosecutions forced Accardo to retire in the early 1960s and to pass the leadership to Sam Giancana.

The Chicago syndicate got interested in Las Vegas in the late 1950s. It had been declared an open city; that is, not the domain of any one Mafia family, and by the end of 1960, both Giancana and Accardo had hidden interests in a number of casinos, hidden because criminals were banned from casino ownership by Nevada law.<sup>150</sup> Giancana had an interest in the Desert Inn and the Stardust, both nominally owned by Morris Dalitz.

In 1963, Frank Sinatra, a close friend of Giancana, owned 50 percent of the Cal-Neva Lodge, a resort and casino on the Nevada side of Lake Tahoe.<sup>151</sup> Giancana had often bragged that, through Sinatra, he owned a share of Cal-Neva, and Sinatra seemingly confirmed it by hiring Paul D'Amato, a New Jersey gangster, to protect Giancana's interest.<sup>152</sup> Giancana was a frequent guest at

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<sup>147</sup>Ibid., pp. 74-75.

<sup>148</sup>Brashler, op. cit., pp. 53-56.

<sup>149</sup>Ibid., p. 110.

<sup>150</sup>U.S. Congress, Senate, Controlling Crime Through More Effective Law Enforcement, Hearings before the Subcommittee on Criminal Laws and Procedures, Committee on the Judiciary, 90th Cong., 1st Sess. (Washington: Government Printing Office, 1967), p. 988.

<sup>151</sup>Brashler, op. cit., p. 200.

<sup>152</sup>Gage, op. cit., p. 294.

the place, staying in a cozy chalet that adjoined the main hotel, but visits on two successive weekends in July stirred up enough publicity to attract the attention of the Nevada State Gaming Commission. Called to account for Giancana's share of ownership, Sinatra was defiant at first but by October he could see no alternative to divesting himself of his \$3 million interest in Cal-Neva as well as 9 percent of The Sands in Las Vegas, which was worth \$390,000.<sup>153</sup>

The Cal-Neva incident was illustrative of the larger interests that organized crime figures had at stake in Nevada, particularly in Las Vegas. Jet air travel, the vitality of the economy, and a growing reputation as the entertainment capital of the world made Las Vegas in the 1960s a rich source of illicit profits. Publicly-reported gaming income increased from \$216.3 million in 1961 to \$330 million by 1965.<sup>154</sup>

But both the FBI bugging program and IRS physical surveillance, conducted in connection with Attorney General Kennedy's organized crime drive, revealed that substantial sums were not being reported to the gaming authorities. In March 1962, for example, \$200,000 was skimmed from the Desert Inn alone, while in January 1963, a total of \$280,000 was skimmed from the Fremont, Sands, Flamingo, and Horseshoe; the minimum estimated illegal annual take from 1960 to 1964 was \$10 million.<sup>155</sup> The skim money was carried out of the country to the International Banque of Credit in Geneva, or to the Bank of World Commerce in Nassau, or it was distributed to various mob leaders in the United States.

The government was threatening the investment, however, with the Attorney General's organized crime program: FBI strength in Nevada was tripled; the IRS opened a 40-agent office in Las Vegas. It was potentially the worst financial disaster for the mob since Castro closed the Havana casinos in 1959.

The link between the syndicate and many Chicago politicians was typified by the political career of Roland Libonati, who, after 22 years in the Illinois legislature, went to Washington in 1958 as a congressman. He was appointed to the Judiciary Committee of the House, which had jurisdiction over anticrime legislation sought by the Kennedy Administration. In a conversation overheard by the FBI on October 23, 1962, he took credit where credit was due. "I killed," he said, "six of [Kennedy's] bills. That wiretap bill, the intimidating informers bill...."<sup>156</sup>

In January 1963, Giancana ordered Libonati to step down "for reasons of poor health." According to one account, Giancana acted because Mayor Richard J. Daley had been informed by Attorney General Kennedy that if Libonati returned to Congress, Kennedy "would personally see to it that he went to jail."<sup>157</sup> Libonati's successor was Frank Annunzio, a former First Ward

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<sup>153</sup>Brashler, op. cit., p. 201.

<sup>154</sup>Reid, op. cit., p. 234.

<sup>155</sup>U.S. Congress, Senate, Controlling Crime Through More Effective Law Enforcement, op. cit., pp. 986-996.

<sup>156</sup>U.S. Congress, House of Representatives, Investigation of the Assassination of President John F. Kennedy, op. cit., p. 24.

<sup>157</sup>Demaris, Captive City (New York: Lyle Stuart, Inc., 1969), p. 149.

committeeman and a partner of two syndicate figures in an insurance business.<sup>158</sup> When he ran for the House in 1964, Annunzio said he thought that Americans of Italian ancestry had been unfairly linked with the crime syndicate hoodlums: "I feel our image has been treated unfairly."<sup>159</sup> The FBI, in a report not made public, said in 1964: "Annunzio will follow [the] dictate[s] of [the] Mob."<sup>160</sup>

One of Libonati's last acts in Congress was the introduction of legislation that would have made it a crime for Federal agents to keep gangsters under surveillance. At the time, he told a Chicago television newscaster: "Yes, I know Giancana. [M]y bill would cover him."<sup>161</sup> The reason for Libonati's legislation was Giancana's reaction to stepped-up FBI surveillance starting in 1963.

FBI agents, who had kept Giancana under surveillance since he was named a principal target of the Attorney General's organized crime program in 1961, decided in the late spring of 1963 to change tactics. Up until then, Giancana had not been under close physical surveillance. On their own, although with approval from Washington, the agents decided to institute "lockstep" physical surveillance--a 24-hour tail, no matter where he was or whom he was with.

The lockstep surveillance was more effective than expected. Giancana became isolated; it was no longer possible for him to conduct meetings. Other organized crime figures shunned him.

Desperate, Giancana decided to take an unprecedented step. With the help of his son-in-law, Anthony Tisci, a lawyer on Libonati's congressional staff, he sought to enjoin the agents' conduct as a violation of his civil rights. He secured partial relief. But Giancana lost more than he won by going to court, since the publicity generated by the suit turned his \$50,000 mansion into a tourist attraction. "I never saw anything like last night," said Norma Boerema, who lived across the alley from the Giancana home. "There were 150 to 200 cars...circling around...."<sup>162</sup> Other mob figures were heard to grumble that Giancana had lost his effectiveness as a result of the publicity.

#### IMPACT OF THE PRESIDENT'S ASSASSINATION ON ORGANIZED CRIME

In November 1963, after word of the Kennedy assassination came, Sam Giancana observed that Robert Kennedy would "not have the power he previously had." He turned out to be right.<sup>163</sup>

That the mob was one of the principal beneficiaries of the assassination is not open to question. The statistics tell the story.<sup>164</sup> From 1964 to 1966,

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<sup>158</sup>Ibid., pp. 138-141.

<sup>159</sup>Ibid.

<sup>160</sup>Ibid., p. 149.

<sup>161</sup>Ibid.

<sup>162</sup>Chicago American, July 10, 1963.

<sup>163</sup>U.S. Congress, House of Representatives, Investigation of the Assassination of John F. Kennedy, op. cit., p. 42.

<sup>164</sup>U.S. Congress, Senate, Measures Relating to Organized Crime, op. cit., pp. 117-123.

the number of attorneys in the Organized Crime and Racketeering Section decreased by about 25 percent; days in court fell by 40 percent; days in the field, by 45 percent; days before the grand jury, by over 70 percent.

Not only did the performance-related statistics of the organized crime program fall, but in July 1965, at the request of then Attorney General Ramsey Clark, President Johnson banned all use of electronic surveillance techniques, except in national security matters. That same year the Department of Justice was accused of extensively using illegal electronic surveillance in investigations of racketeer influence in Las Vegas casinos.<sup>165</sup>

Also in 1965, a Senate committee uncovered a few isolated instances of wiretapping and electronic surveillance by Treasury Department agents. Some officials began to doubt whether special emphasis upon organized crime in Tax enforcement was appropriate or fair. This, combined with already waning IRS support of the organized crime program, contributed to a 22 percent reduction in man-days devoted to the effort by the agency during 1964 and 1965, a decrease that would amount to 56 percent by 1968.

In 1965, Federal prosecutors in some large cities demanded independence from Organized Crime and Racketeering Section attorneys and prosecutive policies. Furthermore, attacks appeared in the press on the intensity and tactics of the Federal investigative and prosecutive efforts.

In 1966, however, President Johnson directed Federal enforcement officials to review the status of the national program against organized crime. In a White House memorandum, he called upon the various agencies and departments to coordinate their activities and to cooperate to the utmost with the Department of Justice.

In 1967, the President's Commission on Law Enforcement and Administration of Justice, established by President Johnson in 1965, issued 22 recommendations, including expansion of the Organized Crime and Racketeering Section, formation of investigative teams (known as Strike Forces) comprised of agents from the various Federal investigative agencies, establishment of a witness protection program, and passage of legislation pertaining to grand jury reform, immunity authorization, perjury and contempt reform, and wiretap authorization, among other proposals. Similarly, a House committee studied the organized crime program in 1968 and called for its strengthening.

Wiretap legislation called for by the President's Commission was enacted in 1968. Upon passage of the Organized Crime Control Act of 1970, most of the rest of the Commission's legislative program was enacted.

At this writing, Federal Strike Forces are operating in 14 cities, with 12 suboffices, and organized crime is a major priority of the Department of Justice. For example, the FBI's director told Congress in 1980 that his agency's efforts in its organized crime program, representing 22 percent of field agent time, are resulting in about 632 convictions per year, 405 of which

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<sup>165</sup>President's Commission on Law Enforcement and Administration of Justice, op. cit., p. 11-12. The balance of this section relies heavily on this source.

are in the racketeering classification. He also indicated that 107 of those convicted "were either associates or members of the largest organized crime groups operating in this country."<sup>166</sup>

#### CONCLUSIONS AND FINDINGS

The term "Mafia" has been traced back to 13th century Sicily. In 1874, the London Times referred to atrocities committed by a secret society "called the Sicilian Mafia." Whatever the genesis of the name or the organization, the Mafia attracted considerable attention in the United States in the latter part of 19th century, particularly in New Orleans, where, in 1890, Mafia members were involved in the assassination of the city's police chief.

That there existed a national crime syndicate prior to Prohibition may be doubted. But substantial evidence exists outside of New Orleans that there were various independent Mafia groups in a number of major American cities.

The current structure of today's Mafia developed as an outgrowth of a conflict--the Castellammarese War--between two rival organized crime families in New York City, families headed by Maranzano and Masseria. After the murder of the latter in 1931, Maranzano imposed on Mafia factions the family structure still in existence today: boss, underboss, lieutenants, and soldiers.

Maranzano designated himself as boss of all bosses. However, a few months later, in September 1931, Maranzano himself was murdered, whereupon Charles Luciano established a commission of bosses, intended as the final arbiter of disputes, which converted the old families of the Mafia into a confederation, the national syndicate of organized crime, eventually known as La Cosa Nostra.

Thanks to the huge profits amassed from the sale of illicit liquor during Prohibition years, gangs that operated around the turn of the century had enough money to convert themselves into criminal groups vastly improved in organization and efficiency. However, by the mid-1930s, the Italians in many areas of the nation had gained some semblance of dominance, although rarely a monopoly of organized crime activities.

In 1931, the Wickersham Commission recognized the potential menace of organized crime and alerted the nation. However, little official attention at the national level was paid to organized crime until 1950, when Attorney General J. Howard McGrath convened the Conference on Organized Crime.

The Conference helped develop a national awareness of organized crime and advocated a Senate investigation of organized crime, which subsequently was conducted under the sponsorship of Senator Estes Kefauver during the 1950-51 period. Hearings held by Senator Kefauver's committee documented a number of activities and traits associated with organized crime: gambling,

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<sup>166</sup>U.S. Congress, House of Representatives, Testimony of William H. Webster, Hearings before a subcommittee of the House Committee on Appropriations, 96th Cong., 2nd Sess. (Washington: Government Printing Office, 1980), p. 59.

narcotics, infiltration of legitimate business, corruption, and violence.

The November 1957 meeting of major Cosa Nostra crime figures in Apalachin, New York, rekindled the public's interest in organized crime and created a demand for a force to deal with the problem. Exposure of the meeting highlighted the presence of organized crime to such a degree that a committee chaired by Senator John L. McClellan turned its attention away from the Teamsters union and began hearings on organized crime--its structure and membership. Hearings were conducted in 1958, 1963, and 1964. They documented the existence of a national syndicate, including its commission, and many of its activities, such as gambling, vice, and operation of various businesses.

The committee also investigated organized crime's exploitation of organized labor, particularly the link between major crime figures and the Teamsters union. Subsequently, law enforcement intelligence revealed highly unsound loans by the Teamsters Central States Pension Fund, particularly to Las Vegas casinos in which organized crime had an interest.

Between 1959 and 1965, the FBI gathered valuable intelligence data through extensive electronic surveillance of major crime figures. The national scope of organized crime was fully documented, including the commission, family structure, and membership. In 1963, estimates place La Cosa Nostra's membership at between 4,000 and 5,000, spread among 24 families.

During the Kennedy Administration, the Federal drive against organized crime was in high gear and produced significant results. However, following President Kennedy's assassination, the drive faltered. It began to regain momentum in the late 1960s, thanks in part to the recommendations issued by a task force of the President's Commission on Law Enforcement and Administration of Justice, created by President Johnson in 1965.

## CHAPTER 2

### ORGANIZED CRIME AND VIOLENCE

Traditionally, our nation and our society have been characterized by violence--the fight for independence, the Indian wars, slavery and the secession of the South, agrarian reform, the emergence of organized labor, the civil rights movement, and conflicts based on religious and ethnic animosities or even politics. The violence that has characterized the development of our underworld, therefore, ought not to come as a surprise to anyone who knows our history or is familiar with the dark underside of our national life today.

Organized crime, including La Cosa Nostra as well as other groups, continues to be extremely violent. For example, the Department of Justice estimates that there were 200 gangland slayings in 1979, a minute portion of the 20,000 homicides that occurred that year, but significant for the brutality that they manifested as a way of life for the organized underworld.

For the less sophisticated groups, violence may be used more frequently and less selectively than by older organizations, such as La Cosa Nostra. That group typically uses murder only when other alternatives will not work, realizing, among other things, that wholesale violence will attract intensive law enforcement investigation. Nevertheless, timely murders remain a method of conducting its business. Most La Cosa Nostra families, in fact, go through periods of heavy and seemingly unrestrained violence.

Understanding violence is one key to understanding the essential character of organized crime. With particular emphasis on La Cosa Nostra, the balance of this chapter discusses the controls over, and alternatives to, violence that are employed by organized crime, the use of violence primarily as a tool to achieve various objectives (especially as a means to resolve certain, kinds of problems), the impact of organized crime on the overall level of violence, and the response by law enforcement.

#### CONTROLS OVER AND ALTERNATIVES TO VIOLENCE

As organized crime became syndicated, gangsters began to use murder more

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<sup>1</sup>This chapter relies heavily on two sources: (1) U.S. Congress, Senate, Organized Crime and the Use of Violence, Hearings before the Permanent Subcommittee on Investigations of the Senate Committee on Governmental Affairs, 96th Cong., 2nd Sess. (Washington: Government Printing Office, 1980); and (2) Furstenberg, "Violence and Organized Crime," Crimes of Violence--A Staff Report Submitted to the National Commission on the Causes and Prevention of Violence (1970). Other sources are identified in subsequent footnotes.

selectively as a tool of their trade. They realized that excessive violence was one of the crucial things that attracted public attention and law enforcement pressure. Accordingly, a conscious decision was taken by the principal group, La Cosa Nostra, to attempt to avoid unnecessary violence. A modern, rational use of violence was the result.

La Cosa Nostra, as a well-established and highly structured organization, has strong internal and external controls over violence. The group's organizational structure enables it to control the use of violence by its members. Significant in this regard is the role of the family boss, who is usually against wholesale violence. Where the boss is strong, he must approve all killings by members, which facilitates a rational use of murder. Where there is no strong leader, and in the newer organized crime groups with less mature leadership, killings are likely to be less well thought out.

The family boss controls a system that is in fact relatively effective in limiting violence between members of his family. Soldiers are expected to settle differences without violence. If they cannot agree, they are supposed to request a caporegima to arbitrate. If the capo cannot resolve the dispute, the soldier is supposed to request the consigliere, underboss, or boss to decide. If the boss makes a decision on the matter, it is supposedly final. A member who refuses to follow the boss's decision will be punished by the organization, a punishment ranging from a slap in the face to murder, depending on the gravity of the offender's misdeed.

If members of different families become involved in a dispute, the boss or consigliere of each family may meet in a sitdown, the underworld form of binding arbitration.

Intrafamily murder is kept as impartial as possible. Murders are ordered only if it is for the good of the family. Reasons that are sufficient to demand death vary with the family and boss, but they include informing on the family or another member, disobeying the boss, and not sharing with the organization a proper share of the profits from illegal ventures. If a killing is ordered within the family, the members usually accept it if the boss is strong, partly because of the boss's position of authority and partly because they know the boss could order the same fate for them.

Various techniques are also used by organized crime to help control the use of violence against nonmembers. For example, corruption allows organized crime to operate more easily than otherwise and with less need for violence. Instead of threats and actual force, intensive police investigation may be avoided through bribery.

Money and economic power enable organized crime to have its way with other criminals and with many legitimate businesses and labor unions. Criminals with successful operations can be brought under the organization's control by offering protection, financing, and exclusive territory. Legitimate businessmen can be controlled in several different ways, including threats of labor problems, caused by organized crime-bought labor leaders. Methods such as these allow organized crime to exercise a great deal of influence without resorting to violence.

Money also helps limit violence in a more indirect way. One of organized crime's goals is profit, and it understands well that most people, or businesses, can be milked for something. Thus, instead of a beating or killing a customer, a loan shark might force him to rob a bank, steal securities, or embezzle, as dead people cannot contribute to the mob's till.

The most effective alternative to actual violence, however, is fear of violence. Because of organized crime's well-known propensity for violence, the resulting fear of violence actually reduces the need for its use. In short, people are generally so intimidated by mobsters that force is not necessary to encourage them to do whatever the mob desires of them. Thus, when a loan shark tells a customer that if he is late with a payment again he will be dead, the customer does not wait to see if the loan shark really means it. And the restaurant owner pays the extortionist rather than see if the extortionist will actually bomb his restaurant. Likewise, the store owner buys the mob's products instead of risking the consequences. There are well-publicized instances of what happens to those who do not go along with the mob, and one threat, carried through, goes a long way toward preserving the mob's credibility.

#### RESOLVING PROBLEMS THROUGH VIOLENCE

When necessary, organized crime uses violence in a calculated way--as a means to an end, not as an ultimate objective. Force is used as a rational solution to four types of organized crime problems: business, security, warfare, and competition.

##### Business Violence

Business violence can be defined as the type of violence that occurs in the normal course of an illegal endeavor, such as a loan shark using force to collect an overdue payment. This type of violence is separate from the competitive violence that occurs when different groups vie for the same racket or territory. In the business context, however, violence seems to be used relatively little; it is, in short, not generally good for business.

Business violence most commonly occurs in loansharking where the threat of violence is necessary to insure repayment of a loan for which there is no traditional collateral. At times, violence must, therefore, be used to demonstrate that nonpayment or habitual late payment will not be tolerated. But other forms of punishment, including interest rate penalties or business takeovers, are usually adequate sanctions. Here, too, violence is not always the best policy.

Neither gambling nor narcotics are typified by a high degree of business violence. Both endeavors involve continuous relationships. As such, the use of violence is not a major factor in maintaining the illicit relationship. Obviously narcotics trafficking has its violent aspects, chiefly competitive or security violence and secondary violence by addicts, but in its "business" aspects narcotics racketeering is not excessively violent.

Ironically, business violence may play a larger role in the underworld's activities in the legitimate economy. Labor racketeering, for example, involves violence. Payoffs and kickbacks from employers are extorted through threats of violence. Other forms of labor racketeering may be made easier with

the help of the threat of violence. Usually, too, violence will play a role in organized crime's gaining control of legitimate businesses. Once in control, it may be necessary for mobsters to use violence to drive competitors out of business, force their products on buyers, or sweeten deals.

### Violence to Maintain Security

Organized crime also uses violence to maintain internal security. If a member or an associate is a security threat, he must be taken care of, and that may include murder. According to Joseph Valachi, Willie Moretti, for example, was killed because his mental instability rendered him unable to behave rationally; he was, therefore, a threat to security.<sup>2</sup> Other racketeers are disciplined or silenced for disobeying orders or being too independent.

The beating or murder of an informant is the most common type of security violence. The violence may not be limited to the potential witness. John Fitzgerald, an attorney who counseled his client to inform on the mob, had his leg blown off by a bomb planted in his car; he, too, was apparently viewed as a security threat.

Informants who have already damaged the organization may also be killed for revenge and to discourage potential informants. George A. Francorero, who twice gave damaging testimony in organized crime prosecutions, was shot in 1981.<sup>3</sup> Joseph Barboza, whose testimony helped convict Raymond Patriarca, a New England boss, was subsequently killed after his cover was blown and it became known that he had agreed to testify again.<sup>4</sup>

Indeed, it is fair to conclude that the mob's continued success depends in large part on its code of silence. It is understandably difficult to convince a lower-level organized crime figure to testify against his bosses and breach this code. Victims of organized crime know equally well what might occur if they testify against the mob. As such, violence protects the organization from inside and outside threats. For example, in the prosecution of Gary Bowdach, a mob figure, 15 counts of an indictment had to be dropped because 15 witnesses outright refused to testify because of their fear of Bowdach.<sup>5</sup> Security violence, in fact, created the need for the Federal Witness Protection Program, which now makes it somewhat less dangerous to testify against organized crime.

### Use of Violence in Warfare

Warfare, external fighting or internal rebellion, occurs when an individual or faction challenges the prevailing leadership. Warfare can result from dissatisfaction with leadership, encroachment on another family's racket or

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<sup>2</sup>P. Maas, The Valachi Papers (New York: G. P. Putnam's Sons, 1968), p. 211.

<sup>3</sup>New York Times, March 7, 1981, p. 26.

<sup>4</sup>Newsday, February 13, 1976, p. 15.

<sup>5</sup>U.S. Congress, Senate, Organized Criminal Activities: South Florida and U.S. Penitentiary, Atlanta, Ga., Hearings before the Permanent Subcommittee on Investigations of the Senate Committee on Governmental Affairs, 95th Cong., 2nd Sess., Part 1 (Washington: Government Printing Office, 1978), p. 51.

territory, or simply a vacated leadership position. It may take the form of a small war, in which several gang members are killed, or a single assassination of a leader. The assassination in the 1970s, for example, of La Cosa Nostra leader Sam Giancana, illustrates the point. Examples of more extensive warfare include the Masseria-Maranzano war of the 1930s, the Gallo-Profaci war, the Bonanno war of the 1960s, and, more recently, the killings of Philadelphia bosses Angelo Bruno and Philip Testa and numerous members of the Bruno family.

The Rochester, New York, organized crime family, however, has been plagued by extended gang war in recent years and an examination of that conflict will well demonstrate how warfare begins and proceeds.

The war can be traced to 1972, when Rochester boss Frank Valenti was forced out by Samuel Russotti and others, who accused Valenti of skimming organization money for his own use. Valenti passively retired when his only loyal capo, Dominic Chirico, was assassinated. Russotti then became boss of the family.

On January 14, 1977, Russotti and others were imprisoned for 25 years to life for their roles in the murder of a fellow mobster, a conviction that left a tremendous void in the Rochester family's leadership. The man left in charge, Thomas Didio, was supposed to act as a puppet for Russotti. Didio, however, refused to follow Russotti's orders. This and other actions by Didio enraged Russotti and his loyalists, creating great discontent in the family.

In July 1977, Didio, sensing the dissension, began to seek counsel from Frank Valenti, thus bringing Valenti back into the conflict. About the same time, Russotti's group determined to remove Didio from power.

In September 1977, Didio and two of his loyalists were told that they were through by several Russotti followers, who then severely beat Didio and his men. Didio and his group then went into hiding, and began to hold secret meetings at a Pittsford, New York, restaurant.

In December 1977, Didio's forces launched their retaliation by trying, unsuccessfully to attach a remote control bomb to a Russotti follower's car. In January 1978, Didio loyalists ambushed a car containing Russotti henchmen and riddled it with bullets, but, miraculously, no one was killed.

Meanwhile, in January 1978, Russotti and his five cohorts were released from prison after their convictions were reversed because of police perjury in their trial. Later that year, a Didio loyalist met with members of Russotti's group, but they could not come to an agreement. Didio's faction then determined to start a bombing campaign with the hope of convincing Russotti's group to agree to a compromise. As a result of the bombings, police efforts were stepped-up and several Didio loyalists were arrested.

In July 1978, Didio himself was assassinated by the Russotti group. Most of Didio's group was then indicted and convicted of various crimes or enrolled in the Federal Witness Protection Program. Didio's attempt to gain autonomous control of the Rochester mob was, therefore, foiled, thanks in large part to timely arrests of members of the Didio group as well as Didio's assassination. Accordingly, Russotti's group continues to dominate organized crime in Rochester.

## Violence to Resolve Competitive Problems

Competitive violence occurs when one or more gangs vie for control of a racket or a territory. It is little different from the kind of violence in which the urban youth street gangs frequently engaged. La Cosa Nostra has used it to attain and maintain its preeminence in organized crime. For example, in Boston in the early 1960s, La Cosa Nostra caught the powerful Irish gangs off guard, and, in a war involving at least 50 murders, took full control of the gambling and loansharking rackets. Rising organized crime groups, including black and other ethnic organizations, are also using competitive violence to expand their operations.

Narcotics trafficking, however, is by far the most violent of the rackets today, and the violence connected with it is chiefly competitive in character. For example, Miami is a center for narcotics trafficking, and there is widespread competitive violence between rival gangs trying to gain control of the racket. In Miami, they refer to the rampant violence of the drug traffickers as the phenomenon of the "Cocaine Cowboy." The violence is comparable in scale and ferocity to the violence of the competing bootleggers in the 1920s.

Colombian organized crime groups are powerful in cocaine and marijuana trafficking, and as they have begun to sell directly to the south Florida market, they have come into conflict with Cuban and American traffickers. All the traffickers are fighting to hold on to a portion of the territory; the result has been an unprecedented level of violence. The violence in Miami is brutal and totally uninhibited.

Drug-related murders occur frequently in Miami, as rival groups struggle to control the incredibly lucrative drug traffic. Most of the murders remain unsolved, in large part because many of the Colombian killers have no roots in the community and cannot be identified. In addition, they manage to leave the country, in one way or another, if they become suspects in a killing.

### IMPACT ON THE OVERALL LEVEL OF VIOLENCE

Ironically, there is considerable evidence that the presence of a powerful organized crime group may actually suppress certain crimes, including violent crime. La Cosa Nostra is known to cultivate good public relations, and one aspect of this policy may be protection for neighborhoods in which its members live and operate. Organized crime, in short, does not tolerate street crime. La Cosa Nostra is able to accomplish what legitimate law enforcement cannot because of the fear and respect it evokes in other criminals. In some urban areas, crime is tightly controlled and violent crime rates are startlingly low.

As effective as some groups may be at suppressing some forms of violent crime, the overall effect is, however, minimal. Cities known to have powerful organized crime groups do not, in fact, have lower violent crime rates than those that do not. Indeed, Florida aside, there is no discernible difference in the violent crime rates of major cities with and without strong organized crime groups.

Organized crime is, on the other hand, indirectly responsible for a great deal of violent crime. The addict who must steal to support his habit often

uses violence in his thievery. At one point, the New York City Police Department estimated that 50 percent of all street crime was committed by addicts. It is not known how many murders or assaults are committed by people under the influence of drugs, offenses that might not have been committed had the offender been clear-headed. Nor is it known how much violent crime committed by street gangs and other young thugs can at least in part be attributed to youthful emulation of successful and highly visible mobsters.<sup>6</sup>

#### VIOLENCE ASSOCIATED WITH EMERGING CRIME GROUPS

With the large but important exception of the Florida drug traffic, the chief emphasis of the media's attention to organized crime's violence has been La Cosa Nostra, partially because it is the only nationwide syndicate, but also because more is known about it than other organizations. Thus, a look at some of the other organized crime groups and their violent tendencies is in order.

Motorcycle gangs can be extremely violent. They are apparently ready to kill anyone who gets in their way, including the sort of law enforcement officials whom La Cosa Nostra has traditionally avoided. Most bike groups are referred to as dangerous, even psychopathic, by the FBI. The gangs with the most violent tendencies include the Hell's Angels in the West, the Banditos in the South, and the Pagans in the Northeast. The brutal character of the violence is difficult to believe. One Pagan, who attempted to quit the gang, was injected with sulfuric acid, stabbed dozens of times, and shot in the head; miraculously, he survived.<sup>7</sup>

As previously noted, the propensity of drug traffickers for competitive violence is well-established. Drug traffickers also use violence for other reasons. There are at least seven situations that give rise to violence in the drug traffic: ripoffs, where a seller or buyer plans to steal narcotics or money; revenge or retaliation for a past drug ripoff or homicide; money or drugs not delivered by the courier, source, or buyer; battles for ascendancy within the group; belief that the victim was cooperating with a government agency as an informant; elimination of witnesses to a crime (security); and attempts to hijack drugs.

The Dixie Mafia is a loose confederation of burglars, bank robbers, and other property-oriented criminals operating in the South, who have associated with one another, assisted each other, and on occasion interacted with other organized crime groups. The FBI terms this group fairly violent.

The Israeli Mafia consists of a group of Israeli citizens in Los Angeles, who began by victimizing other Israelis. They have now expanded their activities into such crimes as drugs, extortion, and fraud.

Two particularly violent Latino groups in California got their start

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<sup>6</sup>William G. Hundley, former Chief of Justice Department's Organized Crime and Racketeering Section, Letter to Donald J. Mulvihill of the President's Commission on the Causes and Prevention of Violence, November 18, 1968.

<sup>7</sup>Pennsylvania Crime Commission, A Decade of Organized Crime: 1980 (Conshohocken, Pennsylvania: 1980), p. 29.

in the California prison system. They are known as La Nuestra Familia and the Mexican Mafia. La Nuestra Familia is thought to be the most violent of the two groups. Since it began in 1965, La Nuestra Familia has had 150 murders attributed to it by law enforcement agencies. In one 14-month period alone, La Nuestra Familia allegedly committed 26 murders in the Fresno, California, area.

There are a number of other organized crime groups in the country. In Chinese communities, there are local groups called Tongs. In Hawaii, there is a group known as the Yakuza, which is involved in narcotics, extortion, and murder. In addition, there are black organizations, sometimes called the Black Mafia, involved in the narcotics and numbers rackets. All of these groups have varying propensities for violence.

#### LAW ENFORCEMENT RESPONSE

Ultimately, the success of any law enforcement effort depends on the support of public opinion. Nevertheless, the public is seemingly unconcerned with the problem of organized crime, including its violent aspects, often contrary to the belief of some figures in organized crime itself. Victims of organized crime violence are too often perceived as people who probably deserve what they got. Indeed, victims of organized crime are frequently organized criminals themselves. Almost all other victims are people who somehow became involved with organized crime. Accordingly, organized crime is generally not thought to be responsible for the violence that victimizes the average person, who has no connections with the mob.

Society, too, demands many of the goods and services provided by organized crime. By using these goods and services, its members contribute to the power and growth of organized crime. As organized crime continues to flourish, so will its use of violence and threats of violence.

These ambivalent attitudes toward organized crime make acts of violence by organized crime difficult to solve. For example, of 999 gangland murders in Chicago between 1919 and 1966, only 17 resulted in convictions by 1966.<sup>8</sup> Violence itself is, of course, a major reason why organized crime figures are so difficult to prosecute, and the mob's vast financial resources that enable it to bribe public officials reduce the likelihood of successful prosecutions.

#### CONCLUSIONS AND FINDINGS

Essentially, violence is not pursued for its own sake; it is not a "service" for hire. Rather, organized crime uses violence as a tool, or means, to achieve specific objectives.

Violence, or the threat of violence, is the muscle that is used to assure and enhance the profits of various enterprises, whether legitimate or illicit. Violence helps maintain order, discipline, and security within the criminal group. Organized crime also engages in violent acts to defend itself against those who would encroach upon its territory or enterprises, to expand its turf,

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<sup>8</sup>Chicago Crime Commission, A Report on Chicago Crime for 1966, p. 65.

and to take over positions of leadership within a given criminal group.

Even when used on a highly controlled and selective basis, violence gives organized crime enormous leverage over those it seeks to exploit.

## CHAPTER 3

### ORGANIZED CRIME AND CORRUPTION

The role of organized crime in violence must be seen in the larger context of official corruption generally, which is hardly a recent phenomenon. Official corruption has enjoyed a long history in the United States at all levels of government: Federal, state, and local. Indeed, several well-respected commentators have viewed it as inherent in the political system, or at least as a necessary evil. No one really knows whether official corruption is on the rise or whether our society has only become more acutely aware of it.

Although corruption is hardly new, it nonetheless remains a serious challenge in a free society. Government has become a major force in our economy; it regulates more than half of the gross national product and it determines, to some degree, who will get rich.<sup>1</sup> Accordingly, abuse of official position and power has become attractive to many government officials. During the 1970s, the number of public officials and their confederates indicted by the Federal government on corruption-related charges increased 1,100%; 2,850 Federal, state, and local officials were charged with Federal offenses.<sup>2</sup> The majority have been convicted. The guilty have included a Vice President of the United States, governors, Federal judges, and members of Congress.

While organized crime plays a significant role in official corruption, it cannot be credited with all or even most official corruption. In fact, organized crime's involvement in corruption is often exaggerated. The Mafia, for example, is hardly the principal source of economic crimes. The kickbacks or other favors that some corporations give politicians rival anything the mob offers.<sup>3</sup>

Official corruption, however, is a means of survival for organized crime.<sup>4</sup> For this reason, organized crime families are willing to invest heavily in the cultivation of political friendships and favors. Apparently, each crime family has at least one person who acts "the corrupter" of law enforcement officials and political officials.<sup>5</sup> To survive, organized crime's goal must be to

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<sup>1</sup>Pennsylvania Crime Commission, A Decade of Organized Crime: 1980 (Conshohocken, Pennsylvania: 1980).

<sup>2</sup>Nathan, "Corruption Trials: The Pitfalls," National Law Journal, April 13, 1981, p. 15.

<sup>3</sup>Newsweek, January 5, 1981, p. 35.

<sup>4</sup>President's Commission on Organized Crime, Task Force Report on Organized Crime (Washington: Government Printing Office, 1967), p. 6.

<sup>5</sup>D. Cressey, Theft of the Nation (New York: Harper and Row, 1969), p. 253.

influence, evade, or nullify the processes of government. Indeed, official corruption is so important to organized crime that any effective battle against organized crime must include a front against official corruption.

#### CORRUPTION IN THE CRIMINAL JUSTICE SYSTEM

The existence of organized crime--or any other form of systematic unlawful behavior--depends on favorable treatment from the criminal justice system.<sup>6</sup> Law enforcement, prosecution, and courts are closely interrelated. If one sector is effectively corrupted, it nullifies and leads to the corruption of the other sectors. Neither corrupt businessmen nor organized crime has bought, or needs to buy out, the entire system. Successful corruption of key individuals in any component allows unlawful behavior to continue virtually unabated.

Such corruption can take differing forms in key sectors of the criminal justice system. Preventive corruption consists of efforts to corrupt the process of law enforcement, which secures permission for organized crime to operate unlawful activities without interference. Anticipatory corruption is the corruption of judges, prosecutors, and key politicians in anticipation of needed favors. Interfering corruption consists of attempts to hinder the successful outcome of the criminal justice process. Interference occurs at all levels, during the initial investigation, execution of raids, prosecution, adjudication, imposition of sentences, and corrections process.<sup>7</sup>

#### Prosecutors and Judges as Targets of Corruption

Discretion accorded to prosecutors and judges makes them favorite targets of those seeking favors through corruption. Because this discretion is seldom reviewable, detecting its abuse is difficult.

Dollar for dollar, the best buy in the protection of criminal activities is the prosecutor. He or she must make the crucial decision of whether to prosecute and can provide immunity from legal accountability. Prosecutors may be corrupted in an effort to buy protection from prosecution or to sabotage a case. A prosecutor may also aid organized crime by virtue of his or her own greed. It is, however, not necessary for a prosecutor to be corrupt to be useful to organized crime. In order to battle organized crime effectively, the prosecutor must affirmatively and creatively use the legal tools available to him--the grand jury subpoena, the immunity grant, civil contempt, the selective threat of perjury prosecution, electronic surveillance, etc. A less-than-dedicated or less-than-able prosecutor can inadvertently assure organized crime the same protections a corrupt one could. Often, the appointment of such a prosecutor is the aim of organized crime's considerable political influence.

Next to the corruption of the prosecutor, the corruption of a judge proves to be most valuable to organized crime. Patterns of scheduling, adjudication,

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<sup>6</sup>Chicago Crime Commission and IIT Research Institute, A Study of Organized Crime in Illinois (Chicago: Illinois Law Enforcement Commission, 1972), p. 82.

<sup>7</sup>Ibid., p. 188.

and sentencing all fall within the court's discretion. Trial judges may be paid or demand favors for favorable rulings. At the trial itself, verdicts may be directed, instructions tailored to produce not guilty verdicts, or the process aborted by imposing only nominal fines where imprisonment is indicated. After conviction, appellate judges, too, may be bought.

Prosecutory or judicial corruption is difficult to detect; once detected, it is difficult to prosecute. Conventional evidence-gathering tools are often insufficient. As elected or appointed officials, judges and prosecutors are figures of stature in the community. Since bribery is a private act between willing participants, the prosecution of a bribery charge depends primarily on the testimony of an accomplice. The involvement of organized crime figures guarantees that any witnesses are likely to be fearful of testifying. Nonetheless, significant indictments and convictions have been obtained, if only for perjury rather than for the substantive offense.

### Corruption of Investigative Agencies

Corruption among investigative agencies has been a serious problem for many years. Since before the turn of the century, for example, major probes of police corruption in New York City have occurred, on average, once every 20 years. Corrupt conditions exposed by one investigation seem substantially unchanged when the next investigation comes along.

Although not the only form of official corruption, police corruption constitutes a substantial portion. The sheer numbers of police present more opportunities for corruption.<sup>8</sup> It is also possible to corrupt a police officer in more overt ways than a judge or prosecutor.

Police corruption presents a special area of concern. When the law enforcement apparatus of a community is tainted, corruption can flourish in the whole system. One of the most important concerns, too, is the public attitude police corruption creates. To most people, the police officer is the law. An individual officer's corruption, therefore, may be interpreted as corruption of the entire system.

From the perspective of corruption, police officers have been classified into three groups: "...I call them the birds, the grass eaters, and the meat eaters. The birds just fly up high. They don't eat anything either because they are honest or because they don't have any good opportunities. You've got to figure that half the force is in jobs...The Tactical Police Force and the Safety Division, for example...where there are little or no pickups. The grass eaters, well they'll accept a cup of coffee or a free meal or a television set wholesale from a merchant, but they draw a line. The meat eaters are different. They're out looking. They're on a pad with gamblers, they deal in junk, or they'll compromise a homicide investigation for money...."<sup>9</sup>

The term "soliciting" describes the actions of the "meat eaters," those

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<sup>8</sup>Ibid., p. 190.

<sup>9</sup>T. Buckley, "Murphy Among the Meat Eaters," New York Times Magazine, December 19, 1971, p. 44.

officers who aggressively misuse their police power for personal gain. The activities of such police officers are partially conditioned by the opportunities presented by their assignments; for example, plainclothes units generally have more opportunity than uniformed police and those entrusted with control of vice generally have more opportunities than those assigned to direct traffic. Accordingly, the kinds and sources of payoffs provide a convenient organizing principal for examining the practices encompassed by the term soliciting.

"Pads" or "steady notes" are names given to a regular payment of money for violations of the law. A pad may be arranged under threat of arrest or complaint. Under some circumstances, a person starting an illegal operation will arrange beforehand to make payments in order to improve his opportunities for bargaining over the size of the tribute.<sup>10</sup> Typically, pads are cooperative ventures that protect intentionally unlawful activities. Thus, complaints are few, and all participants have a vested interest in making their conduct as hard to trace as possible. Pads are collected by a "bagman" and pooled for distribution to those in on the action. Command officers sometimes have a separate pad, and when they participate in the general pad, it is usually on a multiple-share basis. The share per man or the amount paid by a briber is known as the "nut." Understandably, long-term fixed-location enterprises are the most frequent source of pads.<sup>11</sup>

The numbers racket and other overt gambling operations present a clear opportunity for this kind of bribery. The Knapp Commission reported that the nut for protection of gambling in some New York City districts ran as high as \$1,500 per officer per month.<sup>12</sup> Reassignment of entire plainclothes squads resulting from corruption investigations indicates that the practice was widespread and pervasive. In addition, gambling pads often involve supervisory police personnel.<sup>13</sup>

The pad in a gambling operation pays for protection from all but token police harassment. The services bought include freedom from arrest by officers on the pad and prevention of or warnings about impending raids by those not on the take.<sup>14</sup> When arrests under pressure of a quota are needed, the gambler often is allowed to select an underling, with a relatively clear record, or a paid-off addict as a "stand in."<sup>15</sup>

Heavily regulated legitimate industries are another lucrative source of police payoffs. The construction industry must deal with a maze of regulations concerning building techniques, specifications of practices, standards, and safety measures. A large construction project in New York City, for example, may be required to obtain as many as 130 permits to achieve technical compliance with all regulations, a task which is virtually impossible to fulfill. Those charged with enforcement, including the police, have been paid for many years to ignore minor infractions. The pads for police, usually solicited under

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<sup>10</sup>Knapp Commission Report on Police Corruption (New York: 1972), p. 80.

<sup>11</sup>Ibid., p. 66.

<sup>12</sup>Ibid., p. 75.

<sup>13</sup>Ibid., p. 3.

<sup>14</sup>Chicago Crime Commission, *op. cit.*, p. 190.

<sup>15</sup>Knapp Commission Report on Police Corruption, *op. cit.*, p. 83.

threat of harassment,<sup>16</sup> tend to be small, since only minor penalties are imposed for building code violations.

Motels, hotels, restaurants, and, most importantly, liquor stores and bars are licensed premises subject to regulation and periodic license renewal. The dependence of these businesses on the continuation of their license status has traditionally put them at the mercy of those persons charged with enforcing the regulations controlling such establishments, including the police. The method of solicitation is common: the officer finding a technical violation, threatens to endanger the operation's license by filing an official report.<sup>17</sup> The price for protection from harassment is agreed upon and regular collections are made. The money paid protects the licensed premises from harassment, and, in the case of bars, it may also pay for altering police reports of fights between patrons. Since protection of the license is vital to continuation of the business, the tributes demanded are likely to be large. The situation is exacerbated by the frequent use of bars by persons involved in other illegal conduct, including prostitutes, drug dealers, and petty fences.

Other businesses seeking protection from enforcement of laws affecting them may also pay tribute. Where parking restrictions are strict, restaurants, cab and trucking companies, and manufacturers may pay to have violations overlooked.<sup>18</sup> Unlicensed bars may pay in order to continue in operation.<sup>19</sup> Pads may also be paid for nonenforcement of Sabbath laws and regulations concerning peddlers. Prostitution, particularly in fixed locations such as brothels and massage parlors, is also a source of regular payments.

A "score" or "shakedown" is a one-time payment that buys the freedom of a person subject to arrest. Particularly in narcotics cases, the payoffs can be startlingly large. While narcotics-related bribery has been traditionally regarded as "dirty" money, changing mores and high profits are motivating increasing relaxation of the traditional inhibition against such bribery.

Motorists and tow truck operators provide a steady source of small scores. When a motorist depends on a driver's license for his livelihood and can lose it for too many traffic citations, he may be tempted to offer a bribe for overlooking an infraction.<sup>20</sup> Tow truck companies often obtain repair business from the owners of vehicles they tow. Therefore, towing companies compete for this opportunity to get the highly profitable repair business. The police may be paid to steer business to one company or another and to ignore the traffic violations committed on the way to the scene.<sup>21</sup>

Officers on the take may also score any other target of opportunity that presents itself. Gambling, prostitution, bars, and construction sites may be scored if not protected by a pad.<sup>22</sup> Loan sharks and fences may be scored at

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<sup>16</sup>Ibid., pp. 128-131.

<sup>17</sup>Ibid., pp. 40, 120-121, 133-139.

<sup>18</sup>J. Rubinstein, City Police (New York: Farrar, Straus & Giroux, Inc., 1973), pp. 152-162.

<sup>19</sup>Ibid., pp. 140-145.

<sup>20</sup>Ibid., p. 430.

<sup>21</sup>Knapp Commission Report on Police Corruption, op. cit., pp. 158-163.

<sup>22</sup>Ibid., pp. 34, 82-84, 127, 138-139.

will.<sup>23</sup> A score is inherently a less cooperative venture than a pad, which limits to some degree the officer on the take. Complaints are more frequent in score cases than in pad cases, particularly if the extorted party comes to believe that he or she could have avoided conviction after the payoff.

The illegal withholding of money or contraband seized while making an arrest is closely related to the score. Normally, money and contraband are held as evidence. Gambling and narcotics arrests frequently involve confiscation of large sums of money and large quantities of contraband.<sup>24</sup> These materials are sometimes withheld for personal use or for use in buying information from informants.<sup>25</sup> There have been reports of police-addicts and police-pushers who obtain drugs in this manner.<sup>26</sup>

Police may use illegally withheld drugs for "padding" the quantity of drugs found in the possession of an arrested person, thus upgrading the offense with which the persons arrested will be charged. A related phenomenon is the planting of drugs on an innocent person, known as "flaking" or "farming." Padding and flaking are sometimes motivated by arrest quota pressures, the desire to "get" someone whom the policeman "knows" is guilty, or the desire to use the arrest situation for a score or for extorting information.

A variety of other abuses of police authority and power may accomplish similar ends. Illegal searches and wiretaps may be used to set up a score or obtain information. Perjured applications for search warrants are a common tool for obtaining incriminating evidence. Officers may extort information from reluctant informants. Rubinstein's study of the Philadelphia police department has led him to conclude that these illegal corruption-facilitating techniques are an unavoidable reality of vice law enforcement.<sup>27</sup>

Corrupt police officers are sometimes paid for services they render, such as selling confidential information to unauthorized persons.<sup>28</sup> The information sold may be as harmless as a list of vehicles held in police pounds (which could be sold to a finance company seeking to repossess the cars) or as important as the time and location of a planned raid or that a particular individual is under official investigation.<sup>29</sup> Officers sometimes protect, actively or passively, planned illegal operations such as hijackings.<sup>30</sup> Some police accept court-related payoffs. The money paid may buy a weakly written or technically deficient complaint that will result in a dismissal. Alternatively, evidence or testimony can be altered to assure suppression of key evidence, reduction of charges, or acquittal.<sup>31</sup> In 1960, a New York City grand jury probed alterations of police records.<sup>32</sup>

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<sup>23</sup>Ibid., pp. 183-184.

<sup>24</sup>Ibid., pp. 99-103.

<sup>25</sup>Rubinstein, op. cit., p. 390.

<sup>26</sup>Knapp Commission Report on Police Corruption, op. cit., pp. 104-110.

<sup>27</sup>Rubinstein, op. cit., pp. 375-400.

<sup>28</sup>New York Times, April 16, 1980, p. D-14.

<sup>29</sup>New York Times, July 23, 1975, p. 39.

<sup>30</sup>New York Times, December 6, 1966, p. 20.

<sup>31</sup>New York Times, May 10, 1969, p. 28.

<sup>32</sup>New York Times, April 16, 1980, p. 1.

One last area of active corruption must be noted. When responding to a burglary report, corrupt officers have been reported to steal goods or merchandise, thus compounding the theft.<sup>33</sup> Some officers will call in false reports to gain access to buildings for theft.<sup>34</sup> In a similar, if more grisly vein, corrupt police have been known to remove valuables from the body of a person who dies before arriving at a hospital. If the person is known to have lived alone, his apartment or home may be looted by the police.<sup>35</sup>

The patterns of corrupt behavior just described are what is most often called police corruption. These practices are restricted, in the view of most investigators, to a minority of the members of any particular force. Other activities--arguably involving less than "corrupt" behavior--include the acceptance of gratuities offered to an officer by virtue of his official capacity. These practices are best described as "accepting." They are important because of their pervasiveness and the resulting climate in which a "code of silence" among police develops. Police officers who are themselves vulnerable are less likely to expose other corrupt police officers for fear of endangering their own positions. Accordingly, it has been theorized that the pervasiveness of "accepting" encourages those officers with a predilection for engaging in more serious forms of corruption. Finally, acceptance of gratuities may come to be regarded as a right that is enforceable by extortion.

The most widespread forms of accepting involve free meals, drinks, hotel rooms, and other day-to-day amenities. A restaurant or bar may decline to charge an officer for food or drinks or may charge at a reduced rate. The establishment may be merely expressing goodwill or may be encouraging police presence in hopes of avoiding trouble from patrons. The establishment may be buying consideration, discretion, and quick response in the event of future trouble. Similarly, hotels will frequently give gratuities to officers in the form of free or reduced-rate rooms and meals. The corner drugstore may donate an occasional pack of cigarettes and the grocery an occasional candy bar. Abuses of these "privileges" are possible. Officers have become alcoholics because they checked liquor licenses too frequently; the restaurateur who cuts out free meals may find himself harassed with numerous citations.

A slightly more suspect form of accepting parallels the familiar practice of Christmas tips to the newsboy, mailman, and garbage collector. Often voluntarily, local merchants and businessmen contribute to a Christmas pack that is divided among police officers serving the area. Acceptance of voluntarily offered tips may be formalized into systematic shakedowns of local merchants. Investigation of such shakedowns may expose participation of high-ranking police officials.<sup>36</sup> These and similar voluntary payments sometimes represent expressions of gratitude by civilians for work done, as when an owner of a stolen car tips the police officer who recovered it. Police may even tip their fellow officers who are not in a position to obtain gifts from civilians to expedite routine clerical work.

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<sup>33</sup>Rubinstein, *op. cit.*, pp. 431-432.

<sup>34</sup>New York Times, November 30, 1979, p. B-1.

<sup>35</sup>Knapp Commission Report on Police Corruption, *op. cit.*, p. 184.

<sup>36</sup>New York Times, December 27, 1961, p. 33.

Corruption may go beyond individual veniality. There are several different ways to corrupt the process of law enforcement itself. It is possible to corrupt virtually an entire police force. It is, however, not terribly efficient or economical. It makes much more sense to gain control of police policy by gaining control of key individuals. By this technique, the day-to-day performance of the honest men may be undermined or nullified. It is possible, for example, to adopt the policy of a "wide-open town." Also, it is possible to have the department organized so that the need to corrupt is minimized or the possibility of effective police action virtually eliminated. A classic technique of corruption is the "vice squad pattern." Police activity against the major endeavors of organized crime is centralized in one special squad in the department. Men not assigned to that unit are required to refer organized crime matters to the exclusive unit. Thus, one must corrupt only that unit to subvert police activity. Indeed, it may not even be necessary to corrupt that unit. If you organize and operate it so poorly that its members become known throughout the community, its effectiveness will terminate without the necessity of actual corruption.

Law enforcement may also be affirmatively corrupted. It is possible to use the police to eliminate a corrupter's competitors through selective enforcement. It helps create an illusion of honest enforcement, while it secures the reality of illegal monopoly.

It is possible, too, to build planned illegalities into enforcement techniques, which will cause even honest courts to throw out cases on the grounds that constitutional rights have been violated. The practice is known as the "tipover raid."

#### Causes of Police Corruption

It is difficult to pinpoint the causes of corruption. Several theories have been advanced. First, the "bad apple" theory<sup>37</sup> suggests that it is not reasonable to look for an explanation of corruption for two reasons: corruption is limited to a few "bad" officers; and generalities concerning the cause of police corruption, if there are any, will be found in the common personality characteristics of individual corrupt police officers. Typically, the strongest proponents of this theory are members of the upper echelons of police hierarchies, who presumably advance it to counter charges of general corruption. The theory seems to prescribe vigilance and strict discipline as a solution to corruption within a department and strict screening procedures to keep the department clean. Unfortunately, this theory is also sometimes used to cover up departmental inability or unwillingness to cope with a substantial problem and make systemic reform. Nevertheless, this explanation fails to account for the widespread practice of "accepting," and to the degree that it acts as a rationalization for failing to make needed reforms, it may be harmful.

Second, several investigations have advanced the theory that the inherent pressures of police work make corruption inevitable. Rubinstein in particular believes that the pressures to make vice arrests compel behavior patterns that tend to lead to corruption.<sup>38</sup> Various segments of society, honest and other-

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<sup>37</sup>Rubinstein, op. cit., p. 401

<sup>38</sup>Ibid., pp. 375, 400.

wise, often attempt to buy official goodwill, official protection, or official inaction in response to the perceived benefit or threat that a police officer poses. Police as a group tend to perceive society as hostile to their role. These factors combine to create a climate in which peer pressure makes it hard for a rookie to remain honest, despite his conscious intention to do so. This theory suggests that there are few practical techniques short of massive decriminalization of police regulatory activity for combating corruption, other than intensive campaigns to prosecute citizens who attempt to bribe police.

Third, the Knapp Commission also advanced the related theory that the enforcement of certain classes of laws placed officers in situations where the temptation to slip into corrupt practices is too strong. Its recommendations include decriminalization of many practices now covered by the vice laws and the shifting of enforcement responsibilities for other laws from the police to agencies in which society can better afford corruption. The failings of this theory are its apparent acceptance of the problem and the counterproductive precedent that the solution it proposes might establish. Little can be accomplished without a massive shift--unlikely to occur--in regulatory roles. Furthermore, if every corruption hazard were removed from the province of police enforcement, it would then be possible to envision the day when police forces were left with nothing to do but control the corruption of other enforcement agencies.

Fourth, several commentators have expressed the belief that the widespread practice of accepting gratuities creates a climate in which police officers predisposed to aggressive "soliciting" may proceed with little fear of harassment.<sup>39</sup> The "code of silence" created by this practice protects "acceptor" and "solicitor" alike. This theory presents both a remedy and an investigative tool. If the acceptance of gratuities can be curtailed by prosecuting both those who offer and those who accept gratuities, then individuals entering a department will not become involved and the "code of silence" will eventually be broken. An officer willing to testify about police corruption may prove very valuable. Yet, the obvious problems presented by the prosecution of every restaurant owner who offers a free meal and every police officer who accepts it underscore the practical limitations of this theory.

Fifth, police officers in some cities are commonly regarded to be on the take even if they are honest, an attitude that tends, according to some, to turn into a self-fulfilling prophecy. In general, people tend to act as others expect them to act. Consequently, the result is the creation of a climate in which corruption becomes the expected norm.

Sixth, along more practical lines, two related theories speculate that weak criminal sanctions and lax enforcement actually produce corruption. Where convictions are obtained in a low percentage of prosecutions and the sentences imposed are minimal, the police may be tempted to "punish" a perceived criminal vigilante-style. The result may be a narcotic score or a gambling pad. Illegal investigating techniques may also be used to harass an illegal operation. Although inapplicable to all forms of corruption, this theory does suggest that prosecutions that lead to a higher conviction rate and stiffer

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<sup>39</sup>Ibid., p. 39.

sentencing may remove the rationalization supporting some corrupt police practices.

Seventh, along similar lines, low conviction rates and mild sanctions suffered by corrupt policemen may encourage a policeman to take his chances with profitable corrupt practices.<sup>40</sup> Indeed, some police departments will allow corrupt policemen to retire with pension while under investigation for corruption. The need to rethink these policies is manifest.

#### Extent of Law Enforcement Corruption

It would be comforting--at least for some--to believe that law enforcement corruption was limited to the local level. Unfortunately, no agency--local, state or Federal--is immune from corruption. The FBI, for example, enjoyed a reputation of incorruptibility. Former FBI Director J. Edgar Hoover, it has been suggested, made possible this reputation by having agents solve bank robberies and kidnapping rather than conduct narcotics investigations that involve vast amounts of money that could easily encourage corruption among agents. Many observers believe that Hoover's concern with internal corruption explains his refusal for so long to admit to the existence of organized crime.<sup>41</sup> Hoover feared, according to some, that its huge financial resources might be too much for some FBI agents to resist.

There may be some truth to Hoover's reputed fears. Now that organized crime and white-collar crime have become top FBI priorities, agents have, in fact, become more vulnerable to corruption. Indeed, a series of 23 murders of FBI underworld informants and possible government witnesses in a two-year period have raised questions of possible leaks or sellouts within the FBI. While maintaining their traditional cool on the outside, the killings so disturbed FBI officials that they set up a special squad in Washington to investigate the matter, completely revamped their procedures for handling underworld informants, and came to think the unthinkable: that the Mafia may have succeeded in penetrating the FBI.<sup>42</sup>

In 1975, Irene Kuczynski, of Bayonne, New Jersey, testified that when she worked as a clerk typist for the FBI, she stuffed photocopy documents into her purse and girdle and gave them to her husband, who sold them to John DiGilio. Among the documents were names of informants, two of whom were among the victims of the .22 caliber killings. Mrs. Kuczynski was the first FBI employee to be convicted of a felony since 1924.<sup>43</sup>

The FBI office in Indianapolis was also shadowed by a cloud of suspicion of internal corruption.<sup>44</sup> Close to 50 percent of the agents were transferred within a year. Internal problems came to light in late 1977 when seven-year

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<sup>40</sup>Knapp Commission Report on Police Corruption, pp. 252-253.

<sup>41</sup>N. Gage, "Has the Mafia Penetrated the FBI?" New York Times Magazine, October 2, 1977, pp. 15-16.

<sup>42</sup>Ibid.

<sup>43</sup>Ibid., p. 44.

<sup>44</sup>See generally, R. Cady and D. Thrasher, "Inside the FBI," Indianapolis Star, January 29-February 15, 1979.

FBI veteran Charles E. Egger raised questions about the conduct of several fellow agents. It became apparent that important racket figures had escaped prosecution by the FBI for years by serving as FBI informants and, in some cases, using their roles to hurt competitors. In the meantime, a hoodlum network grew and flourished, forming police, political, and labor alliances, which the FBI knew about but took no action to stop.

Indianapolis has not been the only office to experience problems. In New York City, agent Joseph Stabile admitted guilt to obstruction of justice after he was charged with taking \$10,000 from a man described as a bookmaker associated with an organized crime family.<sup>45</sup> In Las Vegas, field agents came under quiet investigation for allegedly accepting gifts from officers of gambling casinos with reputed organized crime ties.<sup>46</sup>

FBI agents still remain the best law enforcement officers in the country, but it must be recognized that the exceptions pose a serious danger to the integrity of the Bureau.

#### EFFECTS OF OFFICIAL CORRUPTION

On July 14, 1967, Newark, New Jersey, erupted into four days of racial rioting. Twenty-six persons were killed, more than 1,000 injured, and more than 1,000 arrested. National Guard troops in tanks patrolled the streets of burnt-out buildings and looted stores. Property damage was estimated at more than \$10 million. A commission appointed by the governor to investigate the riot and to make recommendations to prevent a recurrence listed as one of the major causes of the violence "a pervasive feeling of corruption."

Accordingly, one of the most serious consequences of the encroachment of organized crime-related and similar corruption into the fabric of government is the effect on the attitudes of the people toward their police, public prosecutors, courts, and other agencies of the state.<sup>47</sup> Corruption breeds cynicism and distrust among citizens. Disrespect is entrenched in the minds of individuals who witness members of police departments, prosecutors, courts, or the private bar involved with organized crime or other criminality.

Some experts contend that the public does not really want the laws enforced as long as they do not see themselves being hurt by the law breakers,<sup>48</sup> an attitude, which, if it exists, obviously ignores the effects of corruption on government in its overall responsiveness to the governed. The public pays for this complacent attitude in a decrease in the efficiency and responsiveness of government. It is conceivable that this lax attitude as well as the mistrust, cynicism, and disrespect for the law generated by official corruption may generate even more corruption and even less enforcement.

Obviously, official corruption also has economic repercussions. The public pays for decreases in the revenue to government from tax-evading

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<sup>45</sup>Indianapolis Star, February 4, 1979, p. 1.

<sup>46</sup>Gage, *op. cit.*, p. 10.

<sup>47</sup>Chicago Crime Commission, *op. cit.*, p. 12.

<sup>48</sup>Pennsylvania Crime Commission, *op. cit.*, p. 94.

criminals. Millions of dollars are bilked each year from the U.S. Treasury through white-collar schemes, frequently with criminal participation of government officials and employees.<sup>49</sup> Victims are too often citizens or small businesses that can ill-afford financial loss. The cost of government itself increases through increased service costs, law enforcement, and building costs.

#### LAW ENFORCEMENT RESPONSE

At the Federal level, the Department of Justice is the focus of efforts to control organized crime and official corruption. Several divisions within the Department have jurisdiction in these areas. The Tax Division is responsible for representing the United States and all its officers in both criminal and civil litigation arising under Internal Revenue laws. The criminal tax prosecution program is responsible for prosecuting and deterring violations of the criminal tax laws of the United States. This program constitutes a substantial component of the Department's White Collar Crime Program; it also provides support to the Justice Department's Organized Crime Program by contributing appropriate attorney staff assistance and expertise in the review, investigation and prosecution of organized crime figures for tax violations.<sup>50</sup>

The Criminal Division itself is responsible for the supervision of prosecution and related activities arising under most Federal criminal statutes. Within this division, the Organized Crime and Racketeering Section provides coordination and supervision of all Criminal Division efforts directed against organized or syndicated criminal activity and for racketeering.

Recognizing the gravity of the official corruption problem, the Justice Department also created the Public Integrity Section within the Criminal Division in 1976. The Public Integrity Section is charged with enforcement of the Federal criminal statutes dealing with governmental integrity at Federal, state, and local levels. The program provides a central authority for handling cases involving the violation of a wide variety of statutes by public servants. The Public Integrity Section's responsibility for direct litigation and litigation support requires close liaison with all United States attorneys' offices, various internal investigation components of the Federal government, and the Public Corruption Units of the FBI.

The Federal Bureau of Investigation, another segment of the Justice Department, plays a most significant role in the fight against organized crime. Consistent with Justice Department priorities, the FBI has placed major emphasis on organized crime and white-collar crime. In its Organized Crime Program, the FBI has established as its long-term goal the curtailment of the sphere of organized criminal influence and the reduction of its impact on American society. To attain that long-term goal, the FBI has set for itself the short-term objective of directing innovative, responsive, and effective investigative techniques on a sustained level at the organized criminal

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<sup>49</sup>U.S. Congress, House of Representatives, Departments of State, Justice, and Commerce, the Judiciary and Related Agencies Appropriations for 1980, Hearings before the Subcommittee of the Committee on Appropriations, 96th Cong., 1st Sess. (Washington: Government Printing Office, 1980), p. 934.

<sup>50</sup>Ibid., pp. 198-199

element to deprive it of its lucrative sources of revenue. This objective targets the most powerful leaders of the organized criminal element and their domains.<sup>51</sup>

White-collar crime investigation constitutes another top priority of the FBI.<sup>52</sup> As in organized crime, white-collar crime often involves official corruption. The FBI has established as the program's long-term goal to detect, investigate, and provide investigative support in resolving white-collar criminal activities. As its short-term objective, the FBI emphasizes "quality over quantity," in an effort to maximize effectiveness by concentrating on more productive investigations.<sup>53</sup> Public corruption is one of the FBI's top investigative priorities within the White-Collar Crime Program. This selected targeting of FBI resources is expected to achieve significant results involving corruption of public officials.<sup>54</sup>

A key to success in organized crime and official corruption investigations has often been the cooperation of government agencies with each other. At one time, the Internal Revenue Service was considered law enforcement's most effective weapon against organized crime. The Tax Reform Act of 1976 severely restricts the activities of tax investigators and the information they can share with other law enforcement agencies. Some contend that these restrictions severely inhibit the fight against organized crime.<sup>55</sup>

Clearly, the emphasis placed on organized crime and white-collar crime control by the Justice Department demands the use of innovative techniques of law enforcement, techniques that include a variety of investigative and prosecutory tools, such as expert auditing procedures, witness immunity, undercover "sting" investigations, and judicially-approved electronic surveillance installations and consensual recording devices.

Another aspect of the Federal effort must be underscored. In most states, it has been Federal rather than state law enforcement officials who have taken the lead in uncovering and prosecuting official corruption. Indeed, intensified Federal attacks against corruption appear to be one of the more hopeful responses to post-Watergate's demands for cleaner government.

Federal prosecutors are attacking state and local corrupt officials by stretching existing Federal statutes that were originally targeted against other types of criminals, including mail swindlers, organized racketeers, and labor "goons." The conviction of Otto Kerner, former governor of Illinois and former United States appeals judge, is, for example, a major milestone in this respect. For the first time, the courts upheld the use of mail fraud to prosecute schemes "to defraud the state of uncorrupted services of elected and appointed officials." Originally aimed at labor violence, the Hobbs Act has been used in New Jersey, Illinois, and Pennsylvania to prosecute public officials who, instead of making overt threats against businessmen, use

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<sup>51</sup>Ibid., pp. 781-782.

<sup>52</sup>Ibid., p. 865.

<sup>53</sup>Ibid., p. 253.

<sup>54</sup>Ibid.

<sup>55</sup>New York Times, June 29, 1980, p. E-3.

victims' fear of economic loss to extort a cut off the top of municipal and government contracts. Federal prosecutors have used these laws to uncover official corruption that might otherwise remain undetected.

Most state and local authorities have been too preoccupied with street crime. They are also functionally unable to reach corruption problems, as they too often lack the sophisticated investigative tools and personnel that are necessary to establish such cases.

One of the most successful techniques in uncovering official corruption is, for example, the corruption audit, a technique that requires trained accounting investigators. In New Jersey, former U.S. Attorney Herbert Stein developed a technique of going into a community cold, obtaining subpoenas for the books and records, and combing through them for traces of graft and corruption. Federal prosecutors around the country have successfully copied this technique.

The undercover sting operation and the use of judicially-approved electronic surveillance installations or consensual recording devices are also important tools in uncovering official corruption. Often, the crimes involved in official corruption are consensual crimes well-hidden from the public. Undercover operations and electronic surveillance allow investigators to go below the layers of secrecy and reach the most sophisticated and potentially the most dangerous criminals.<sup>56</sup> Without these techniques, a bribe between two consenting individuals may go unreported. If it is reported, one of the participants is often a less-than-trustworthy crime figure whose testimony is often impeachable when matched against that of a public official with stature in the community. Undercover operations help the prosecution present cases with solid, direct evidence as opposed to circumstantial evidence. Testimony can be taken from a direct observer of the crime and augmented by unimpeachable video and oral tapes.

The undercover operations and electronic surveillance techniques have been successful in linking some major organized crime leaders with official corruption. In conducting an investigation of the Kansas City mob, the FBI monitored more than 400 hours of conversation through telephone taps and bugs hidden in secret meeting places. The transcripts revealed close ties between mobsters and public officials and led to the conviction of Nicholas Civella, the reputed boss of the Kansas City mob, on charges of conspiracy to bribe a public official.<sup>57</sup>

In an undercover "sting" operation, code-named "Brilab," which was aimed at exposing corruption among public officials, labor organizations, and organized crime in the South and Southwest, the FBI netted another major organized crime leader. Carlos "the Little Man" Marcello, the reputed leader of the Mafia in New Orleans, was indicted on June 17, 1980, on charges of

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<sup>56</sup>U.S. Congress, House of Representatives, FBI Oversight, Hearings before the Subcommittee on Civil and Constitutional Rights, Committee on the Judiciary, 76th Cong., 2nd Sess. (Washington: Government Printing Office, 1980), p. 3.

<sup>57</sup>U.S. News & World Report, September 29, 1980, p. 51.

conspiracy to bribe Louisiana officials to participate in an illegal insurance scheme.<sup>58</sup> The indictment was based largely on tapes from concealed recording devices worn by FBI undercover agents. The FBI was particularly pleased with Marcello's indictment; it was the first time the agency had strong evidence linking him directly to a major crime.<sup>59</sup> Other indictments resulting from the undercover investigation include those of Billy Wayne Clayton, speaker of the Texas House of Representatives, and Lt. Governor of Louisiana J. Fitzmorries, Jr.

Abscam, however, provides one of the most publicized examples of the use of the undercover operation and the use of electronic devices in uncovering official corruption. To set the stage for the elaborate corruption probe, the FBI implemented a Hollywood-like plot. To make it all believable, the fictitious sheik, who was seeking a variety of favors, had a yacht called the "Left Hand," which the FBI borrowed from customs officials who had seized it from drug smugglers. The yacht was equipped with eavesdropping and recording devices and a crew of FBI deck hands. The sheik also had a \$1 million bank account with the Chase Manhattan Bank. Video and audio bugged fronts included a Long Island office, hotel suites at Kennedy International Airport, Barclay Hotel in Philadelphia, and Regency Towers in New Jersey.<sup>60</sup>

The best-equipped front was a home rented by the FBI from a New York-assigned Washington Post reporter. It was a townhouse located in the expensive Foxhall Road area in Washington, D.C., furnished with antiques on loan from the Smithsonian. Renovation of the home included ultra-bright chandeliers, a false ceiling in the basement and an array of video-audio recording devices. Every meeting between the government agents and their middlemen, and the congressmen, their middlemen, and mobsters was videotaped. Video cameras equipped with special lenses aimed through the screens of dummy television sets, ceiling light fixtures, keyholes, and even needle-thin holes drilled into doors and walls. All telephones were wiretapped. Eventually, the entire operation cost some \$800,000, and it involved more than 100 FBI agents; it also resulted in the exposure of at least eight national legislators and a number of lesser officials for corruption and bribery.<sup>61</sup>

The Justice Department, however, cannot curtail organized crime or official corruption by itself. The courts, too, must sentence organized crime and white-collar offenders appropriately. Congress has facilitated that effort by authorizing heavier sentences. It is argued that prison sentences have a great potential for deterring white-collar crime, which often involves official corruption, under the assumption that these offenders weigh the risks against the expected gains before they commit the illegal acts. With the Justice Department's new efforts, there ought to be an increased fear of getting caught, and, with the aid of the courts, an increased fear of the consequences.

#### CONCLUSIONS AND FINDINGS

Though no one knows whether official corruption is increasing, it is

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<sup>58</sup>Newsweek, June 30, 1980, p. 22.

<sup>59</sup>Ibid.

<sup>60</sup>Time, February 18, 1980, pp. 11-12.

<sup>61</sup>Ibid., p. 10.

essential to the survival of organized crime, which invests heavily in the cultivation of political friendships and favors in order to influence, evade, or nullify the processes of government. To ignore official corruption is to ignore organized crime.

A prime target of organized crime's efforts to corrupt is the criminal justice system. The discretion accorded to prosecutors and judges makes them favorite targets of those seeking favors through corruption. And corruption among investigative agencies has been a serious problem for many years.

Unfortunately no agency--local, state, or Federal--is immune from corruption; not even the FBI has avoided it. Official corruption not only entails economic costs but also engenders frustration and distrust among a public for whom government loses its credibility.

A wide range of methods have been used to combat corruption. At the Federal level, the Department of Justice is the focus of efforts to identify and prosecute those who corrupt and who are corrupted. At the state and local levels, however, agencies often lack the investigative tools and personnel necessary to develop corruption cases; in addition, most state and local authorities have been so preoccupied with fighting street crime that corruption investigations have taken a back seat.

## CHAPTER 4

### ORGANIZED CRIME AND NARCOTICS

As one authority has noted, the "composition [today] of organized crime in drugs varies from place to place, from year to year, and from drug to drug." Yet, as "different as the many groups are, they are also...similar." In most cases, they are, in fact, "sophisticated organized criminal syndicates with a corporate-like structure and motivated by power and profit."

While sophistication is common in all organized crime involvement, the degree of sophistication varies according to each type of drug. An organization that smuggles marijuana from Mexico will vary markedly from one that smuggles heroin from the Middle East. When the organization is sophisticated, however, it may have "financiers, bankers and banks, lawyers, logistic experts, exporters, importers, wholesalers, and retailers"; other members in the organization may include recruiters, financial advisors, contact men (who recruit pilots, seamen, people to locate off-load sites, truck drivers, etc.), and purchasers who will buy and lease aircraft and ships.<sup>1</sup>

While heroin has been the big money maker,<sup>2</sup> new patterns of drug distribution have emerged. Traditionally, groups tended to traffic in one principal substance.<sup>3</sup> Today, the procurement and distribution of several is common, and the traffic in each substance is no longer monopolized by a few groups, a fact that is particularly true of the marijuana trade out of Latin America.<sup>4</sup> While heroin availability has in fact decreased in recent years,<sup>5</sup> there has been a quantum jump in cocaine, marijuana, and P.C.P. use.<sup>6</sup> Each drug, nonetheless, merits close and separate examination.

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<sup>1</sup>This and the preceding paragraph are based on U.S. Congress, Senate, Organized Crime and the Use of Violence, Hearings before the Permanent Subcommittee on Investigations, Committee on Governmental Affairs, 96th Cong., 2nd Sess. (Washington: Government Printing Office, 1980), pp. 61-62

<sup>2</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Hearing before the Permanent Subcommittee on Investigations, Committee on Governmental Affairs, 96th Cong., 1st Sess. (Washington: Government Printing Office, 1979), p. 76.

<sup>3</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, op. cit., p. 61

<sup>4</sup>U.S. Congress, Senate, Drug Control Programs of the Federal Government, Hearings before the Subcommittee on Criminal Justice, Committee of the Judiciary, 96th Cong., 1st Sess. (Washington: Government Printing Office, 1979), p. 122.

<sup>5</sup>U.S. Congress, Senate, Illegal Narcotics Profits, op. cit., p. 76.

<sup>6</sup>Ibid.

## HEROIN

Heroin is the primary addictive drug used in the United States. The manufacture of heroin is prohibited in most nations by international code, and virtually all of it entering the United States is produced illegally. Illicit heroin is produced from opium, the production of which is legal in several nations, but most of the opium that is used in heroin manufacture is produced illegally.

For many years, the main source of opium bound for the United States as heroin was Turkey; during the 1970s it was Mexico and then Southeast Asia. In 1980, the "Golden Crescent" nations of Afghanistan, Pakistan, and Iran supplied the majority of heroin reaching the United States.<sup>7</sup>

Almost all of the heroin sold illegally in the United States is smuggled in by organized groups of criminals. The large number of addicts and the high price they are willing to pay for heroin make the United States the principal world market. La Cosa Nostra (LCN) is thought to have controlled 95 percent of the heroin traffic in the United States in 1965.<sup>8</sup> New York City was the main distribution point for the rest of the nation, and then U.S. Attorney Robert M. Morgenthau stated in January 1965 that there was not a single large-scale narcotics importing activity in New York independent of LCN control.<sup>9</sup> A network of Corsican-French traffickers supplied LCN with Turkish opium, refined into heroin in Marseille, and transported to the United States by couriers.<sup>10</sup>

During the late 1960s and early 1970s, LCN involvement in heroin trafficking lessened, primarily because of the collapse of the Turkish-French heroin network in 1972 and the continued convictions of important LCN members.<sup>11</sup> Yet, the 1974 conviction of Lucchese family boss Carmine Tramunti for conspiracy to distribute multikilograms of heroin and cocaine and Bonanno family boss Carmine Galante's heroin trafficking from 1974 to 1979 demonstrate that even the most powerful LCN members continue to be involved in the traffic.<sup>12</sup>

The LCN did, however, lose its near-monopoly in heroin trafficking. In New York, Puerto Rican and black groups began to dominate the distribution of

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<sup>7</sup>This and the preceding paragraph are based on U.S. Congress, Senate, Organized Crime and Illicit Traffic in Narcotics, Hearings before the Permanent Subcommittee on Investigations, Committee on Government Operations, 88th Cong., 1st and 2nd Sess. (Washington: Government Printing Office, 1963-64), pp. 680, 683.

<sup>8</sup>U.S. Congress, Senate, Organized Crime and Illicit Traffic in Narcotics, Senate Report No. 72, 89th Cong., 1st Sess. (Washington: Government Printing Office, 1965), p. 56.

<sup>9</sup>Kinss, "1,500 in 5 Crime 'Families' Identified," New York Times, January 6, 1965, p. 29.

<sup>10</sup>Crutzner, "Mafia Is Giving Up Heroin Monopoly," New York Times, September 2, 1967, p. 1.

<sup>11</sup>New York Times, December 8, 1975, p. 1.

<sup>12</sup>Lubasch, "Tramunti Guilty on Heroin Charge," New York Times, March 14, 1974, p. 74.

heroin, and throughout the rest of the United States Mexican organizations began the importation and distribution of low quality heroin from Mexican poppy fields. By 1980, heroin trafficking had become divided among numerous organizations, with no one group achieving the LCN monopoly of the late 1960s.

The Federal government's response to organized heroin trafficking gained new emphasis in 1971. But in 1980, the heroin problem in the United States remained at a crisis level. Although heroin is no longer the primary income producer among illegal drugs--cocaine and marijuana now produce an estimated \$33 billion in sales annually--heroin sales amounted to an estimated \$6.7 - \$8.2 billion in 1979<sup>13</sup> Government officials state that law enforcement agencies have been caught unprepared by the recent surge of heroin from the Golden Crescent. Heroin will remain, therefore, a severe problem in the United States at least until this new source of heroin is eradicated and the organized criminal syndicates importing and distributing it are dismantled.

#### Heroin Trafficking: 1920-1972

Systematic distribution of heroin began in the 1920s. Racketeers of Jewish extraction, operating primarily out of New York, controlled the major flow of narcotics in the 1920s and early 1930s.<sup>14</sup> After a power struggle, these racketeers were muscled out, and LCN took over national control of heroin trafficking by the late 1930s. LCN control originated with members of the New York Lucchese family, working together with important Jewish groups. Until World War II, LCN's main sources of supply for heroin were located in France and the Near and Far East. During the war, these sources dried up completely and the addiction rate dropped to its lowest recorded level.

During World War II, New York LCN members went to Mexico, and from 1941 to 1943 supplied New York City and other areas with limited amounts of Mexican heroin. Opium had been introduced into Mexico during the 1920s, supplying mainly ethnic Chinese. LCN smuggled the Mexican opium overland into California or Texas and converted it to heroin in laboratories in the New York area.

Modern heroin trafficking began after World War II, with LCN completely dominating importation and distribution. A Bureau of Narcotics official stated, "They had this thing sewed up. They stepped into a vacuum there and took it over completely." For a period of four to five years, most heroin entering the country came from Italy, entering through New York City. Charles "Lucky" Luciano and Sicilian Mafia leaders arranged the Italian connection for American LCN families. The heroin was also legitimately produced in Italy for medicinal purposes in Milan and Genoa, and it was often stolen by Sicilian Mafia members and sent to the United States.

In the early 1950s, the Italian government banned the manufacture of heroin, and French Corsicans replaced the Sicilian Mafia as the principal source

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<sup>13</sup>U.S. Congress, Senate, Illegal Narcotics Profits, op. cit., p. 76.

<sup>14</sup>Paragraphs up to footnote 15 rely heavily on U.S. Congress, Senate, Organized Crime and Illicit Traffic in Narcotics, Hearings, op. cit., and U.S. Congress, Senate, Organized Crime and Illicit Traffic in Narcotics, Senate Report No. 72, op. cit.

of heroin in the United States. With the advent of Corsican control, Marseille became the heroin capital of the world, producing 80 percent of the heroin bound for the United States from the early 1950s until 1972.

Montreal first became a heroin smuggling center immediately after World War II. An Algerian-born Corsican, Antoine d'Agostino, headed a syndicate that sent Italian heroin supplied by Charles Luciano to LCN boss Vito Genovese in New York City. In 1949, after selling heroin to an undercover agent, d'Agostino jumped bail and set up operation in Mexico City.

In 1953, Carmine Galante, underboss of the Bonanno LCN family, formed an alliance with the Italian-Corsican underworld in Montreal. In the fall of 1954, Galante and Montreal underworld figure Frank Petrula reportedly flew to Italy and met with Luciano, arranging to increase heroin shipments to Montreal. By 1956, an estimated 60 percent of the heroin coming into North America went through Montreal, controlled by the Corsican-LCN partnership. Giuseppe Controni headed the Montreal organization, importing the heroin from the Corsican syndicates and sending it in cars to New York.

Another route from Canada originated in Toronto, and it saw Corsican heroin imported from the Sicilian Mafia to Buffalo, Rochester, and other cities. Headed by Buffalo LCN boss Stefano Magaddino, the ring operated at least from 1950 to 1960.

LCN dominated heroin trafficking into the United States in the pre-1965 period but did not possess a complete monopoly. Small groups of black, Puerto Rican, Cuban and Jewish traffickers controlled about 5 percent of the East Coast trade. The McClellan committee concluded that from 1950 to 1958, the major source of supply for the West Coast was Asian heroin, primarily supplied by Communist China. Asian heroin was handled by informally organized groups in the Los Angeles area. Beginning in 1959, Mexico became a major source of heroin.

Government efforts to disrupt the heroin trade proved ineffective in stopping the supply of heroin reaching the United States but had a major impact upon the membership of the LCN. From 1954 to 1964, 206 LCN members were convicted of narcotics violations. Major narcotics convictions were obtained, including Vito Genovese, considered the most important LCN boss in the country, Carmine Galante, underboss of the Bonanno family, Natale Evola and John Ormenta, Lucchese family lieutenants, and Rocco Mazzie, a Gambino lieutenant.

The McClellan committee concluded that by 1964 over 40 percent of the Lucchese family had been convicted of narcotics law violations. The Gambino family had 20 percent of its members convicted, and the Genovese family 19 percent. These statistics reveal the effectiveness of government prosecution during this period, but, since government information on the number of family members was not then complete, the percentage figures may be too high.

By 1964, heroin trafficking in the United States was, therefore, largely under LCN domination. The LCN controlled 95 percent of the heroin coming into New York City and supplied cities throughout the East Coast, Midwest, and Southwest United States. LCN received its heroin from the Corsican-Sicilian Mafia partnership and imported it through New York City, Montreal, Mexico City,

and Miami. In 1964, the West Coast was supplied almost entirely by independent groups, importing Mexican-grown heroin.

From 1965 to 1972, the Corsican-LCN partnership<sup>15</sup> provided 80 percent of the heroin available in the United States.<sup>16</sup> Turkish criminals smuggled illicit opium through Bulgaria into Western Europe for conversion to heroin in labs near Marseille. Members of the "Union Corse," the Corsican underworld, smuggled the heroin into the United States, primarily through New York City, Montreal, Mexico City, and Miami.<sup>17</sup>

The majority of heroin flowed directly to New York City, where LCN distributed it throughout the country. An estimated 35 percent arrived through a South American network.<sup>18</sup> A Corsican group headquartered in Argentina purchased Marseille heroin and shipped it to New York City, Miami, and Mexico.<sup>19</sup> Montreal continued to be an important transshipment center, but handled less heroin than during the 1950s and early 1960s.<sup>20</sup>

With New York City as the main distribution point for French heroin, most heroin imported from 1965 to 1970 was handled by one of the city's five LCN families.<sup>21</sup> In the early 1970s, LCN figures became less important in the heroin trade, allowing black and Latin groups to exercise more influence. LCN participated in the heroin business despite the risk of prosecutions because of the tremendous profits involved.

Despite periodic reports of LCN bosses forbidding further involvement in heroin trafficking, evidence indicates important LCN participation in French heroin trafficking until at least 1973. The list of convictions through 1973 demonstrates the continued high level of LCN involvement in heroin trafficking.

Proof of important LCN involvement in heroin was again developed in 1974, with the conviction of Carmine Tramunti, boss of the Lucchese family.<sup>22</sup> Tramunti had been indicted with 43 others for conspiracy to distribute multi-kilograms of heroin and cocaine. Tramunti financed wholesale distribution of heroin in a highly organized conspiracy that resembled a regular business operation, with managers, suppliers, and Tramunti as the banker. The organization lasted from early 1969 to late 1973.

The French Connection heroin route to the United States collapsed in 1972. The breakup occurred as a result of the Turkish government's ban on opium production and increased law enforcement pressure by American and French authorities. Comprising 75 to 80 percent of the American heroin market in 1972, French Connection heroin supplied only 45 percent in 1973, falling to 2

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<sup>15</sup>Staff and editors of Newsday, The Heroin Trail (1974), p. 2.

<sup>16</sup>New York Times, June 11, 1970, p. 2.

<sup>17</sup>Staff, op. cit., p. 151.

<sup>18</sup>N. Gage, "Argentine Filled Key Role in Latin's Drug Network," New York Times, April 23, 1975, p. 6.

<sup>19</sup>Staff, op. cit., p. 151.

<sup>20</sup>Ibid., p. 172.

<sup>21</sup>Grutzner, op. cit., p. 1.

<sup>22</sup>Lubasch, op. cit., p. 74.

percent in 1974 and almost nothing in 1975.<sup>23</sup> By 1975, Mexico had replaced the French Connection.<sup>24</sup>

#### Heroin Trafficking: 1973-1978

While 80 percent of heroin arrived from France during the 1965-1971 period, a steady percentage (about 15 percent) came from Mexico.<sup>25</sup> Beginning in 1972, Mexico became a major American supply source, and by 1974, 70 to 80 percent of the heroin in the United States originated in Mexican poppy fields.<sup>26</sup> Chicago and Los Angeles joined New York and Miami as major distribution centers.<sup>27</sup> Mexican heroin began showing up in the East for the first time in 1975,<sup>28</sup> and Mexicans joined blacks, Latins, and LCN as major traffickers.<sup>29</sup>

Twenty-three major smuggling organizations were identified in 1977, including five wholly or partly controlled by LCN families from New York, Detroit, and Chicago.<sup>30</sup> These groups operated along with thousands of unaffiliated traffickers.

In 1977, the volume of drugs coming across the Arizona border was so high that American officials could not even estimate the amount. Southern Florida also became more important as a heroin shipment center during the years of the Mexican Connection. When LCN lost control of heroin trafficking after the collapse of the French Connection, South Florida Cubans and blacks moved into trafficking. Thousands of miles of coastline and over 50 small airports in South Florida without U.S. Customs agents made smuggling easy. Additional reasons for the increased drug trafficking in South Florida included banks that allowed large cash transactions; lawyers and accountants willing to provide services for large amounts of money; businessmen and real estate agents who sold land, yachts, planes, and cars to anyone; and moonlighting mechanics who installed long-range fuel tanks on planes.

A 1977 study revealed eight major heroin networks sending Mexican brown between Los Angeles and Miami for shipment to New York.<sup>31</sup> Accordingly, Miami had joined Los Angeles, Tucson, and El Paso as a major center for Mexican heroin.

A large heroin smuggling organization in Mexico was the Herrera family of

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<sup>23</sup>U.S. Congress, Senate, Federal Drug Enforcement, Hearings before the Permanent Subcommittee on Investigations, Committee on Government Operations, 94th and 95th Cong., 1st and 2nd Sess. (Washington: Government Printing Office, 1975-1977), p. 1106.

<sup>24</sup>New York Times, June 11, 1974, p. 28.

<sup>25</sup>Ibid.

<sup>26</sup>Newsweek, March 15, 1976, pp. 28, 30.

<sup>27</sup>Ibid.

<sup>28</sup>New York Times, June 11, 1974, p. 28.

<sup>29</sup>Newsweek, March 15, 1976, p. 28.

<sup>30</sup>Newsday, March 31, 1977, p. 8.

<sup>31</sup>U.S. Congress, House of Representatives, Cocaine and Marijuana Trafficking in Southeastern United States, Hearings before the Select Committee on Narcotics Abuse and Control, 95th Cong., 2nd Sess. (Washington: Government Printing Office, 1978), p. 170.

Durango. Federal agents believe the Herrera family had been doing business in the United States for almost two decades.<sup>32</sup> Profits were large because, unlike the French-Corsican cartels, the Herreras controlled the business from the poppy fields all the way to the pusher, eliminating middlemen and keeping profits in the family. Numbering 1,000 to 2,000, the Herrera family members comprised 15 Mexican families related by marriage. The family was basically divided into two groups: the elder Herreras who resided in Mexico and were responsible for opium and morphine base conversion and the moving of the heroin and money between Mexico and the United States, and the younger members who handled drug transactions in the United States.<sup>33</sup>

Between 1974 and 1975, 57 family members were arrested in the United States, with an additional 26 arrested in 1976. The Herrera boss, Jaime Herrera Nevarez, surrendered to Mexican police in 1978.

Jaime Araujo ran a major heroin organization based in Los Angeles. Bank records demonstrate that from September 1975 to October 1978, the organization earned \$32.8 million from the sale of heroin and cocaine.<sup>34</sup> In addition to a conviction for conspiracy to distribute narcotics, Araujo was convicted on income tax evasion.

Henry Duwayne Watson also ran a major heroin distribution ring in Los Angeles. Watson is believed to have first introduced Mexican heroin to the Eastern United States, when French Connection supplies first began to run out. He distributed heroin to Dallas, Tucson, Atlanta, Miami, Rochester, St. Louis, Washington, and other cities.<sup>35</sup> In May 1976, he and 39 associates were indicted for conspiracy to distribute heroin. Watson pleaded guilty and was sentenced to 15 years in jail.

An additional Mexican heroin trafficking organization called itself "the Mexican Mafia." Operating primarily out of the California state prison system, the Mexican Mafia comprised at least 300 known members and as many as a thousand associates.<sup>36</sup> The Mexican Mafia entered heroin trafficking by forcing inmates under threat of death to have visiting relatives smuggle narcotics into the prison. From inside the prison, the gang mobilized an army of planes, boats, oil trucks, and human couriers to move their narcotics.

United States efforts to control Mexican heroin began even before Mexico's emergence as the primary supply source in 1972. Not until 1974, however, did the two governments combine in a major effort to curtail the drug flow. In 1974, Mexico passed a law providing for confiscation of land used for poppies and destroyed 6,000 poppy fields. By 1976, 200 newly trained and well-paid

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<sup>32</sup>U.S. Congress, House of Representatives, Investigation of Narcotics Trafficking Proceeds, Hearings before the Select Committee on Narcotics Abuse and Control, 95th Cong., 1st Sess. (Washington: Government Printing Office, 1977), pp. 4, 16.

<sup>33</sup>Ibid., p. 16.

<sup>34</sup>U.S. Congress, Senate, Illegal Narcotics Profits, op. cit., p. 92.

<sup>35</sup>U.S. News & World Report, October 31, 1977, p. 64.

<sup>36</sup>Adams, "America's Newest Crime Syndicate--The 'Mexican Mafia,'" Reader's Digest, November 1977, pp. 97-98.

Mexican agents joined the efforts, along with 27 U.S. helicopters and 9 U.S. airplanes.<sup>37</sup>

The disruption of the Mexican Connection had a dramatic impact upon heroin trafficking in the United States. For the first time in ten years, the number of heroin addicts began to decrease substantially, and heroin deaths fell from 150 per month to an average of about 30.<sup>38</sup> Despite this success, heroin use remained a problem in 1979 and 1980.

Increasingly popular among rich and middle income users, who started to smoke and inhale it, heroin use remained high. The easy availability of Mexican brown and its high potency gained a popularity for the drug, which is now being supplied by Asian and Middle East sources.

#### Heroin Trafficking: 1979-1981

Southeast Asia replaced Mexico in the late 1970s as the leading supplier of heroin to the United States. Since 1965, the "golden triangle" region, where Burma, Thailand, and Laos share a common border, had produced massive quantities of illicit opium.<sup>39</sup> By 1972, American officials realized the potential threat Southeast Asian heroin posed to the United States itself. By the late 1970s, the threat had become a reality, with 38 percent of heroin in the United States originating in Southeast Asia.<sup>40</sup> Despite an effort by the local governments to eradicate poppy fields and restrict opium trafficking, Southeast Asian heroin accounted for 36 percent of the American market in 1981.<sup>41</sup>

The U.S. State Department has identified Lo Hsing Han of Burma as the "king-pin" of heroin traffickers in Southeast Asia.<sup>42</sup> At his trial in 1973, he confessed to smuggling 83 tons of raw opium from 1967 to 1972.<sup>43</sup>

Before the complete breakup of the French Connection, U.S. officials worried about heroin from the Golden Triangle. An effort had already been made to convince Laotian hill tribes of the Meo, Lahu, Akha and, Yao clans to substitute potatoes and melons for poppies.<sup>44</sup> Burma also launched a three-year

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<sup>37</sup>Riding, "Mexico Opens New Drive to Halt Narcotics Flow," New York Times, January 2, 1976, p. 3.

<sup>38</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Senate Report 96-887, Committee of Governmental Affairs, 96th Cong., 2nd Sess. (Washington: Government Printing Office, 1980), p. 14.

<sup>39</sup>Spielman, "The Southeast Asian Connection," New York Times, May 17, 1972, p. 47.

<sup>40</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Hearings, op. cit., p. 14.

<sup>41</sup>U.S. Congress, House of Representatives, Departments of State, Justice, and Commerce, the Judiciary and Related Agencies Appropriations for 1981, Hearings before a Subcommittee of the Committee on Appropriations, 96th Cong., 2nd Sess. (Washington: Government Printing Office, 1981), p. 874.

<sup>42</sup>New York Times, July 29, 1972, p. 25.

<sup>43</sup>Kamm, "Burma Cooperation with U.S. to Stem Opium Flow," New York Times, August 4, 1975, p. 3.

<sup>44</sup>New York Times, March 13, 1972, p. 11.

program in 1966 to eliminate poppy cultivation.<sup>45</sup>

In March 1979, Thailand and Burma announced that they would increase cooperation to suppress drugs.<sup>46</sup> In April, the Thailand National Assembly unanimously adopted an antinarcotics law with the death penalty given to traffickers.<sup>47</sup>

A severe drought struck the Golden Triangle during the 1978-1979 growing season, reducing opium production to 200 metric tons. The 1981 crop, however, grew to a record harvest of 600 metric tons, up to three times the 1979-1980 crops.<sup>48</sup> Even with the drought, Golden Triangle Heroin still accounted for 38 percent of the U.S. market in 1979.<sup>49</sup>

The drought did lead to a dramatic increase in Golden Crescent heroin arriving in the United States. In the late 1970s, a new influx of heroin arrived in the United States from the poppy fields of the Golden Crescent, the nations of Afghanistan, Pakistan, and Iran.<sup>50</sup> By 1979-1980, the Golden Crescent had replaced the Golden Triangle as the major source of illegal narcotics for the United States.<sup>51</sup> In 1979, about 35 percent of the U.S. heroin market was supplied by Golden Crescent sources.<sup>52</sup>

The new wave of heroin from the Golden Crescent, continued supplies from the Golden Triangle, and the rising use of synthetics are evidence that the heroin problem has not yet been solved in the United States.

#### Heroin Trafficking in New York City: Case Study

Law enforcement officials estimate that half the heroin imported into the United States is used by addicts in New York City.<sup>53</sup> Heroin addicts, too, have been blamed for over half the street crimes and burglaries in the city.<sup>54</sup>

From 1965-1970, the majority of the heroin traffic into New York City was handled by LCN or its close associates.<sup>55</sup> During the 1970s, independent black and Hispanic groups, however, successfully challenged LCN control of the market.<sup>56</sup> While LCN remains an important factor in trafficking, the independent groups today handle the bulk of heroin traffic in the city.

Until Mexican and Asian heroin began to predominate from 1975-1980, New

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<sup>45</sup>New York Times, July 21, 1968, p. 6.

<sup>46</sup>New York Times, March 7, 1979, p. 12.

<sup>47</sup>New York Times, April 1, 1979, p. 41.

<sup>48</sup>Newsweek, June 8, 1981, p. 27.

<sup>49</sup>New York Times, September 8, 1980, p. 12.

<sup>50</sup>Time, October 6, 1980, p. 32.

<sup>51</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Hearings, op. cit.,

p. 13.

<sup>52</sup>Newsweek, March 10, 1980.

<sup>53</sup>Staff, op. cit., p. xi.

<sup>54</sup>New York Times, February 15, 1981, p. 1.

<sup>55</sup>New York Times, May 19, 1969, p. 77.

<sup>56</sup>New York Times, September 4, 1973, p. 1.

York City addicts were supplied almost completely with French Connection heroin.<sup>57</sup> During 1972, the city experienced a severe heroin shortage when the consequences of the Turkish opium ban first began to diminish heroin supplies. Nevertheless, the traffic did not stop.

In addition, New York State in 1973 passed a harsh drug law, but, despite over 100 convictions carrying mandatory life imprisonment, the flow of narcotics into the city was not appreciably slowed. Indeed, by the end of 1975, the heroin problem in the city was being compared to the peak period of 1969-1970.<sup>58</sup> Apparently, the emergence of the non-LCN dealers and a cutback in narcotics officers after the dissolution of the French Connection contributed to the rise in usage.<sup>59</sup> Many investigators believed the heroin problem continued to worsen in the city throughout the late 1970s.

From the end of World War II until the late 1960s, New York City heroin trafficking was dominated by the five LCN families.<sup>60</sup> The LCN serviced a small market of addicts concentrated in the black and Puerto Rican slums.<sup>61</sup> The Lucchese and Bonanno families were most heavily involved, putting together the original Marseille-Montreal-New York City route.<sup>62</sup> In 1968, a state committee identified 600 LCN soldiers in Harlem, Bedford Stuyvesant, and the South Bronx involved in heroin trafficking. The identified LCN members handled an estimated \$116 million in narcotics in 1968.<sup>63</sup>

By 1970, however, LCN was no longer a major factor in street sales of heroin. Instead, it concentrated on importation and wholesale distribution.<sup>64</sup> LCN stayed in the background and financed shipments, letting others take the front-line risk. From a near monopoly by LCN, the heroin traffic evolved into a loosely organized series of arms-length relationships among major independent operators, of which LCN was but a major system. There was in fact no vast heroin conspiracy with one boss; the popular conception of a "Mr. Big" in heroin did not exist.

The LCN's earlier exclusive control lessened for several reasons, not the least of which were a vast expansion of the heroin market and a toughening of Federal and state penalties for heroin selling. In addition, the expansion in the number of addicts opened up opportunities to non-LCN traffickers to service new areas. The LCN itself became acutely conscious of the high risk from the new drug and conspiracy laws after the convictions of Genovese, Galante, and numerous other important members.

By 1975, control of heroin trafficking in New York City had shifted to blacks and Hispanics.<sup>65</sup> These new organizations were successfully tied in with

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<sup>57</sup>New York Times, December 8, 1973, p. 1.

<sup>58</sup>Ibid., p. 1.

<sup>59</sup>Ibid.

<sup>60</sup>Staff, op. cit., p. 199.

<sup>61</sup>Ibid.

<sup>62</sup>Ibid., p. 200.

<sup>63</sup>New York Times, May 18, 1969.

<sup>64</sup>Schulz, "The Smugglers of Misery," Reader's Digest, April 1970, p. 49.

<sup>65</sup>New York Times, December 9, 1975, p. 1.

Mexican and Southeast Asian traffickers, where they gained a source of supply independent of LCN control. For a long time, the police intelligence system was directed at white groups; it considered blacks to be involved only in trafficking on a very low level. Accordingly, black and Hispanic rings were left free from law enforcement pressure while their operations were established. Indeed, by 1968, blacks and Puerto Ricans had already forced their way into the ranks of the major wholesalers, although importation remained almost entirely under LCN control.<sup>66</sup>

In 1975, 13 major narcotics dealers in the city were listed by law enforcement experts. Four of the dealers were LCN members, five were black and four were Hispanic cocaine dealers.<sup>67</sup>

Harlem has always been the center of heroin activity in New York. The major dealers in Harlem controlled a majority of the heroin available in the city. The first well known heroin boss in Harlem was Charles Green. Arrested in 1970, he employed over 100 pushers and couriers. Green imported heroin and cocaine from South America.<sup>68</sup>

Green's successor as the major Harlem dealer, Frank Matthews, expanded operations outside New York City. Introduced into the heroin business by major LCN associate Louis Cirillo, Matthews eventually set up his own organization, supplied by Auguste Ricord. By 1968, Matthews sent heroin into all major East Coast cities, supplying as well Atlanta, Cleveland, Detroit, Cincinnati, Chicago, Kansas City, and Los Angeles. Matthews jumped bail in 1973 and has not been seen since.

Leroy "Nicky" Barnes succeeded Matthews and became one of the biggest dealers on the East Coast.<sup>69</sup> Known as "Mr. Untouchable," Barnes was arrested 13 times between 1950 and 1977 for charges ranging from bribery to murder, yet he served little time in jail.<sup>70</sup>

Barnes set up his own processing mills, and he gradually established control over heroin manufacturing and selling in an area that extended from New York State to Canada and Pennsylvania and that supplied heroin to Chicago and Arizona. In addition, his organization took over most street operations from LCN associates in Harlem and other areas of New York City.<sup>71</sup>

By 1976, Barnes had at least seven major lieutenants, each of whom controlled dozens of mid-level distributors; each of these distributors supplied up to 40 street distributors.<sup>72</sup>

On March 15, 1977, Barnes was arrested as his car was stopped at a Harlem

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<sup>66</sup>Burnham, "Heroin Dealers Put at 200 Here," New York Times, May 5, 1968, p. 86.

<sup>67</sup>New York Times, December 9, 1975, p. 1.

<sup>68</sup>New York Times, September 15, 1970, p. 11.

<sup>69</sup>Adams, "Target: Mr. Untouchable," Reader's Digest, June 1978, pp. 81-82.

<sup>70</sup>Ibid., p. 81.

<sup>71</sup>New York Times Magazine, June 5, 1977, p. 15.

<sup>72</sup>Adams, "Target: Mr. Untouchable," op. cit., p. 83.

stoplight. The Barnes trial produced some of the heaviest narcotics sentences in New York history. Barnes was convicted and sentenced to life without possibility of parole, and he was fined the maximum penalty of \$125,000. There was no appreciable drop in the level of drug sales in Harlem after Barnes went to jail.<sup>73</sup>

#### COCAINE TRAFFICKERS

In 1968, Americans spent approximately \$5 million on cocaine.<sup>74</sup> In 1980, the Drug Enforcement Administration (DEA) estimated that the annual retail value of the cocaine trade in the United States ranged from \$12 to \$16 billion.<sup>75</sup>

Today, cocaine is the top income producer in the illicit traffic in drugs.<sup>76</sup> An estimated 25 to 31 metric tons of cocaine were smuggled into the United States in 1979.<sup>77</sup> The coca leaf is illicitly produced principally in Bolivia and Peru and then converted into cocaine, mainly in Colombia. Florida is the chief gateway to the United States for the illicit traffic, most of which arrives by air passenger courier.

Organized crime's involvement in the traffic is mixed. The traffic itself is highly sophisticated, yet decentralized. No one ethnic group has had a monopoly over the traffic, but Mafia-type organized crime participation in it is surfacing, in both smuggling and distribution.<sup>78</sup>

The picture for success of law enforcement efforts at curtailment is bleak. Only 5 to 10 percent of the cocaine flow into the U.S. is seized by law enforcement agencies.<sup>79</sup>

#### Independents

The cocaine traffic is far less structured than the heroin traffic and is characterized by more numerous deliveries. Because of the great profits and the diminished likelihood that they will be caught, persons from all walks of life, including doctors, lawyers, businessmen, and entertainers are engaged in cocaine trafficking.

Individuals from all walks of life are also involved in organizations that systematically distribute large quantities of cocaine in the United States. Many of these organizations were formed in the 1970s<sup>80</sup> in an effort to reap the

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<sup>73</sup>Raab, "Former Aides Called Heirs to Barne's Heroin Empire," New York Times, February 25, 1979, p. 1.

<sup>74</sup>New York Times, January 12, 1968, p. 30.

<sup>75</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Hearings, op. cit., p. 70.

<sup>76</sup>National Narcotics Intelligence Consumers Committee, Narcotics Intelligence Estimate (Washington: Drug Enforcement Administration, 1979), p. 8.

<sup>77</sup>Ibid.

<sup>78</sup>Ibid., p. 11.

<sup>79</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Senate Report 96-887, op. cit., p. 28.

<sup>80</sup>U.S. Congress, Senate, Organized Criminal Activities: South Florida and

great profits involved in cocaine trafficking. Evidence indicates that these organizations usually obtain their supplies from organized smuggling groups within the United States. Since Miami is the primary cocaine port of entry, distributors from across the United States usually journey to the South Florida area to obtain the necessary supplies.

Large scale independent operators occasionally establish contacts directly with South American sources, but, as with the small-time dealer, this practice is more the exception than the rule.

Large scale independent operators in the Southwest often establish contacts with Mexican trafficking organizations, which channel the cocaine from South America. In a 1977 investigative report by Newsday that described the major narcotics smuggling groups in Arizona, five of the nine cocaine smuggling groups identified were headed by individuals who apparently had no ties to any Mafia-type organized crime groups. Each had entered the cocaine trade by cultivating Mexican contacts.

The number of large scale independent cocaine organizations in the United States is impossible to determine. Evidence indicates, however, that their impact on the cocaine trade is great, particularly below the importer level.

Despite the large numbers of individuals involved in cocaine trafficking, independent operators do not smuggle in the vast quantities of cocaine needed to supply the American market. Only an organized group can regularly come up with the enormous amounts of money necessary for cocaine supplies. But organized crime is not limited to one ethnic group; this is clearly seen in cocaine smuggling and distribution.<sup>81</sup>

### The Colombians

Since the mid-1970s, Colombian organized crime groups have been increasingly successful in taking over a major share of the domestic cocaine traffic in the United States.<sup>82</sup> In the early to mid-1970s, Colombian groups became actively involved in selling cocaine in South Florida, a traditionally Cuban-controlled area. By late 1977 or early 1978, Colombian criminal organizations in fact had increasingly cut their ties with non-Colombian cocaine distribution groups in an effort to further dominate the United States cocaine market.<sup>83</sup>

Despite assertions to the contrary, Colombian criminal organizations do not have a monopoly over the United States cocaine trade. However, they

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U.S. Penitentiary, Atlanta, Ga., Hearings before the Permanent Subcommittee on Investigations, Committee on Governmental Affairs, 95th Cong., 2nd Sess. (Washington: Government Printing Office, 1978), p. 638.

<sup>81</sup>U.S. Congress, Senate, The Global Connection: Heroin Entrepreneurs, Hearings before the Subcommittee to Investigate Juvenile Delinquency, Committee on the Judiciary, 94th Cong., 2nd Sess. (Washington: Government Printing Office, 1976), p. 40.

<sup>82</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, op. cit., p. 512.

<sup>83</sup>Ibid., p. 474.

remain the dominant force. From 50 to 70 percent of the cocaine coming to the United States passes through or is refined in Colombia.<sup>84</sup>

Although the Colombia-based cocaine trafficking organizations vary in size, most started as wildcat operations with about five members. In 1975, United States authorities estimated that between 60 and 80 major Colombian criminal organizations were involved in cocaine trafficking.<sup>85</sup> Approximately half of these groups contained 50 to 100 members each, with ample capital, sophisticated organization, and layers of insulations.

The Colombian cocaine traffic today, however, is dominated by 14 to 25 "Mafia-style" organizations.<sup>86</sup> The heads of these trafficking organizations are called "padrinos" or godfathers. The padrinos use threats and bribes to stay ahead of the law and have bought into legitimate businesses in Colombia with their cocaine revenues.<sup>87</sup>

The cocaine trafficking organizations in Colombia are compartmentalized into areas of specialized expertise. Only the upper echelons of the operations are actually involved in directing and financing the groups' activities. As such, the organizations' leaders are insulated from law enforcement efforts and the wealth derived from cocaine profits are concentrated in few hands.<sup>88</sup>

#### The Cubans

Despite the relative decline in Cuban involvement that accompanied the increase in Colombian participation in traditionally Cuban-controlled areas, Cuban groups are still heavily involved in United States cocaine distribution.<sup>89</sup> Cuban cocaine distribution networks are particularly strong in South Florida and the New York City area. Evidence indicates, too, that Colombian traffickers are still the principal suppliers of the Cuban networks.

In 1975, the New York Times reported that four organizations controlled the bulk of cocaine importation and distribution in the New York area. The organizations were reportedly headed by Gustavo Restrepo, Ramon Matos, Lilia Parada, and Hugo Curbello, two of whom were Cuban, while the other two were Colombian.<sup>90</sup>

#### The Mexicans

Apparently, Mexico is decreasing in importance as a cocaine corridor to the United States. Despite this, Mexican criminal organizations still play a significant role in cocaine trafficking. These organizations generally

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<sup>84</sup>National Narcotics Intelligence Consumers Committee, op. cit., pp. 10-11; Pennsylvania Crime Commission, A Decade of Organized Crime: 1980 (Conshohocken, Pennsylvania: 1980), p. 110.

<sup>85</sup>New York Times, April 21, 1975, p. 26.

<sup>86</sup>Newsweek, December 20, 1976, p. 51; New York Times, March 19, 1978, p. 2.

<sup>87</sup>Newsweek, December 20, 1976, p. 51.

<sup>88</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, op. cit., p. 475.

<sup>89</sup>"Cocaine: Middle Class High," Time, July 6, 1981, p. 60.

<sup>90</sup>New York Times, December 9, 1975, p. 47.

smuggle cocaine into the United States with other drugs, usually heroin. Well-organized rings, centered primarily in the Culiacan region of Mexico, channel cocaine from Latin America into the United States.<sup>91</sup>

Among Mexican organized crime groups actively involved in narcotics trafficking in the United States are La Nuestra Familia and the Mexican Mafia.<sup>92</sup> La Nuestra Familia means "our family." There are 250 to 1,000 West Coast members. They have a boss who is known as the "nuestra general." Below that, there are captains, lieutenants, and soldiers. La Nuestra Familia extends into Arizona and New Mexico.<sup>93</sup>

The Mexican Mafia, or the "eme," is less structured than La Nuestra Familia.<sup>94</sup> The street commander of the "eme" is known as the general or god-father. The lower echelon ranks are the captains and lieutenants. The extent to which these two criminal organizations are involved in cocaine trafficking is, however, unclear.

#### The Israeli Mafia

The "Israeli Mafia," a group of 40 to 250 members, mostly Israeli citizens, operates primarily in Los Angeles.<sup>95</sup> This criminal organization is said to be channeling its energies into narcotics trafficking, and by one account controls 50 percent of the cocaine traffic in the Los Angeles area.<sup>96</sup> Given the strong Colombian presence there, this figure is probably inflated. Reportedly, the Israeli Mafia also has ties with La Cosa Nostra elements in the Los Angeles area.<sup>97</sup>

#### La Cosa Nostra

At least 17 LCN families and 117 known LCN members are active in Florida.<sup>98</sup> La Cosa Nostra's presence in the Florida area, where 40 percent of the nation's cocaine enters the United States, suggests the possibility of considerable involvement in cocaine trafficking.

Although LCN elements have the resources, experience, and expertise needed to smuggle cocaine into the United States, available evidence indicates that LCN groups merely purchase large amounts of cocaine after it has been smuggled into the country by Latino groups,<sup>99</sup> primarily Colombians. Since LCN is by far the best organized criminal group in the United States, there is a ready-made network for the cocaine supplies obtained in Florida.

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<sup>91</sup>Newsday Magazine, March 31, 1977, p. 8.

<sup>92</sup>Time, May 16, 1977, p. 40.

<sup>93</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, op. cit., p. 86.

<sup>94</sup>Ibid.

<sup>95</sup>Ibid.

<sup>96</sup>Newsweek, November 5, 1981, p. 40.

<sup>97</sup>Chicago Tribune, June 10, 1981, p. 4.

<sup>98</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, op. cit., p. 756.

<sup>99</sup>Ibid., p. 93.

The existing evidence of LCN penetration in the cocaine market may be grouped in three ways. First, LCN has acted in concert with Latin organizations that have been actively involved in the cocaine trade since the early 1960s, mostly in South Florida. These include Colombian, Cuban, and Mexican organizations.<sup>100</sup> LCN involvement with Mexican organizations also takes place in the West. Because the Florida drug trade is so large, these various groups manage to coexist, sometimes even peacefully.

Second, LCN has apparently taken over some existing cocaine distribution outfits in the United States.<sup>101</sup> The operations that LCN has taken over, however, have been generally independent, as opposed to the established Cuban or Colombian organizations, since the Cuban and Colombian organizations are often too powerful to dominate. In addition, Colombians control the bulk of supplies. Nevertheless, should LCN cultivate alternate sources, such as Bolivia, LCN could conceivably challenge Colombian dominance of the cocaine market.

Third, LCN has evidently bought its way into the market in some areas by purchasing large quantities of cocaine and driving out the independents.<sup>102</sup> Because of these LCN efforts, the cocaine trade is, therefore, becoming increasingly centralized at the importation level. The independent organizations are, at least in some cases, either being driven out of the business or taken over by LCN elements.

#### MARIJUANA

In 1968, Americans spent approximately \$100 million on marijuana.<sup>103</sup> In 1979, the Drug Enforcement Administration (DEA) estimated that the annual retail value of the marijuana trade in the United States ranged from \$15 to \$22 billion.<sup>104</sup>

Today, marijuana is the number two illicit income producer of the illicit traffic in drugs.<sup>105</sup> Of the estimated 9,300 to 12,600 metric tons that were imported into the United States in 1979, Colombia accounts for about 75 percent. Illegal production in Hawaii and California is small scale and unorganized. Mexico, Colombia, and the Caribbean were the main avenues of approach for U.S.-destined shipments of marijuana. Florida is the chief gateway (30 percent) to the United States for the illicit traffic, most of which arrives by ship.

Organized crime involvement in the traffic is mixed. The traffic itself is highly sophisticated, yet decentralized. No one ethnic group has had a

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<sup>100</sup>U.S. Congress, House of Representatives, To Create a Select Committee on Narcotics Abuse and Control, Hearings before the Subcommittee on Criminal Justice, Committee on the Judiciary, 96th Cong., 1st Sess. (Washington: Government Printing Office, 1980), p. 48.

<sup>101</sup>U.S. Congress, Senate, Organized Criminal Activities: South Florida and U.S. Penitentiary, Atlanta, Ga., op. cit., p. 148.

<sup>102</sup>Ibid.

<sup>103</sup>New York Times, January 12, 1968, p. 30.

<sup>104</sup>National Narcotics Intelligence Consumers Committee, op. cit., p. 17.

<sup>105</sup>Ibid., pp. 5, 9, 10, 11, 14. This and the next two paragraphs are based on this source.

monopoly over the traffic, but Mafia-type organized crime participation in it is surfacing, both in smuggling and distribution.

Marijuana use is likely to remain at high level, although total consumption may decline, principally among children and teenagers where use rates appear to have stabilized and the population is declining. User preference for higher-potency marijuana will favor the development of a domestic industry. Here, too, the prospects for success of law enforcement efforts at curtailment is bleak: only 5-10 percent of the marijuana available in the U.S. is seized by law enforcement agencies.

Although law enforcement officials fear increasing participation of sophisticated criminal organizations in marijuana trafficking, it remains remarkably open.<sup>106</sup> The bulk of the commercial smuggling ventures, which involve multiton quantities of marijuana, are in fact directed by well-organized traffickers in South America and the United States. Nevertheless, independent operators are also heavily involved in marijuana smuggling from South America, particularly Colombia. Organized criminal groups in Colombia purchase marijuana from local growers. The organizations then stockpile large supplies in warehouses, usually located on the Guajira peninsula. From there, the marijuana is transported to the United States by large-scale criminal organizations as well as small-time independent operators.<sup>107</sup>

From the main distributor level to the street, the evidence indicates that the involvement of criminal organizations steadily decreases. The roles from importer to distributor are the most profitable and most insulated from law enforcement activity.

#### Dealers, Smugglers, Distributors

The number of marijuana dealers in the United States is impossible to determine. One New York City wholesaler estimated that there is at least one marijuana dealer for every block in New York and at least one wholesaler for every ten blocks. Several years ago the government estimated that there were approximately 175,000 marijuana dealers in the United States.

Besides channeling marijuana to a maximum number of consumers, the large number of dealers acts to insulate the higher levels of the distributive chain. Many lower-level dealers cannot possibly know where their suppliers obtained their marijuana.

Colombia's daily marijuana flow to the United States demands widespread participation in smuggling activities. In fact, Colombian sources seem willing to sell to any individual or organization that displays the ability to move large quantities of marijuana, and, according to one authority, "It isn't always a criminal syndicate."<sup>108</sup>

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<sup>106</sup>Newsweek, October 30, 1978, p. 34.

<sup>107</sup>U.S. Congress, Senate, Organized Criminal Activities: South Florida and U.S. Penitentiary, Atlanta, Ga., op. cit., p. 638.

<sup>108</sup>U.S. Congress, House of Representatives, Departments of State, Justice, and Commerce, the Judiciary, and Related Agencies Appropriations for 1979 (Washington: Government Printing Office, 1979), p. 1017.

Another extremely lucrative area of the marijuana trade involves little actual smuggling. A properly financed independent organization possessing the necessary contacts to move large quantities of marijuana within the United States can show enormous profits acting as a main distributor.

The Black Tuna gang, one of the best organized ever encountered by the DEA,<sup>109</sup> was run by Robert Platshorn and Robert Meinster.<sup>110</sup> The marijuana importing operation was conceived in 1974 and in the next two years the organization brought 35 loads into the U.S.<sup>111</sup> Five hundred tons of marijuana, wholesaling at 300 million dollars, was smuggled in during this period.<sup>112</sup> The organization netted approximately \$500,000 a week.<sup>113</sup> DEA and FBI agents broke the Black Tuna gang in 1977 in "Operation Banco."

Roger Alstair Williams Fry headed another multistate, but independent, marijuana distribution ring in the early 1970s.<sup>114</sup> Fry's organization included 24 other persons, who functioned as middlemen, drivers, investors, and local distributors. The evidence introduced at Fry's trial indicated that Fry obtained multiton shipments from Mexican sources and then repackaged the marijuana for distribution throughout the country in multihundred pound lots. Shipments went to Michigan, Kansas, Colorado, Pennsylvania, and New England, all by car or truck.

#### Involvement of Organized Crime: Overview

Once largely confined to young Americans backpacking the drug across the Mexican border, marijuana smuggling now rivals the heroin trade in terms of organized crime involvement as large, sophisticated criminal organizations with the assets to purchase oceangoing freighters and sophisticated electronic equipment become involved in large-scale marijuana smuggling.<sup>115</sup> According to Senator Lawton Chiles, "We have to forget the image of marijuana as a couple of giggling teenagers behind the high school gymnasium smoking a joint. We are talking about cold-blooded killers, and organized crime, an international financial operation which floats billions of dollars from bank to bank around the world."<sup>116</sup>

The evidence indicates that organized crime became involved in marijuana trafficking at least as early as the 1970s.<sup>117</sup> It was at this time that multiton marijuana seizures began to occur with increasing frequency.

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<sup>109</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, *op. cit.*, p. 488.

<sup>110</sup>Newsweek, May 14, 1979, p. 47.

<sup>111</sup>Ibid.

<sup>112</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, *op. cit.*, p. 488.

<sup>113</sup>Ibid.

<sup>114</sup>United States v. Fry, 413 F.Supp. 1269, 1270 (1976).

<sup>115</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Hearings, *op. cit.*, p. 8.

<sup>116</sup>U.S. Congress, House of Representatives, Cocaine and Marijuana Trafficking in Southeastern United States, *op. cit.*, p. 159.

<sup>117</sup>Ibid., p. 160.

## Mexican Criminal Organizations

In the early 1970s, Mexican marijuana was brought into the United States by established Mexican and Mexican-American criminal organizations operating on both sides of the border, accounting for over 50 percent of U.S. supplies.<sup>118</sup> New American groups were formed in the late 1960s and early 1970s, generally groups of two or three friends, comprised of young Americans in their early twenties, who would carry out a one-shot expedition of a few kilograms to a hundred pounds or more.<sup>119</sup> By the middle 1970s the marijuana traffic from Mexico was becoming more systematic; the trend was toward more adventurous operations involving private planes and boats rather than automobiles and commercial transportation. In addition, Mexican criminal syndicates were becoming increasingly sophisticated in order to meet increased demand.

The extent of the La Nuestra Familia and Mexican Mafia involvement in the marijuana trade today is unclear. Other important groups include the Samaniego-Meraz Organization, headed by Manuel Samaniego-Meraz, and based in Agua Prieta, Mexico. Multiton quantities of marijuana are stored in warehouses along the Arizona border and then smuggled into the United States in tanker trucks. Members included Miguel Moreno and Ruffino Garcia-Hernandez.<sup>120</sup>

Similarly, the Tercero-Lechuga organization, headed by Juan Antonio Tercero and his brother Ernesto of Phoenix, Arizona, is involved in the traffic. Authorities have identified 140 members. The organization has connections in Agua Prieta, Mexico, smuggling marijuana shipments of up to 1,500 pounds.<sup>121</sup> Finally, the Robles organization is headed by Reynaldo Robles and based in Tucson; it smuggles several tons of marijuana a month throughout the Southwest, with no less than 20 members, many of whom are Robles' relatives.<sup>122</sup>

## The Colombians

Before the mid-1970s, the U.S. marijuana market was supplied almost exclusively from Mexico with some Jamaican shipments.<sup>123</sup> The shift to Colombia as the major source of marijuana was due to two factors. First, effective Mexican law enforcement efforts hurt the traffic, particularly by eradicating crops.<sup>124</sup> Second, American marijuana users shied away from Mexican marijuana for fear that it had been contaminated with the herbicide paraquat.<sup>125</sup> Accordingly, Colombia emerged as the principle supplier of the U.S. marijuana market in the period from 1976 to 1978.

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<sup>118</sup>Newsday Magazine, March 31, 1977, p. 8.

<sup>119</sup>Ibid.

<sup>120</sup>Ibid., p. 31.

<sup>121</sup>Ibid.

<sup>122</sup>Ibid.

<sup>123</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Hearings, op. cit., p. 65.

<sup>124</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Senate Report 96-887, op. cit., p. 23.

<sup>125</sup>U.S. Congress, Senate, Organized Criminal Activities: South Florida and U.S. Penitentiary, Atlanta, Ga., op. cit., p. 638.

Colombians are involved in marijuana trafficking in three ways besides growing the plant. First they sell to foreign purchasers in Colombia. Second, they ship marijuana to the U.S. by sea. Third, they apparently directly distribute marijuana within the U.S.

Colombian smugglers contract with important organizations within the United States to deliver specified quantities of marijuana.<sup>126</sup> These state-side organizations are primarily Cuban, American, and Colombian.<sup>127</sup> These groups set up off-loading operations, requiring purchasing or renting smaller ships to shuttle the marijuana to the mainland.

Although Colombian groups are involved in marijuana distribution within the United States, they in no way dominate the market. The volume of marijuana needed to supply the U.S. market coupled with the bulkiness of the product makes it impossible for any group or nationality to control domestic distribution. Colombian dominance in the marijuana trade stops at the U.S. border.

There is evidence, however, of sophisticated Colombian networks within the United States. These networks operate alongside other criminal syndicates as well as independent groups to move marijuana to the American consumer. Colombian marijuana networks are particularly strong in cities with large Colombian populations, including Miami, Los Angeles, and New York.

Operation Grouper, a major interdepartmental law enforcement effort, illustrates the law enforcement response to Colombia's role in the marijuana trade.<sup>128</sup> Operation Grouper began in 1979 when four undercover DEA agents were introduced to various marijuana traffickers by an informant. Within a year, the undercover agents had made middle to upper-level contacts with 14 trafficking organizations, which grew, harvested, and transported their own marijuana from the Guajira peninsula to Florida and other Gulf Coast states for distribution throughout the United States. The 14 organizations had some members in common but did not operate in concert.

As a result of Operation Grouper, 1.2 million pounds of marijuana, 30 boats and ships, 2 airplanes, and \$1 million in cash were seized. Also, 174 individuals were indicted and 135 arrested in Maine, New York, Georgia, Florida, Texas, and the Bahamas. According to one source, the 14 organizations accounted for 40 percent of U.S. marijuana supplies.

### The Cubans

Cuban involvement in marijuana trafficking began in the early 1960s in South Florida. The available evidence indicates that the Cubans are primarily involved in domestic distribution, obtaining supplies from Colombian sources.

The Sicilia-Falcon Organization, illustrative of Cuban involvement in the traffic, is one of the largest marijuana trafficking organizations ever

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<sup>126</sup>United States v. May 470 F.Supp. 308, 384 (1979).

<sup>127</sup>Newsweek, October 30, 1978, p. 34.

<sup>128</sup>See generally, New York Times, March 13, 1981, p. 12.

uncovered. It was headed by Alberto Sicilia-Falcon, a Cuban national. Sicilia was in charge of a worldwide drug cartel responsible for multitons of marijuana flowing daily from Mexico into the United States in the early 1970s.<sup>129</sup> The group distributed marijuana throughout the United States from its base in San Diego, California. By the spring of 1973, marijuana was being delivered by way of oil tanker trucks that carried three tons per load.

Julio Bell-Guinart of Tijuana, Mexico, supplied the Sicilia-Falcon organization. On June 23, 1974, the DEA seized tow tankers in San Deigo containing a total of six tons of marijuana. Following this seizure, the Mexican Federal Judicial Police seized an additional 42 tons of marijuana in an underground cache.

Alberto Sicilia-Falcon was arrested by Mexican police in 1975. By 1977, over 1,600 individuals had been identified as part of, or associated with, the Sicilia-Falcon conspiracy.<sup>130</sup>

### La Cosa Nostra

La Cosa Nostra is no stranger to the marijuana trade. In 1938, Carlos Marcello, now the reputed New Orleans family boss, was sentenced to ten months in an Atlanta penitentiary when Federal agents broke up "the biggest marijuana ring in New Orleans history."<sup>131</sup> Nevertheless, by the 1960s, there was little evidence of La Cosa Nostra involvement in marijuana trafficking. In 1968, Federal agents in fact denied that LCN had moved into the marijuana trade, claiming that the profit was too little and the traffic too loosely structured.<sup>132</sup> Mexico, the major source of supply at that time, was easily accessible by any individual or group interested in purchasing marijuana. In addition, the competition from travelers crossing the border was too intense to make LCN efforts worthwhile.

Today, marijuana trafficking is in fact one of the most lucrative smuggling activities. Since the profits are so huge and the risks so low, LCN has entered the marijuana trade,<sup>133</sup> joining Colombia, Cuban, and Mexican crime groups.<sup>134</sup> The shift from Mexico to Colombia as the major source of marijuana aided LCN by creating a more "controllable" flow into the United States.

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<sup>129</sup>U.S. Congress, House of Representatives, To Create a Select Committee on Narcotics Abuse and Control, op. cit., p. 74.

<sup>130</sup>U.S. Congress, Senate, Illicit Traffic in Weapons and Drugs Across the United States-Mexican Border, Hearing before the Permanent Subcommittee on Investigations, Committee on Government Operations, 95th Cong., 1st Sess. (Washington: Government Printing Office, 1977), p. 11.

<sup>131</sup>Ibid., p. 16.

<sup>132</sup>President's Commission on Law Enforcement and Administration of Justice, Task Force Report: Narcotics and Drug Abuse (Washington: Government Printing Office, 1967), p. 7.

<sup>133</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Hearings, op. cit., p. 65.

<sup>134</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, op. cit., p. 488.

LCN's presence in the South Florida area, where 30 percent of the nation's marijuana enters the United States,<sup>135</sup> suggests involvement in the marijuana trade. Since the traffic in the western part of the United States is still largely in the hands of independents and Mexican groups, it appears LCN involvement in the marijuana trade is centered in Florida,<sup>136</sup> although there is evidence of LCN activity in the Northwest marijuana market.

As in the cocaine trade, LCN has penetrated the marijuana market in three different ways. First, LCN has acted in concert with Latin organizations, which have been actively involved in the marijuana trade since the early 1960's, mostly in the South Florida.<sup>137</sup> Second, LCN groups have taken over existing marijuana distribution outfits in the United States.<sup>138</sup> LCN groups have also been tied to kidnappings of individuals associated with large-scale marijuana organizations that could afford the ransoms. Independent operators easily fall prey to LCN influence, while the more established Cuban and Colombian organizations are too powerful to dominate. In addition, LCN relies upon the Colombians for supplies. Third, LCN has bought its way into the market by purchasing large quantities of marijuana and driving out independents.<sup>139</sup>

LCN involvement in the marijuana trade, moreover, appears more extensive than in the cocaine trade. Nevertheless, LCN groups are still just one element among the many organizations involved in marijuana trafficking. LCN has an advantage over other trafficking organizations, however, since it is the best organized criminal group in the United States. An organization with established distribution networks like LCN can turn great profits in the marijuana trade.

Evidence indicates two-fold LCN involvement in the marijuana trade. First, LCN purchases multiton quantities of marijuana from Colombian groups, which smuggle the marijuana from South America on motherships. The Richard Cravero organization in Florida illustrates this type of LCN involvement. Second, LCN groups bring marijuana directly from Colombia, using ships and planes. Yet LCN groups have traditionally stuck to the importer/wholesaler roles in drug trafficking, as these roles are the most profitable and the least risky.

The Lucchese, Colombo, Bonanno, and Genovese families have all been identified as participating in the marijuana trade.<sup>140</sup>

Evidence of LCN involvement in the marijuana traffic includes the so-called "Mount Pocono Incident." On December 14, 1976, a DC-6 airplane landed at Mount Pocono Airport in Pennsylvania carrying eight tons of marijuana.<sup>141</sup> Customs agents, agents of the DEA, and members of the Pennsylvania State

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<sup>135</sup>U.S. Congress, House of Representatives, To Create a Select Committee on Narcotics Abuse and Control, op. cit., p. 48.

<sup>136</sup>National Narcotics Intelligence Consumers Committee, op. cit., p. 10.

<sup>137</sup>Time, May 16, 1977, p. 40.

<sup>138</sup>U.S. Congress, House of Representatives, To Create a Select Committee on Narcotics Abuse and Control, op. cit., p. 48.

<sup>139</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, op. cit., p. 61.

<sup>140</sup>Time, August 22, 1969, p. 20.

<sup>141</sup>Time, May 16, 1977, p. 43.

Police arrested five individuals and seized the marijuana, three motor vehicles, and various items of equipment including radios and police scanners. The law enforcement squad allegedly captured the chief plane of the "pot airline," a transportation enterprise funded by LCN. Carmine Galente, then the head of the Bonanno family, had reportedly financed the Mount Pocono smuggling venture for \$500,000, which included all expenses.<sup>142</sup> The street value of the marijuana was estimated at \$26 million.

The Colombo family, headed by John "Sonny" Franzese, began large scale marijuana smuggling from Latin America directly to New York City in the fall of 1978. The Colombo organization began making significant buys of marijuana in 1977.<sup>143</sup> Freighters were either bought or chartered in Colombian ports. "It's Prohibition all over," said Ralph Salerno, a retired New York City police officer and an expert on organized crime. "The Colombo Family has good connections on the waterfront and [the marijuana trade] is something they can no longer resist."<sup>144</sup>

The Colombo family operation also illustrates three points about LCN involvement in the marijuana trade. First, LCN groups have engaged in marijuana smuggling directly from Colombia using oceangoing vessels. These ships can carry loads up to 100 tons, suggesting serious LCN involvement in marijuana trafficking. Second, LCN groups have shipped marijuana directly to East Coast areas, where distribution networks are strongest and the market for marijuana is great. When the Colombo family first entered the marijuana trade, for example, the mothership method was employed; the marijuana was shuttled into Florida and then shipped by truck to New York.<sup>145</sup> The same mothership technique used in Florida operates off the New England coast.<sup>146</sup> Six major marijuana smuggling rings have been identified in the New England area, all with ties to LCN groups.<sup>147</sup> Third, the image of selling marijuana is not bad for LCN. According to Salerno, "You're not talking about hooking ghetto kids on heroin. Instead you're providing a commodity for college kids and the middle class."<sup>148</sup>

#### DANGEROUS DRUGS

Dangerous drugs used in the United States fall into three general categories: stimulants, depressants, and hallucinogens. The consumption of these dangerous drugs is lower than the consumption of other types of drugs, but they merit attention because of the gravity of the consequences of their use.

#### Sources

Authorities recognize three main sources of dangerous drugs: diversion, illicit manufacture, and smuggling. Diversion accounts for an estimated 25

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<sup>142</sup>United States v. Tussell, 441 F.Supp. 1092 (1977).

<sup>143</sup>New York Times, March 14, 1979, p. 21.

<sup>144</sup>Ibid.

<sup>145</sup>Ibid.

<sup>146</sup>Ibid.

<sup>147</sup>Newsweek, October 30, 1978, p. 34.

<sup>148</sup>Ibid.

percent as does illicit manufacturing.<sup>149</sup> The remaining 50 percent is introduced into the United States by smugglers.

Most diversion occurs at the retail level. Only about 10-20 percent of domestic diversion occurs at the manufacturing and distributing level. The most common methods of retail diversion include pharmacy thefts, indiscriminate prescribing, forged prescriptions, and illicit sales of legal drugs.<sup>150</sup> Diversion accounts for almost all of the illicit amphetamines and barbiturates on the market. "Diversions occur in all points in the chain [of legitimate drug distribution] from the manufacturers of the basic chemicals to delivery of the finished dosage forms to the customer."<sup>151</sup>

Clandestine laboratories are an important source of dangerous drugs. The DEA reported a 700 percent increase in the number of illicit labs between 1975 and 1979.<sup>152</sup> In 1978, there were only 19 states in which no clandestine lab was seized.<sup>153</sup> The heaviest concentration of clandestine labs are apparently in Los Angeles, Detroit, Washington, D.C., and Texas.<sup>154</sup> The drug most commonly manufactured is methamphetamine, or speed, followed by PCP.

In addition, dangerous drugs are often smuggled into the United States. Authorities estimate that 75 percent of the drugs smuggled in are transported by land, 10 percent by air, and 15 percent by boats.<sup>155</sup> Most dangerous drugs come from either Columbia or Mexico and are channeled through Florida or the Southwest.

#### Criminal Groups

Three groups seem responsible for distribution of dangerous drugs: motorcycle gangs, doctors, and La Cosa Nostra. The major motorcycle gangs are the Hell's Angeles on the West Coast, the Bandidos in the Southwest, the Outlaws in the East and Canada, and the Pagans in the mid-Atlantic states. These groups have a "formal, recognized rank structure that delineates authority and privilege...and...are involved in criminal activities and drug trafficking."<sup>156</sup> The groups apparently seem to be involved in dangerous drugs but not cocaine or

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<sup>149</sup>U.S. Congress, Senate, The Global Connection: Heroin Entrepreneurs, op. cit., p. 298.

<sup>150</sup>U.S. Congress, Senate, Drug Control Programs of the Federal Government, op. cit., p. 35.

<sup>151</sup>President's Commission on Law Enforcement and Administration of Justice, op. cit., p. 7.

<sup>152</sup>U.S. Congress, House of Representatives, Illicit Methamphetamine Laboratories in the Pennsylvania/New Jersey/Delaware Area, Hearings before the Select Committee on Narcotics Abuse and Control, 96th Cong., 2nd Sess. (Washington: Government Printing Office, 1980), p. 35.

<sup>153</sup>U.S. Congress, Senate, Drug Control Programs of the Federal Government, op. cit., p. 62.

<sup>154</sup>Ibid., p. 53.

<sup>155</sup>U.S. Congress, Senate, Illegal Narcotics Profits, Hearings, op. cit., p. 71.

<sup>156</sup>U.S. Congress, Senate, Organized Crime and Use of Violence, op. cit., p. 61.

marijuana.<sup>157</sup> Their development as a major part of the trafficking scene is disturbing. As one congressional law enforcement witness put it: "...The outlaw motorcycle gangs that we wish to bring to justice have developed into a sophisticated criminal organization. They are, by every measurement standard available, organized crime groups, and fit every definition which has been advanced for such groups. Their activities represent a conspiracy and they use acts of violence or other acts to intimidate their enemies. They conduct their activities in a highly disciplined way, and foster an intricate organizational structure."<sup>158</sup>

These motorcycle gangs are, therefore, a new breed of organized crime, and the trade in dangerous drugs is for them what bootlegging was for La Cosa Nostra during the 1920s. Authorities also hypothesize that these groups do not in fact produce the drugs, "but are on both ends of the supply network ..."<sup>159</sup> They provide resources and chemicals and distribute the finished products. Motorcycle gangs are thought to control "nationwide...up to 50 percent of all illicit methamphetamine distribution."<sup>160</sup>

The second source of dangerous drugs is doctors. "Each year 100 million prescriptions are written in the United States for tranquilizers, 28 million for barbiturates, 60 million for analgesics, and 14 million for amphetamines. Women receive twice as many prescriptions as men."<sup>161</sup> A review of physicians revealed that physicians are manipulated or fooled by patients, keep poor records, and often exceed the maximum duration of drug use recommended by manufacturers. Pharmacists rarely check suspicious prescriptions; frustrated by poor local enforcement, they hesitate to report forged prescriptions.<sup>162</sup>

The third group involved in the dangerous drug problem is La Cosa Nostra. Sometimes there are hints of organized crime involvement, but few figures have been caught playing any prominent role in the illegal dangerous drug market.<sup>163</sup> One authority observed that a well-organized traffic in LSD was functioning and was associated with organized crime. Although little proof exists of traditional organized crime involvement in dangerous drugs, some families do appear to be cooperating with motorcycle gangs.<sup>164</sup>

## CONCLUSIONS AND FINDINGS

The composition of organized crime in the drug area varies from year to

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<sup>157</sup>Ibid., p. 480.

<sup>158</sup>U.S. Congress, House of Representatives, Illicit Methamphetamine Laboratories in the Pennsylvania/New Jersey/Delaware Area, op. cit., p. 30.

<sup>159</sup>Ibid., p. 4.

<sup>160</sup>Ibid., p. 5.

<sup>161</sup>U.S. Congress, House of Representatives, Annual Report for the Year 1979, 96th Cong., 1st Sess. (Washington: Government Printing Office, 1980), p. 37.

<sup>162</sup>Ibid., p. 40.

<sup>163</sup>President's Commission on Law Enforcement and Administration of Justice, op. cit., p. 7.

<sup>164</sup>U.S. Congress, House of Representatives, Illicit Methamphetamine Laboratories in the Pennsylvania/New Jersey/Delaware Area, op. cit., p. 5.

year, place to place, and drug to drug. Different as the many groups are, they are also similar. In most cases, they are sophisticated syndicates with a corporate-like structure, involving financiers, bankers and banks, lawyers, logistics experts, exporters, importers, wholesalers and retailers.

Regarding heroin, La Cosa Nostra (LCN) is thought to have controlled 95 percent of the heroin traffic in 1965. During the late 1960s and early 1970s, LCN involvement decreased, primarily because of the collapse of Turkish-French heroin in 1972 and the continued prosecution and conviction of important LCN members.

By 1980, heroin trafficking had become divided among numerous organizations, which received most of the drug from the Golden Crescent nations of Afghanistan, Pakistan, and Iran. Those nations replaced Southeast Asia and Mexico as principal suppliers. Before that (1972), French Connection heroin comprised 75 percent to 80 percent of the market.

When LCN lost control of heroin trafficking after the collapse of the French Connection, South Florida Cubans and blacks moved into trafficking. Mexican heroin-smuggling organizations included the Herrera family and the Mexican Mafia, a group operating primarily out of the California state prison system. In New York City, heroin trafficking shifted to blacks and Hispanics.

As the top income producer among illicit drugs in 1980, cocaine trafficking is not monopolized by any one ethnic group. But Mafia-type organized crime involvement is surfacing, in both smuggling and distribution. Even so, independents, some operating on a large scale, have a substantial impact on the cocaine trade, particularly below the importer level.

Since the mid-1970s, Colombian organized crime groups have been increasingly successful in taking over a major share of the domestic cocaine traffic in the United States and remain the dominant force. According to estimates by U.S. authorities, between 60 and 80 Colombian criminal organizations were involved in cocaine trafficking in 1975; of these, 14 to 25 Mafia-style Colombian organizations predominate.

Despite the rise of the Colombians, Cuban groups are still heavily involved in U.S. cocaine distribution, especially in South Florida and New York City. Mexican criminal organizations also play a significant role in cocaine trafficking, including La Nuestra Familia and the Mexican Mafia, which operate in the West and Southwest.

Since the 1960s, LCN has acted in concert with Latin organizations that have been actively involved in the cocaine trade. In addition, LCN apparently has taken over some existing cocaine distribution outfits in the U.S. and has bought its way into the market in some areas by purchasing large quantities of cocaine and driving out independents.

Organized crime involvement in marijuana traffic is mixed. Though independents are heavily involved in marijuana smuggling from South America (especially Colombia), the bulk of the smuggling is directed by traffickers in South America and the U.S. who belong to sophisticated criminal organizations.

Evidence indicates that organized crime became involved in marijuana

trafficking as early as the 1970s, when established Mexican and Mexican-American criminal organizations accounted for over 50 percent of U.S. supplies. However, from 1976 to 1978, Colombian organizations were the principal traffickers. They contracted with important organizations within the U.S. to deliver specified quantities of marijuana. These stateside groups are primarily Cuban, American, and Colombian.

LCN involvement in the marijuana trade appears more extensive than in cocaine trafficking. The Lucchese, Colombo, Bonanno, and Genovese families have all been identified as participating in the marijuana trade.

Foremost among criminal groups distributing dangerous drugs--stimulants, depressants, and hallucinogens--are motorcycle gangs, such as the Hell's Angeles, Bandidos, Outlaws, and Pagans. Although little proof exists of traditional organized crime involvement in dangerous drugs, some families do appear to be cooperating with motorcycle gangs.

## CHAPTER 5

### ORGANIZED CRIME AND GAMBLING

The first large gambling casino in the United States was built in New Orleans by John Davis in the 19th century. While it catered only to the wealthy, lower-class houses soon developed that were aptly described as "stinkholes of creation."<sup>1</sup> Chicago, too, became a gambling center, having by the late 1840s more first-class gambling houses and big-time gamblers than either Cincinnati or St. Louis. By 1850, it was estimated that there were approximately 6,000 gambling houses in New York City, a figure hard to accept since that would have amounted to one for every 85 residents.

Everywhere, gambling establishments were usually maintained by extensive systems of police and political corruption. Powerful machine politicians exploited the sentiments of various segments of the population. Generally, rural areas were intolerant of gambling, while urban areas, characterized by a new mix of peoples and religion, were tolerant. The level of public tolerance toward all forms of gambling, however, peaked in the 19th century. Thereafter, antigambling and good-government groups came together and reforms were widely adopted.

#### OVERVIEW: 1920-1980

There is, as Mark Haller has called it, a "common assumption" in both scholarly literature and popular crime histories that the bootlegging syndicates of the 1920s originated "organized crime" in America.<sup>2</sup> Few public impressions are further from the hard facts. Haller rightly observes:

"The years from the 1880s to about 1905 may, indeed, have been the period when activities that are often called 'organized crime' had their greatest impact upon American society. During this period gamblers, and vice entrepreneurs generally, exercised an influence on local politics and law enforcement that has seldom been equalled since that time. In many neighborhoods, it was not so much that gambling syndicates influenced local political organization; rather, gambling syndicates were the local political organizations, and had, in addition, a broad impact upon other aspects of urban life. In the cities of the East and Midwest, the Irish dominated gambling enterprises; they were also disproportionately involved in local politics and police. To some extent

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<sup>1</sup>This and the following paragraph are based on Commission on the Review of National Policy Toward Gambling, Gambling in America (Washington: Government Printing Office, 1976), pp. 169-170.

<sup>2</sup>Mark Haller, "The Changing Structure of American Gambling in the Twentieth Century," Journal of Social Issues, Vol. 35 (1979), p. 35.

then, politics and gambling were tied together by common ethnic bonds, as well as common organizational structures. Gambling entrepreneurs were crucial in the promotion and financing of the professional sports that arose during that period, including horse racing, boxing and baseball...there was, furthermore, a close interrelationship between the extensive and informally approved red-light districts and the commercial nightlife entertainment of the cities. Long before national prohibition and the development of bootlegging then, there had already been close ties among gambling syndicates, vice activities, politics, sports and entertainment."<sup>3</sup>

Nevertheless, Prohibition was a period of economic growth and diversification for organized crime, and it acted as a powerful catalyst for syndicated and streamlined gambling operations. The men who had cooperated with each other and amassed fortunes while the country was "dry" needed, after the Noble Experiment, a new field of enterprise. Those who ran gambling operations with considerable expertise took advantage of the capital and influence of ex-bootleggers.<sup>4</sup>

The rapid spread of the telephone in the 1920s permitted complex systems of betting and rebetting called the "lay off," which enabled a bookmaker to offset bets he accepted with those bet elsewhere and lessen his risks of too heavy a loss. Along with Western Union facilities, the telephone made possible the communication of up-to-the minute race information. The advent of the so-called race wire services, however, also made the local bookmaker dependent on a product that lent itself to control by organized crime, and the Capone organization in Chicago gained a dominant role in the industry.

Following World War II, revelations by the Kefauver committee investigation in 1950 and the McClellan committee investigations in 1963-64 brought about administrative and legal reforms that substantially curtailed various forms of illegal gambling throughout the United States.<sup>5</sup> A series of Federal laws, for example, proved effective in largely eliminating illegal slot machines and closing down the few open cities that had survived the state level reform that came on the heels of the Kefauver committee probe in 1950. Walk-in bookie joints, too, which had existed throughout the United States, disappeared. Accordingly, the principal forms of illegal gambling today are bookmaking (both off-track horse betting and sports wagering), numbers, and, to a lesser extent, lotteries, illegal casinos, and gambling machines.

#### SCOPE, ORGANIZED CRIME, CORRUPTION

It has been a common belief among law enforcement officials since the Kefauver committee investigation in 1950 that illicit gambling is the chief source of revenue for organized crime. However true that conclusion may have been in 1950--it appears it was--little evidence supports it today, for substantial changes have occurred in the gambling field in recent years as a result of law enforcement efforts and general social and political developments.

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<sup>3</sup>Ibid., p. 88.

<sup>4</sup>Ibid.

<sup>5</sup>Commission on the Review of National Policy, op. cit., p. 174.

Robert F. Kennedy, as Attorney General in 1963, testified that illegal gambling had an annual net volume of \$7 billion. Similarly, in 1967, the President's Crime Commission estimated the net of illicit gambling at \$6-\$7 billion annually on a gross of upward of \$20 billion.<sup>6</sup>

The Justice Department in 1974 told the National Gambling Commission that it estimated the gross volume at between \$29 and \$39 billion each year.<sup>7</sup> In 1976, the University of Michigan, however, performed a massive analytical study of gambling in the United States for the Commission, and it estimated Americans wagered \$5 billion dollars illegally each year and that illegal operators realized about \$1 billion as profit. Allowing for standard error, the researcher concluded that a gross volume greater than \$8 billion was unlikely and a gross greater than \$10 billion was statistically impossible.<sup>8</sup>

The popular myth of monopoly ownership of illegal gambling operations by Mafia-type organized crime figures is not supported by hard evidence. In fact, the extent of syndication of various forms of gambling varies dramatically from form to form and place to place.

As of 1974, the Justice Department estimated regional control gambling by La Cosa Nostra as follows: Far West, 29 percent; Midwest, 41.4 percent; Northeast, 53.2 percent; Southeast, 35.7 percent; and Southwest, 2 percent.<sup>9</sup> Since 1965, a number of groups, composed of blacks and Hispanics, have "wrested control...from the Mafia."<sup>10</sup>

On the other hand, it has never been necessary for organized crime to own the various gambling operations in order to take monopoly profits out of them. As long as monopoly control can be maintained over an essential service, that service can be the instrument through which organized crime extracts its monopoly share. Increasingly, it is being recognized that that service is loansharking. As the Pennsylvania Crime Commission observed in 1980, "Gamblers are an easy market for the illegal money lender."<sup>11</sup> In fact, it may well be that loansharking is the chief way in which organized crime is a partner in the profits, but not the losses, of many gambling operations.<sup>12</sup>

Unlawful gambling, cannot operate on a large scale in a community without the cooperation of some segment of the governmental structure. Senator Henry

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<sup>6</sup>President's Commission on Law Enforcement and Administration of Justice, Task Force Report: Organized Crime (Washington: Government Printing Office, 1967), p. 3.

<sup>7</sup>Commission on the Review of National Policy, op. cit., p. 63.

<sup>8</sup>Kallick and Kaufman, "Macro and Micro Dimensions of Gambling in the United States," Journal of Social Issues, Vol. 35 (1979), p. 19.

<sup>9</sup>Task Force on Legalized Gambling, Easy Money (Washington: Government Printing Office, 1974), p. 9.

<sup>10</sup>Tom Buckley, "About New York: Playing It by the Numbers," New York Times, June 2, 1975, p. 35.

<sup>11</sup>Pennsylvania Crime Commission, A Decade of Organized Crime (Conshohocken, Pennsylvania: 1980), p. 126.

<sup>12</sup>Peter Kinss, "Mob's Role Discounted in Gambling," New York Times, June 26, 1978, p. 1.

Jackson put it more dramatically: "You and I know what the problem is. They buy off the judge, they buy off the prosecutor, they buy off the sheriff, and they buy off the law enforcement officers...."<sup>13</sup>

The type of gambling determines the level of necessary corruption. Numbers operations, which are visible and involve many people, have a difficult time surviving in the face of determined police efforts. Accordingly, numbers account for a high level of local corruption. Other forms of gambling, which are less visible and have fewer players and employees, occasion less corruption.

#### TYPES OF GAMBLING

The five major types of illicit gambling in the United States are bookmaking, numbers games, lotteries, casino operations, and gambling machines.

##### Bookmaking

Bookmaking is by far the largest money maker of all forms of illegal gambling. Estimates by researchers working for the Gambling Commission suggest that the take exceeds \$3.7 billion per year.<sup>14</sup> More than \$2.3 billion is bet on sports events, while the rest is bet on horses.<sup>15</sup> The scale of such bookmaking ranges from individuals who take bets in poolrooms to huge organizations headquartered in elaborate offices. The more successful bookmakers use middlemen to gather and record client's bets and to funnel them to the bookmaker himself. The middlemen are paid on a percentage basis.

Because bookmakers cannot count on their middlemen to help balance the bets in their favor, they often resort to the process known as "laying off" bets on other bookmakers. Smaller bookmakers avoid the risk of having more "winners" than "losers" by transferring some bets to large bookmakers, who use the smaller bookmaker's bets as part of their own balancing process.<sup>16</sup>

In addition to soliciting, recording, and balancing bets, the bookmaker needs fast communications to operate his business. Many bets are placed by telephone. Bookmakers must have immediate access to changing odds and handicaps for sporting events and races. They must quickly learn the winners of those events, so that they can make fast collection and payoffs. Finally, bookmakers must find out the post time of races, so that they will not get "past posted"; that is, defrauded by clients who place bets after the winner of race is known.

##### Numbers

After bookmaking, the numbers game is the second largest money maker.

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<sup>13</sup>U.S. Congress, Senate, Hearings on Gambling and Organized Crime, Permanent Subcommittee on Investigations, Committee on Government Operations, 87th Cong., 1st Sess. (Washington: Government Printing Office, 1961), Part 1, p. 31.

<sup>14</sup>Commission on the Review of National Policy, op. cit., p. 64.

<sup>15</sup>Ibid.

<sup>16</sup>Task Force on Legalized Gambling, op. cit., pp. 4-42.

Numbers, run mainly in Eastern and Midwestern cities, is a form of lottery that, because of its annual billion-dollar take<sup>17</sup> and method of operation, merits special attention. Though variations of the game exist, the typical operation follows this scenario: First, the collector, who maintains close ties with the public, accepts a wager from the bettor. Unlike the normal lottery bettor, however, the numbers player chooses his own three-digit number between 000 and 999, writes it on a slip, and gives it to the collector. In large operations, a "pick-up man" takes the slips and money from the collector to an area "controller" responsible for several collectors. The controller may make preliminary tabulations before he forwards the day's receipts to the "bank," the central office of the numbers operation.

The winning number, drawn daily, may be based on a variety of occurrences, ranging from stock market sales to parimutuel totals. The odds against winning on a three-digit numbers game are 1,000 to 1. The average payoff, however, is only 55-1.<sup>18</sup> If there are excessive bets on certain numbers, banks, like bookmakers, will lay off bets on other gambling operators.

### Lotteries

Lottery schemes are similar to numbers operations but handle only about \$200 million a year and net \$50 million.<sup>19</sup> Most of the illegal wagers on lotteries are made on the Irish Sweepstakes and other foreign schemes.<sup>20</sup> In most lotteries, the operator or his agent sells the bettor a printed ticket, usually displaying a number, which entitles the bettor to win a prize if by chance the number is drawn.

Many variations on this theme also constitute a lottery, but three essential elements must be present: consideration, chance, and a prize. Bingo, for example, is a form of lottery. The player gives consideration for his card and wins by chance if the appropriate number or letter/number combination is drawn. The use of punchboards and punchcards also constitutes lottery schemes. The operator sells the bettor a chance to pick a hole in a board containing a slip of paper or to punch out a cardboard disc in a card. If the player is lucky enough to pick the correct hole or disc, he wins a prize.

### Casinos

Illegal casino operations handle about \$110 million annually.<sup>21</sup> Beyond estimates of the handle and take, little can be calculated about the extent of the illegal casino industry. Casinos range in size from dingy backrooms to plush clubs, although since the late 1950s the plush club has nearly vanished; they often operate in conjunction with food, liquor, and entertainment enterprises. Illegal casinos usually offer only floating crap and black-

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<sup>17</sup>Commission on the Review of National Policy, op. cit., p. 64.

<sup>18</sup>Marcum and Rowen, "How Many Games in Town? The Pros and Cons of Legalized Gambling," The Public Interest, 1974, p. 31.

<sup>19</sup>Ibid., p. 38.

<sup>20</sup>Ibid., p. 31.

<sup>21</sup>Commission on the Review of National Policy, op. cit., p. 64.

jack games.<sup>22</sup> Casinos frequently offer gambling devices (e.g., slot machines) as well.

### Gambling Machines

Gambling machines today come in a myriad of forms, but the classic ("one arm bandit") slot machine is still the mainstay of the business. Gambling machines, other than those used in casino operations, have been estimated to provide an illegal net profit of about \$70 million from a handle of about \$400 million per year.<sup>23</sup> Though such devices are illegal in most parts of the country, they apparently are tolerated in a few localities.

The traditional slot machine, paying off on a certain percentage of occasions, often retains as much as 50 percent of its handle. To evade the prohibitions of certain detailed laws, gamblers have developed many variations of the one-arm bandit. For example some machines have human operators whom the players pay to throw the switch; the machine itself does not operate by coin. Gamblers have also developed pinball machines with "free game" counters and reset buttons so that players can redeem free games for cash. In addition, to avoid prohibitions against operating mechanical devices, some gamblers have engineered electronic gambling devices with no moving parts.

### CASE STUDIES

Insight into gambling in the United States can be gathered from brief case studies of gambling in Michigan, Florida, and New Jersey.

#### Michigan

With large industrial cities like Detroit and Flint, Michigan evidences problems with numbers and policy games common to all states with its characteristics. In addition, racetracks have proven troublesome and riddled with hidden interests of organized crime figures. In 1973, Detroit's police commissioner identified the Hazel Park Racing Association as a classic example of Mafia infiltration of legitimate business. The state-licensed monopoly operation was making approximately \$1 billion a year, much of which was available to further Mafia power in the Detroit area, according to one account.<sup>24</sup>

In addition to profits directly accruing to organized crime, law enforcement officials voiced concern about the employment of persons of "...questionable character and reputation..." and contractors and subcontractors with "...highly questionable relationships and connections with syndicate operations."<sup>25</sup> As of the late 1960s, the Detroit syndicate was "...running the races at the Hazel Park at a profit, and...reaping the gains from illegal off-track betting."<sup>26</sup>

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<sup>22</sup>Task Force on Legalized Gambling, p. 36.

<sup>23</sup>Marcum and Rowen, op. cit., p. 38.

<sup>24</sup>U.S. Congress, House of Representatives, Organized Criminal Influence in Horseracing, Select Committee on Crime, 93rd Congress, 1st Sess. (Washington: Government Printing Office, 1973), p. 38.

<sup>25</sup>Ibid., p. 36.

<sup>26</sup>Ibid., p. 39.

## Florida

In 1974, a grand jury was empanelled in Florida to study gambling. Its final report noted the following:

"The jury finds that there is widespread illegal gambling of a multi-county nature in Florida which handles millions of dollars a year in wagers. Many of these illegal activities are run by or closely affiliated with known organized crime figures...from New York or New Jersey. The jury found gambling of an organized nature to be largely concentrated in Southern Florida; however, testimony in other parts of the state revealed ties between illegal activities in these areas and organized gambling figures in Southern Florida. Additionally, the jury found widespread illegal gambling of a local nature, some of which crossed county lines. The jury found localized gambling flourishes because of public apathy, low priority of law enforcement, and lifetime friendships between known gamblers and public officials."<sup>27</sup>

Legal racetracks in Florida are the site of extensive on-track bookmaking as well as legitimate operations. The on-track bookie operates beside track personnel but caters to the heavier bettor.<sup>28</sup> The on-track bookie enjoys a position superior to legitimate operators and off-track bookies. He affords his customers credit; he cannot be intercepted with wiretaps as he does not use the telephone; and he is immediately aware of changing odds and race results. Bets placed with him do not change track odds--an advantage for the heavy bettor, whose large wager might bring the odds down to even money at the window. In addition, the on-track bookie can use the legitimate betting window as a lay-off connection.

Law enforcement officials cannot, or do not, adequately investigate and police the tracks. In 1978, four men were assigned to police over 5,000 races per day throughout the state.<sup>29</sup> Laws used to convict bookies were weak; until recently, bookmaking was only a misdemeanor. Presently, bookmaking is a felony off the track but remains a misdemeanor on the track. Ineffectual laws and low fines present a morale problem for police, reflect the ambivalent public attitude, and hardly deter bookmakers.

The revenues from illegal on-track bookmaking in Florida probably exceed the handle of the track.<sup>30</sup> Bookies take bets on "each and every race...sporting events and anything else that is going on in the country that normal bookmakers handle...."<sup>31</sup> In short, on-track illegal betting in Florida is a "multi-million dollar operation."<sup>32</sup>

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<sup>27</sup>Public Report of the Second Statewide Grand Jury on Illegal Gambling, reprinted in U.S. Congress, Senate, Organized Criminal Activities in South Florida and U.S. Penitentiary, Atlanta, Ga., Permanent Subcommittee on Investigations, Committee on Governmental Operations, 95th Cong., 2nd Sess. (Washington: Government Printing Office, 1975), p. 810.

<sup>28</sup>Ibid., p. 809.

<sup>29</sup>Ibid., p. 755.

<sup>30</sup>Ibid., p. 809.

<sup>31</sup>Ibid., p. 743.

<sup>32</sup>Ibid.

Two significant problems accompany such on-track betting: loss of legitimate revenue and corruption. On-track bookies cater to heavy bettors, so both the state and the track lose considerable revenue. The state grand jury found a conspiracy that allowed the on-track bookmaker to flourish and observed that "many persons deny, overlook and/or ignore a pattern of illicit operations which is readily apparent to a knowledgeable observer."<sup>33</sup>

The character of the bookmaking rings, too, raised substantial suspicions of organized crime involvement. Officials indicated that bookmaking rings investigated over the last years have seemed very complex and well-organized with national connections. "This vast geographical diversity has served to insulate persons at the top of the organization."<sup>34</sup> Organized crime's apparent involvement touched other aspects of the track operations. On-track bookmakers appeared to be involved in fixing horse races, "which is prevalent at a number of Florida's tracks...."<sup>35</sup>

According to a police official, law enforcement personnel in Florida have misdirected their attention in the past, making numerous arrests for statistical purposes when responding to the gambling problem, thereby giving the impression of conscientious police efforts but avoiding more demanding investigation of organized crime and syndication.<sup>36</sup> Little has been done to get at the foundation of the organized crime hierarchy in the state.

Insufficient resources limit efforts to nail top organized crime figures; laws on gambling allow judges to impose only low sentences and penalties; and judges are not overeager to punish known gambling offenders. Dade County judges, for example, dismissed most of the 1,368 indictments made by the first statewide grand jury.<sup>37</sup> The attorney general approached the 3rd District Court requesting that the court overturn this "wholesale" dismissal; he was not successful.

#### New Jersey

In 1974, a referendum in New Jersey defeated, by a three to two margin, a proposal for statewide casino gambling. The major objection was mob control. Two years later, a proposal limited to Atlantic City was adopted. Governor Byrne observed on signing the statute that the experiment would be successful "if we can keep undesirable elements out of the city." "Organized crime," he said, "is not welcome in Atlantic City."

On January 30, 1978, the New York Times disclosed that "organized crime has been planning an Atlantic City takeover for at least the past seven years, was instrumental in pushing through the...legislation;...and already has a tight grip on both the casino front and gambling's more lucrative sidelines...."<sup>38</sup>

A casino control commission authorizes and inspects casinos in Atlantic

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<sup>33</sup>Ibid., p. 809.

<sup>34</sup>Ibid., p. 758.

<sup>35</sup>Ibid., p. 810.

<sup>36</sup>Ibid., p. 755.

<sup>37</sup>New York Times, November 4, 1976, p. 17.

<sup>38</sup>New York Times, January 30, 1978, p. 1.

City. New York Times articles suggest that the commission--and its membership --may have been, at least initially, inefficient, ineffectual and corrupted, instead of the watchdog the legislators had apparently hoped for. The commission's former chairman, Joseph Lordi, claimed, for example, that he was "unaware that his law firm, where he was a full partner, represented the Catena family, because most of the firm's work is done by his brother, James."<sup>39</sup> In fact, all commission members (excepting Mr. Lordi) subsequently lost their jobs following an FBI inquiry into political corruption.<sup>40</sup>

Individual casinos evidence affiliations with organized crime. Resorts International's management was charged with "associating with underworld figures, bribing politicians in the Bahamas, and committing other transgressions ...."<sup>41</sup> The casino was connected with Meyer Lansky, described as "the most dangerous underworld figure involved in organized gambling today."<sup>42</sup> In 1978, the president of Resorts admitted that two of Carlo Gambino's relatives were guests of the casino, had stayed free in the gambling hotel, enjoyed other gratuities, and lost "substantial" amounts of money.<sup>43</sup> Yet Resorts received its permanent license. Operators of other Atlantic City casinos have been similarly challenged.

#### LAW ENFORCEMENT RESPONSE

Apparently, the police and the public share an ambivalent attitude toward gambling. Police enforcement efforts tend to follow citizen complaints, and both citizens and police generally consider gambling a public nuisance, not necessarily a problem in itself.<sup>44</sup> If police concentrate on gambling at all, usually they focus on visible, social, street, and neighborhood games. Even if police arrest a substantial number of gamblers, the arrests seldom make more than good statistics, for too often police value quantity over quality.

The public also places low priority on illegal gambling, as compared to other more threatening crimes. Citizens want gambling operations that constitute a public nuisance to be eliminated and expect police to respond to complaints, but remain largely unconcerned about backstage involvement of organized crime. Often, they do not associate the neighborhood numbers dealer or a friendly bookie with organized crime at all. Media stories or a major raid may trigger public vigilance, but low-profit gambling operations generally remain "out-of-mind" as well as "out-of-sight."

Laws pertaining to gambling appear to be generally adequate. Failure to contain illegal gambling results from inadequate or misdirected enforcement and investigation efforts. Almost all state laws prohibit gambling in public, and the majority prohibit gambling in private, both commercial and social.

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<sup>39</sup>New York Times, October 17, 1980, p. 2.

<sup>40</sup>Ibid.

<sup>41</sup>New York Times, December 3, 1978, p. 22.

<sup>42</sup>New York Times, June 9, 1979, p. 28.

<sup>43</sup>New York Times, August 13, 1980, p. 1.

<sup>44</sup>National Institute of Law Enforcement and Criminal Justice, Gambling Law Enforcement in Major Cities (Washington: Government Printing Office, 1978), p. 21.

Federal laws, though well-drafted and technically adequate, have only a little deterrent value. Operators of illegal gambling, and those illicitly involved in the legal gambling industry, do not always take law enforcement seriously. Illegal operations are often ignored, and if a defendant is convicted on a gambling-related charge, he usually faces little threat of confinement and a relatively small fine.

Major efforts against gambling took place in the late 1960s; attention directed toward gambling offenses and offenders, however, declined steadily during the 1970s. The 1968 Omnibus and Crime Control act, for example, provided for the use of electronic surveillance by Federal investigative agencies--an invaluable tool in investigating gambling. Between 1969 and 1974, the Federal government installed 689 tapes in the gambling area out of total of 958 (71 percent).<sup>45</sup> Nevertheless, in 1981, only 9 tapes out of 106 were in the gambling area, marking the sixth consecutive year of decline.<sup>46</sup>

Federal, as opposed to state and local, efforts against organized crime are crucial. Most syndicates cannot be detected or fully prosecuted within the boundaries of a single state, or without extensive resources, specialization, and modern equipment.

Fruitful techniques in investigating gambling include physical surveillance, use of informants or undercover agents, conscientious response to and follow-up of complaints, use of electronic devices, and extension of immunity to low-level gambling operators willing to testify.

#### CONCLUSIONS AND FINDINGS

Estimates of the gross volume of illegal gambling vary widely--from between \$29 billion and \$39 billion, according to a 1974 Justice Department estimate, to \$5 billion (netting \$1 billion), according to a 1976 study for the National Gambling Commission. Whatever the gross (the lower estimate appears the more accurate), unlawful gambling cannot operate on a large scale in a community without cooperation from some segments of the government.

That Mafia-type organized crime figures exert monopoly control over illegal gambling operations is not supported by the facts. The extent of syndication of various forms of gambling varies dramatically from place to place and from one type of gambling to another.

In 1974, the Justice Department estimated regional control of gambling by LCN to be as follows: Far West, 29 percent; Midwest, 41.4 percent; Northeast, 53.2 percent; and Southwest, 2 percent.

Bookmaking, numbers game, gambling machines, lotteries, and casino operations are the major sources of illicit gambling in the U.S. By far the biggest money maker of all, bookmaking grosses an estimated \$3.7 billion per

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<sup>45</sup>National Wiretap Commission, Electronic Surveillance (Washington: Government Printing Office, 1976), p. 267.

<sup>46</sup>Administrative Office of the Courts, Interception of Wire and Oral Communications (Washington: Government Printing Office), pp. 2, 8.

year. In second place is the numbers game, grossing \$1 billion annually. Gambling machines gross about \$400 million yearly; lotteries, \$200 million; casinos, \$110 million.

## CHAPTER 6

### LOANSHARKING

Defined as the assessment of exorbitant interest rates in extending loans, and the use of threats and violence in their collection, loansharking was called by the President's Crime Commission in 1967 the fifth ranking crime in financial cost to society.<sup>1</sup> Through the use of terrifying threats and brutal force, loansharking contributes significantly to the atmosphere of terror maintained by organized crime. Loansharking has been and remains a principal form of organized crime in the United States.

#### LOANSHARKING--THE BACKGROUND

In the post-Civil War era, as industrialization, urbanization, and immigration grew, so did the demand for consumer credit; a kind of loansharking known as salary lending was one response to this new demand.<sup>2</sup>

Salary lending involved the granting of small loans to workers by quasi-legal lending companies in exchange for an interest in the worker's future salary. The usury laws in this period were ambiguous and penalties minimal, so a clever salary lender, by manipulating the law in his favor, could maintain a thriving business on the fringe of the law. Typically, usury was only a misdemeanor, if a crime at all. There were civil remedies such as forfeiture, but these were available only if the borrower filed suit.

Salary lenders used great care to give every advantage to themselves in the loan agreement. The interest rates were high, 5 percent to 20 percent per week, and the pay-back periods short, a few weeks or months. The smaller the amount loaned the higher the interest salary lenders charged.

At the beginning of the twentieth century, the salary lender form of loansharking came to the attention of reformers, as horror stories of exorbitant debt became common. Largely due to the work of the Russell Sage Foundation, which studied salary lending and drafted a model small-loan law, the reform movement took hold. Most importantly, small-loan acts--which raised the legal ceiling on small loans, required licensing of all lenders, and proscribed charges exceeding the legal rate--became popular. By 1933,

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<sup>1</sup>President's Commission on Law Enforcement and Administration of Justice, Task Force Report: Crime and Its Impact--An Assessment (Washington: Government Printing Office, 1967), p. 43.

<sup>2</sup>See generally Haller and Alvitti, "Loansharking in American Cities: Historical Analysis of a Marginal Enterprise," American Journal of Legal History, Vol. 21 (1977), pp. 125-141.

a majority of the states, including most of the industrial states, had adopted such laws.

The small-loan acts made it impossible for the salary lenders to carry on their business, which was now clearly illegal. Legal lending institutions, including credit unions created by corporations and labor unions, began to make small consumer loans. The legal small-loan business was short-lived however. As inflation grew in the 1920s, small loans became unprofitable even at the maximum legal rate, so loan companies raised the minimum size of loans. Once again there was a market for small consumer loans with no legal way to meet the demand. The stage was set for the entry of the racketeer loan shark.

The place of the salary lenders was taken by the racketeers, who, unable to use threats of legal action to collect, used the threat of violence. A few criminals made a handful of loans to overextended gamblers in the early 1920s, but it was not until 1930 that the racketeers began to enter the small consumer loan market that had previously been serviced by the salary lenders.<sup>3</sup>

While racketeer loansharking apparently did not exist outside New York until the 1950s, it flourished in New York in the 1930s, where the typical loan shark was a gangster type. There was also a strong connection between loansharking and other rackets, especially bootlegging. The repeal of Prohibition made loansharking an opportune field for investment for former bootleggers. The new loan sharks were largely of Italian or Jewish descent, and many had past histories of arrests.

The market in New York City was large, and the racketeers quickly began to develop it. One survey taken at that time estimated that 50,000 people borrowed from operations involving 2,000 loansharks and collectors. The market included blue collar workers; it also included two new groups: (1) small businessmen unable to secure loans from legitimate sources, and (2) overextended gamblers. Along with criminal borrowers, these three markets remain the principal areas of loansharking today.

Violence brought the new loansharking into the public eye, which prompted the first major investigation of racketeer loansharking in 1935 by Thomas E. Dewey. While the investigation eventually led to almost 100 arrests, loansharking was not significantly slowed.

From 1935 to date, the loansharking industry has greatly expanded. Mob bosses have increasingly coordinated loansharking by financing operations and allocating territory. In addition, significant loansharking has undergone a rapid growth in cities other than New York City, where it continues to thrive. Loansharks have developed high-risk loans into a profitable enterprise.

#### SCOPE AND IMPACT

The probable scope of organized loansharking is large. In the late 1960s and early 1970s, most experts agreed that annual profits from loansharking were in the multibillion dollar range, with some estimates going as high as

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<sup>3</sup>See generally ibid., pp. 141-156.

\$10 billion.<sup>4</sup> The Senate Permanent Subcommittee on Investigations has estimated that loan sharks loaned about \$6.5 billion annually.<sup>5</sup> Loansharking is generally considered one of organized crime's most profitable enterprises.

Several different types of borrowers exist, but they all have at least two things in common. First, they need money, usually urgently. Second, they cannot obtain a legitimate loan, either because they lack collateral or the purpose for which they desire the loan is inappropriate.

Customers of loan sharks usually belong to one of four broad classes of people. First, drug addicts and gamblers may be combined into one category, because both frequently need the loan shark's quick cash to pay for another activity that implicates organized crime. The second major group of borrowers are lower class urban workers. These are the people whom the salary lenders traditionally catered to, and the market is still there.

A third major group of borrowers is the small businessman. For small businesses unable to obtain legitimate credit, the loan shark is an eager associate. With small business loans, the loan shark obtains the sort of collateral that he does not receive with other loans. Here, the collateral is usually the business itself, or perhaps a concessions contract, or even placement of a gang member on the company payroll.<sup>6</sup>

Companies that use loan sharks frequently have wide fluctuations in income. Two industries with such fluctuations are the trucking and garment industries. With a little luck, a loan from a loan shark may be just enough to pull a company out of a seasonal slump or an off year, but it may result in the loan shark gaining a partnership status in the business if the debtor falls behind in his payments.

A fourth major group of borrowers consists of the loan shark's clients in the underworld. Underworld figures who require financing for an illicit or even licit business venture go to loan sharks, not legitimate banks. The bookmaker who sustains heavy losses may also seek financing from a loan shark.<sup>7</sup> The narcotics importer, too, may occasionally use a loan shark's capital to pay for an unexpectedly large shipment, although the money flowing in narcotics rings is usually sufficient to preclude the need for outside capital.<sup>8</sup>

When the borrower is unable to make payments as they become due, the loan shark may penalize the borrower with large increases in the interest rate, principal, or both each time the borrower is delinquent. To insure that the borrower faithfully makes all his payments, the loan shark may also use

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<sup>4</sup>U.S. Congress, House of Representatives, Organized Crime Control, Hearings before Subcommittee No. 5 of the Judiciary Committee, 91st Cong., 2nd Sess. (Washington: Government Printing Office, 1970), p. 153.

<sup>5</sup>New York Times, October 27, 1980, p. D-12.

<sup>6</sup>Pennsylvania Crime Commission, A Decade of Organized Crime (Conshohocken, Pennsylvania: 1980), p. 157.

<sup>7</sup>New York State Commission of Investigation, An Investigation of the Loan-sharking Racket (New York: 1965), pp. 71-78.

<sup>8</sup>Ibid.

terrifying threats or actual force. A common result is that the borrower falls deeply into debt and must struggle to make the payments with the knowledge that if he does not, he will be assessed another penalty and probably beaten.

Because collection of payments is insured by threats and violence, loan-sharking adds to the climate of terror maintained by organized crime. Loan-sharking worsens the pervasive feeling of helplessness among our urban poor because they can so easily fall into debt. Loansharking breeds other crimes both by inducing borrowers to commit illegal acts to meet the loanshark's demands and by financing other underworld rackets. Finally, loansharking often leads to public corruption. For example, a loan shark may extend credit with attractive terms to a public official and when the official falls behind in payments force him into some kind of misconduct.<sup>9</sup>

#### ROLE OF LA COSA NOSTRA

La Cosa Nostra controls a substantial portion of organized loansharking. The mob likes loansharking for several reasons. First, loansharking is incredibly profitable. One loanshark increased his net worth from \$500,000 to \$7.5 million in four years. A family boss can earn \$520,000 a year on a \$1 million investment.<sup>10</sup> Second, comparatively little manpower is necessary to operate a loansharking racket. Third, loansharking is primarily active in providing financing for other rackets, a particularly safe investment. Fourth, racketeers need investment outlets for funds earned through other syndicate operations. Fifth, loansharking is an effective springboard into legitimate business. Finally, and perhaps most importantly, loansharking is, overall, a relatively secure racket. Loansharking offenses are difficult to detect; witnesses are hard to come by; and borrowers are afraid to notify the police or to testify. Many borrowers, too, have no reason to report the crime because the transaction has gone smoothly.

La Cosa Nostra is able to play a major role in organized loansharking for several reasons.<sup>11</sup> The syndicate has the large amount of capital necessary to operate a large scale operation, and its strength and reputation contribute significantly to the requisite fear instilled in borrowers. Also, La Cosa Nostra's strict assignment of territories makes independent operation difficult. Finally, one of the largest markets for loan-shark funds is La Cosa Nostra membership itself. The end result is that wherever the syndicate operates, it is likely to absorb independent operators by offering them financing or by threatening them.

Nevertheless, the evidence does not establish that all loan sharks, or even most, are members of the mob. Many high-level loan sharks and street-workers are nonmember associates of La Cosa Nostra, who work hand in hand with the mob.<sup>12</sup> To date, there is little evidence indicating that other

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<sup>9</sup>This paragraph relies heavily on Goldstock and Coenen, "Controlling the Contemporary Loanshark: The Law of Illicit Lending and the Problem of Witness Fear," Cornell Law Review, Vol. 65 (1980), p. 132.

<sup>10</sup>D. Cressey, Theft of a Nation (New York: Harper & Row, 1969), p. 77.

<sup>11</sup>See generally Haller and Alvitti, op. cit., pp. 141-156; and Goldstock, op. cit., pp. 134-35.

<sup>12</sup>New York State Commission of Investigation, op. cit., p. 18.

organized crime groups are extensively involved in loansharking.

Loansharking operations in New York City, Chicago, and Philadelphia are extensive and well-documented.<sup>13</sup> Loansharking also thrives in many other areas. Operations have been reported in such diverse places as Macon, Georgia, Las Vegas, Nevada, Tidewater, Virginia, and Kansas City, Missouri. Indeed, there is no reason to believe that sizable operations do not exist in other densely populated areas. The only demographic requirement for a successful large-scale loansharking operation seems to be a relatively dense population from which to draw a clientele.

#### CAPITAL, COLLATERAL, INTEREST, COLLECTION

The loan shark obtains his financing from three principal sources: another loan shark, someone higher up in the hierarchy, his own capital (usually generated by either loansharking or another illicit venture), and a bank.

The major source of capital for loan sharks is, of course, their own criminal organization. This is true partly because the loan shark's job is to invest the organization's money.<sup>14</sup> Organizations are willing to entrust tremendous amounts of money to their loan sharks because of the ease with which they can generate fantastic profits, gain control of legitimate businesses, and finance other rackets.<sup>15</sup>

Loan sharks can, of course, loan their own money, but if they do, they still are expected to share the profits with their bosses. In addition to being financially advantageous, lending organization capital also benefits loan sharks by placing the organization's authority and influence firmly behind each transaction. If a borrower defaults or a dispute arises between loan sharks, the full support of the organization can be very helpful.

Ironically, loan sharks have in fact discovered several ingenious methods for using banks to finance their operations, usually with the help of corrupt bank officials.

Generally, if the borrower owns a business, the loan shark may consider it collateral for the loan.<sup>16</sup> If the businessman cannot repay the loan, the loan shark may become a partner or owner of the business. When the businessman obtains the loan, he may be unaware that his business is in fact his collateral. Like other borrowers, he may think he is receiving a collateral-free loan.

In nonbusiness loans, the only collateral is the borrower's body. The borrower who does not pay may be threatened, beaten, and finally killed.

Loan sharks sometimes require the person who referred the customer to the loanshark to act as a kind of cosigner for the loan. This usually is required only for new customers with whom the loan shark is not acquainted. If there is a cosigner, he is liable if the borrower defaults.

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<sup>13</sup>Ibid., p. 19.

<sup>14</sup>Ibid.

<sup>15</sup>Ibid., p. 13.

<sup>16</sup>Haller and Alvitti, op. cit., p. 146.

Interest, called "juice" or "vigorish" on the street, can vary from 1 percent to 150 percent per week and 52 percent to 1,000 percent per year.<sup>17</sup> The most common type of loan is a "vigorish loan," in which interest is paid weekly with the principal paid in total at a fixed future date. The classic "6-for-5" loan, 6 dollars repaid for every 5 dollars borrowed, or 20 percent per week, is a type of vigorish loan, and it is probably the most typical type of small loans.<sup>18</sup> The vigorish loan is popular with loan sharks because normally the borrower is unable to reduce the principal for a substantial period of time, and the loan shark's goal of perpetuating interest payments is met.

The second major type of loan is the "knockdown," which is a form of installment loan. The borrower must make weekly interest and principal payments until the principal is eliminated.<sup>19</sup>

Usually payments are prompt, and collection is not a problem, principally because the loan shark's reputation has preceded him and the borrower does not wish to test its truth. As a result, many loan-shark transactions are conducted in a businesslike manner without any difficulty. But there are frequent instances where the borrower is unable to make payments as they fall due. To insure that all payments will eventually be made, and to discourage future delay, the loan shark uses penalties, threats, and violence.

Many times loan sharks require that payments be made at a specific time on a certain day. If payment is late or not made at all, the loan shark may immediately penalize the borrower. The penalty may be an increase in the interest rate, principal, or both.<sup>20</sup> Such penalties are extremely effective in putting pressure on those who might default and assuring repayment of loans.

Another way loan sharks penalize borrowers is to force them to take out another loan to pay off earlier debts. A Bronx businessman, for example, borrowed \$50,000 at a comparatively reasonable 2 percent per week. But, he fell behind in his payments and borrowed repeatedly from the loan sharks until he owed \$312,000 principal and \$5,500 weekly interest payments.<sup>21</sup>

In addition to the assessed penalties, each time the borrower misses a payment the amount missed is automatically added to the principal, thus increasing the borrower's indebtedness.<sup>22</sup>

Occasionally, when a borrower sinks so deeply into debt that he simply cannot make payments, loan sharks might agree to a compromise. The compromise is often arranged at an underworld meeting presided over by one of the bosses. At these meetings, called sitdowns, the syndicate arbitrator establishes a

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<sup>17</sup>President's Commission on Law Enforcement and Administration of Justice, op. cit., p. 3.

<sup>18</sup>Goldstock, op. cit., p. 147.

<sup>19</sup>New York State Commission of Investigation, op. cit., p. 27.

<sup>20</sup>Goldstock, op. cit., p. 148.

<sup>21</sup>Cook, "'Just Call the Doctor' for a Loan," New York Times Magazine, January 28, 1968, p. 66.

<sup>22</sup>Forbes, November 24, 1980, p. 147.

settlement figure and a plan for total repayment. The new figure is never less than the original amount plus interest, and frequently it is three or four times that amount.<sup>23</sup> As an alternative to a sitdown, loan sharks sometimes "stop the clock" or suspend payments, until the borrower regains financial stability.<sup>24</sup>

#### LAW ENFORCEMENT RESPONSE

In the mid-1960s, it was generally thought that the laws governing loan-sharking were inadequate, but that conclusion no longer seems valid. There are today a number of different kinds of laws that can be used in prosecuting loan-sharks.<sup>25</sup>

There are several significant practical problems in enforcing loansharking laws, however. First, the victim of the crime, the borrower, rarely reports the crime to law enforcement agencies. The reasons for not reporting the crime are varied. If the borrower successfully makes all of his payments on time, he has little reason to complain, for the loanshark has helped him out of a financial crisis. If the victim does not successfully make his payments, he may be forced into some criminal activity of his own and cannot file a complaint for fear of implicating himself. The borrower himself may be an organized crime figure. As such, he will be an unlikely informant. Fear of the loan shark may be the biggest reason why victims do not report crimes.

Another problem in the battle against loansharking is official corruption. Loansharking probably could not exist on the scale that it does without some corruption. Certainly, indifference to loansharking helps it to flourish.

The simplicity of running loansharking operations and the seemingly endless supply of capital create other problems for law enforcement. When a loan shark is caught, his associates can collect his loans for him, or the bosses will allocate the territory to a new loan shark. Even if a loansharking ring were broken up, and the financiers themselves put out of operation, there are other financiers to invest capital. During the 1965-1980 period, officials have prosecuted countless loan sharks, yet the amount of loansharking on the street has never been higher.

A decrease in loansharking would probably have an adverse effect on all organized crime, since loansharking finances other activities. In addition, increased investigation of loan sharks might provide leads and evidence for prosecutions of other criminals. In one case, records confiscated from a Chicago loan shark listed <sup>25</sup> previously unknown criminals among customers with outstanding obligations.<sup>26</sup>

#### CONCLUSIONS AND FINDINGS

Loansharking has been and remains a principal form of organized crime in

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<sup>23</sup>Goldstock, op. cit., p. 150.

<sup>24</sup>New York State Commission of Investigation, op. cit., p. 13.

<sup>25</sup>Goldstock, op. cit., pp. 167-194.

<sup>26</sup>Ibid., p. 156.

the U.S. Considered one of organized crime's most profitable enterprises, loansharking generates loans estimated at \$6.5 billion annually.

Since 1935, the loansharking activities have expanded substantially. They thrive in New York City and have undergone rapid growth elsewhere.

LCN controls a substantial portion of organized loansharking, which is incredibly profitable, requires comparatively little manpower, and generates enough money to invest in other rackets (as well as being a profitable outlet for money obtained in other ways), is a springboard into legitimate business, and is a relatively secure racket.

Principal borrowers from loan sharks are drug addicts, gamblers, lower class urban workers, small businessmen, and underworld clients--all of whom often have an urgent need for funds and frequently cannot obtain legitimate loans. Failure to make scheduled payments to loan sharks in a timely manner results in the imposition of extreme financial penalties and almost always elicits violence or threats thereof.

If a businessman is unable to repay a loan shark, the latter often takes over the borrower's company. Similarly, politicians who default may be forced to engage in corrupt activities by loan sharks.

A loan shark obtains financing from other loan sharks (further up the organizational ladder), his own profits (from loansharking or other activities), or a bank. Interest rates, or vigorish, charged by loan sharks may vary from 1 percent to 150 percent per week, which generally means that borrowers are unable to reduce the principal significantly for a substantial period.

Though many laws may be invoked in order to prosecute loan sharks, victims rarely report the crime. In addition, corruption is used to protect loansharking activity. Finally, the simplicity of running loansharking operations and the seemingly endless supply of capital assure that both the manpower and funds are available to replace loan sharks who are successfully prosecuted.

## CHAPTER 7

### ORGANIZED CRIME AND THEFT AND FENCING

Property crime permeates society. Any product that is marketable is a likely target of theft. Organized crime and professional thieves are continually expanding into new areas, such as theft of automotive parts, electronic circuitry, gasoline trucks, oil drilling equipment, and heavy equipment (such as bulldozers and farming machinery). Theft may occur anywhere from the time of manufacture to the time of possession by the consumer.

Thieves come from every social, cultural, and economic class. They may be an inexperienced teenage shoplifter or a professional. Fences, however, fall into certain stereotypical categories, based on such factors as operating area, type of services rendered to the thief, and the size of the transfer. Legitimate businesses, too, are becoming increasingly active in the fencing area. Indeed, increased sophistication in fencing has most likely been a cause of the enormous boom in theft and the corresponding drop in recovery rates.

#### OVERVIEW OF FENCING

While no one keeps records on fencing, several studies indicate that most stolen goods are in fact redistributed through fencing operations.<sup>1</sup> Fencing in its most basic form is the sale and distribution of stolen property. Modern fencing systems use the same marketing concepts and techniques as legitimate business. Fences must locate supplies of stolen goods, contact purchasers, provide transportation and storage facilities, and finance the entire process.

Although virtually any item can be fenced, many fences prefer high-value, low-volume goods that produce handsome profits and can easily be hidden and transported. Most fences, however, deal in high-volume goods of lower value that are not easily identified by police because of the large quantities of physically indistinguishable products manufactured today. Thus, the list of commonly fenced "safer" goods includes clothing, stereos, radios, home appliances, cigarettes, liquor, pharmaceutical drugs, building supplies, office equipment, and securities. Shoplifters, employees, and burglars, who together account for most commercial theft, often steal these high-demand products and sell them to fences for redistribution.

One approach taken by certain cost-conscious fences is to trade only in

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<sup>1</sup>This section of the chapter is based on Blakey and Goldsmith, "Criminal Redistribution of Stolen Property: The Need for Law Reform," Michigan Law Review, Vol. 8, p. 74.

particular goods. By specializing in art, jewelry, or automobiles, for example, a fence can eliminate many costly and risky transactions. Specialization, however, does not guarantee success, and the extent to which a fence can successfully specialize and reduce his risks depends on the sophistication of his operation.

The "neighborhood fence" is usually a small-time operator. On occasion, he may actually steal merchandise for resale but, more often, he is supplied by local thieves. Although neighborhood fences tend to specialize, they often buy whatever stolen property is available if the price is reasonable and the item is in demand. Upon developing a regular clientele of thieves, a neighborhood fence may occasionally expand his operation by organizing thefts for customers, by working closely with other fences, and by serving as one of many distributors for property stolen by organized crime syndicates.

Many businesses that primarily market legitimate merchandise also serve, knowingly or unknowingly, as convenient outlets for large quantities of low-cost stolen goods and gain obvious competitive advantages from such marketing. These so-called "outlet fences," especially the large, prestigious establishments, usually do not deal directly with thieves. Instead, transfers of illicit merchandise to these merchants are engineered by so-called "professional" or "master" fences, whose functions are similar to those of legitimate wholesalers. Before delivery to outlet fences, these wholesalers of stolen goods repackage the merchandise and remove all identifying features. The stolen merchandise then not only is ready for its re-entry into traditional streams of commerce but also is difficult for police and honest businessmen to identify.

So-called "professional" fences frequently front as legitimate retail businesses; they may be either specialist or generalist fences, depending, in large part, on the nature of their retail establishments. Unlike outlet fences, who may only occasionally handle stolen property, professional fences are primarily criminal distributors specializing in stolen merchandise, though they may also do a substantial amount of legitimate business.

In many cases, the merchandise will be resold within hours of its delivery. On the other hand, a professional fence will often make his illegitimate conduct indistinguishable from his legitimate activities. Thus, identifying characteristics will be removed to the fullest extent possible by disposing of incriminating cartons, removing labels, and altering or destroying serial numbers. Further, many brand name products frequently can be successfully commingled with the fence's legitimate stock without any alteration. In any case, false sales receipts are drafted and the fence's personal check for the purchase price is cashed so that he has a receipt and canceled check, thereby making his conviction extremely difficult even if the goods are identified.

As the operation of the professional fence grows in sophistication, he may also begin to supply vital information to thieves planning a theft or may himself organize thefts for customers. Arranging successful thefts requires a pool of potential thieves and an extensive system of informants, who provide inside information detailing the location of particular property and security measures taken to protect it. A professional fence frequently may satisfy both needs by using the shoplifters, dishonest employees, and burglars with whom he regularly deals. Alternatively, the professional fence

may satisfy his customer's needs by contacting a so-called master fence who wholesales stolen goods.

The master fence directs a big-time operation and either organizes large-scale thefts or serves as a middleman for other organizers. While other fences may perform similar services, the master fence is distinguished by his ability to insulate himself from the actual theft and subsequent redistribution process. The master fence operates as a broker, buying and selling stolen goods valued in the hundreds of thousand of dollars that are always the product of large-scale theft; yet he rarely, if ever, sees the merchandise.

To be successful, a master fence must have an extensive system of contacts, including both informants and potential large-scale purchasers. For example, as an organizer of thefts, a master fence relies upon his paid connection, such as a dock employee of a manufacturing company or a dispatcher of a trucking outfit, to provide detailed information on shipments of valuable merchandise. Once the master fence has a firm agreement for resale, he plans in great detail the theft itself and arrangements for storing, legitimizing, and delivering the stolen goods.

Usually, successful master fences require access to the extensive capital resources, personnel, and connections of organized crime syndicates. The degree of assistance a master fence receives, of course, depends on the nature of his relationship with the syndicate. While some master fences may actually be syndicate members, and consequently may receive considerable additional assistance in the form of information, personnel, equipment, and storage space, most are content to function outside the syndicate and simply to participate in the redistribution process, reaping a share of the profits.

#### THE INVOLVEMENT OF ORGANIZED CRIME

In recent years, organized crime's efforts in the theft and fencing area have expanded in order to exploit the demands of consumers and business for stolen goods. The bulk of organized crime involvement apparently remains in cargo theft.<sup>2</sup> Two studies found that as much as 75 percent of all truck hijackings are engineered by syndicate members in areas of heavy organized crime activity.<sup>3</sup> Among these areas of heavy concentration are New Jersey, New York, Massachusetts, Indiana, Pennsylvania, Ohio, Tennessee, and California. The studies also concluded that the bulk, quantity, specialized nature, or other characteristics of much stolen cargo presents incontrovertible evidence of fencing facilities, contacts, and know-how in a coordinated underworld.<sup>4</sup>

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<sup>2</sup>Temporary Commission of Investigation, Annual Report of the Temporary Commission of Investigation of the State of New York to the Governor of New York (New York: 1979), p. 22.

<sup>3</sup>U.S. Department of Justice and Department of Transportation, Cargo Theft and Organized Crime: A Deskbook for Management and Law Enforcement (Washington: Government Printing Office, 1972), p. 26; and U.S. Congress, Senate, Criminal Redistribution (Fencing) Systems, Hearings before the Committee on Small Business, 93rd Cong., 1st Sess. (Washington: Government Printing Office, 1973), p. 19].

<sup>4</sup>U.S. Department of Justice and Department of Transportation, op. cit., p. 27.

Similar study has also focused on auto theft. The Senate Committee on Governmental Affairs, after an extensive investigation into chop shops, concluded that in both New York and Chicago organized crime had taken a tremendous interest in chopping operations.<sup>5</sup>

The key to organized crime's success is its ability to get key personnel to cooperate either voluntarily or involuntarily.<sup>6</sup> The thieves cooperate by stealing and delivering, the businesses by accepting goods they know or believe are stolen, the police by ignoring violations, and the public officials by stifling attempts at control, and all conspirators by remaining silent (sometimes even under threat of imprisonment). They usually elicit cooperation by using two powerful tools--extortion and bribery.

Organized crime appears to be involved in many differing degrees in specific fencing operations. In cargo theft, organized crime will often be heavily involved.<sup>7</sup> On the other hand, in some chopping operations, organized crime may only ask for a percentage of the profit in return for permission to operate in their "territory."<sup>8</sup>

Organized crime usually uses legitimate business as an outlet in its large-scale fencing operations. Their cooperation may be voluntary because they are seeking a bargain, or involuntary as a result of blackmail or foreclosure of gambling debts.<sup>9</sup> In any event, the relationship is developed and both profit at the expense of the victim.

Professional theft rings may work with organized crime on a particular project. For example, a professional ring may steal a large shipment of goods, then later receive organized crime's assistance in contacting a professional, outlet, or master fence. Professional thefts are generally well-organized and planned. Theft rings will often work in groups of four or five men, fly into a town, take what they want, and fly out the next day.<sup>10</sup> Professional theft rings are becoming increasingly active. During 1979, the FBI had 632 professional car theft rings under surveillance.<sup>11</sup> The agency also monitored hundreds of cargo, jewelry, and truck hijacking rings.

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<sup>5</sup>U.S. Congress, Senate, Professional Motor Vehicle Theft and Chop Shops, Hearings before the Permanent Subcommittee on Investigation, Committee on Governmental Affairs, 96th Cong., 1st Sess. (Washington: Government Printing Office, 1979), pp. 238, 239, 290.

<sup>6</sup>See generally, President's Commission on Organized Crime, Task Force Report: Crime and Its Impact--An Assessment (Washington: Government Printing Office, 1967).

<sup>7</sup>U.S. Congress, Senate, Criminal Redistribution (Fencing) Systems, op. cit., pp. 136-137, 151-154.

<sup>8</sup>U.S. Congress, Senate, Professional Motor Vehicle Theft and Chop Shops, op. cit., p. 170.

<sup>9</sup>U.S. Congress, Senate, Criminal Redistribution (Fencing) Systems, op. cit., p. 1541.

<sup>10</sup>Pennsylvania Crime Commission, A Decade of Organized Crime (Conshohocken, Pennsylvania: 1980), p. 166.

<sup>11</sup>U.S. Congress, Senate, Professional Motor Vehicle Theft and Chop Shops, op. cit., p. 293.

Regarding auto theft, as parts became more profitable toward the end of the 1960s, organized crime's interest grew.<sup>12</sup> In addition, auto theft was no longer limited to big cities. In fact, auto theft is now the fastest growing crime in rural America.<sup>13</sup> The number and percentage of juveniles involved has also dropped. Professional car thieves have apparently taken over the business of auto theft.

The most profitable operation with the least amount of risk is referred to as "chopping." Stolen cars are quickly dismantled by using blow torches. Once dismantled, all identification features are removed and the part is shipped to a salvage yard or a body repair shop.<sup>14</sup>

Organized crime is deeply involved in chop shops, especially in Chicago and New York.<sup>15</sup> Chicago's crime syndicate is thought to make about \$120,000 a day from chop shops; New York groups are likely to make even more.<sup>16</sup> The intensity of organized crime involvement is indicated by the chop-shop wars in both of these cities.<sup>17</sup> Organized crime is so involved in some areas that legitimate salvage yards have been either forced out of business or forced to cooperate and participate.

Philadelphia's theft and fencing activities are divided among three main groups: Black Mafia, bike gangs, and La Cosa Nostra.<sup>18</sup> The Black Mafia, which mainly operates in Philadelphia and the surrounding suburbs, engages in many of the same activities as La Cosa Nostra.

Other recent entrants into theft and fencing are the motorcycle gangs--the Warlocks and the Pagans. One high ranking member of the Pagans, Anthony LaRocca, Jr., is a nephew of Pittsburgh boss John LaRocca. These gangs are well known by law enforcement agencies as being exceptionally vicious and dangerous. The Mafia has also recently begun to use members of these gangs as enforcers.

La Cosa Nostra is the most established group in Philadelphia involved in theft and fencing. Philadelphia is considered to be part of the late Mafia boss Angelo Bruno's territory, which encompasses the southeastern part of Pennsylvania and western New Jersey. Bruno was murdered in 1980.

The Kensington and Allegheny Avenues of Philadelphia have given rise to what law enforcement officials call the K&A Gang. This gang is composed of nearly all the major burglars in southwestern Pennsylvania. The most successful member of the group is John C. Berkery, whose career began in the 1950s. Dealing almost exclusively in theft and fencing, Berkery has invested

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<sup>12</sup>Ibid., p. 169.

<sup>13</sup>Ibid., p. 6.

<sup>14</sup>U.S. Congress, Senate, Professional Motor Vehicle Theft and Chop Shops, op. cit., p. 113.

<sup>15</sup>Ibid., pp. 2-3.

<sup>16</sup>Ibid.

<sup>17</sup>Ibid., p. 240.

<sup>18</sup>Pennsylvania Crime Commission, op. cit., pp. 18, 24, 38, 65, 169. The balance of this section relies heavily on this source.

much of his fortune in legitimate firms with the help of organized crime. Berkery has dealt with Philip Testa (successor to Bruno), Frank Sindone (the Bruno family loan shark), and Frank Narducci (the Bruno family drug dealer and head of gambling).

Frank Sindone was a major outlet for stolen securities. Edward Wuensche, a major securities fence, recounted in the testimony before a congressional subcommittee that he had dealt numerous times with Frank Sindone and even with Angelo Bruno. Wuensche's testimony resulted in the conviction of Harry "Hunchback Harry" Riccobene, a long-time member of the Bruno family. Riccobene was sentenced to more than seven years for transporting stolen securities. According to Wuensche, Bruno acted as an advisor in the securities transactions in matters such as setting the price and deciding who was to pay off. Wuensche implicated Louis Mayo, Jr., who admitted to fencing millions of dollars worth of securities for Bruno.

The Pittsburgh family boss is presently John Sebastian La Rocca. La Rocca has been head of the Pittsburgh family since 1956. Two major theft rings in the Pittsburgh area are directly related to the La Rocca family.

The first, labeled the Youngstown Gang, operates out of Youngstown, Ohio, the traditional capital of organized crime in the Ohio Valley. This gang was extremely successful because of aid from the local police and the La Rocca family. The police provided information on who had enough money and valuables worth stealing, who was most vulnerable, and the best technique to use in a given theft. The La Rocca family provided the tipsters and helped in contacting fences.

Regarding the second ring directly related to the La Rocca family, in 1978 police arrested two members of the ring--Delores Snyder and her husband, Jeffery Snyder. Sussman, a partner of the Snyders, dealt at least on one occasion with Michael Genovese, the La Rocca underboss. The dealings with Genovese never involved actual transfer of stolen goods. There was also evidence that the New Kensington police were cooperating with Leo Sussman and the Snyders.

The Magaddino family of Buffalo, New York, is another Mafia group that has played a leading role in Pennsylvania theft and fencing. This family normally operates in Buffalo, but it has recently expanded to Erie, Pennsylvania. Stefano Magaddino had control until his death in 1974. Since then, his lieutenants have tended to stay in their own preestablished territories. One lieutenant Anthony Ciotti, has been active in securities theft and fencing of stolen goods. In 1970, he was sentenced to three years for forging and stealing securities. In 1978, he was convicted and fined \$500 for receiving stolen property.

The Bufalino family, headed by Russell Bufalino, is considered the most powerful in Pennsylvania. William Meringola, a lieutenant, is responsible for organizing truck hijackings in Pennsylvania and New Jersey.

In New York City, one of the chief crime families is that of the late Carlo Gambino. It has had an increasing interest in truck hijacking in New York and Pennsylvania. This family has tended to steal only high-priced low-volume goods, such as furs, expensive Scotch, and cameras. There have been no

arrests of upper echelon members for fencing crimes.

#### LAW ENFORCEMENT RESPONSE

In theft and fencing, nearly every stage of the law enforcement system is plagued with problems. Beginning with detection and continuing through sentencing. These problems have resulted in little meaningful control of theft and fencing, and made possible the opening of new profitable fields for organized crime.

A major problem is that most crimes are never reported. Often, there is an intentional delay in reporting, as in the case of truck hijackings called "give-ups," and in auto theft, where persons pay to have an old gas guzzler stolen and then collect on the insurance policy. Just as the failure to report hinders detection, delayed reporting allows evidence to be destroyed and witnesses to leave the area.

Even if the crime is reported, actual fencing of the goods may take place so quickly (as in truck hijacking) that any chance of catching the fence or the thief with the stolen goods is in fact slim.<sup>19</sup> In addition, fencing presents its own unique problem, as sophisticated fences seldom see the stolen goods, the thief, or the ultimate consumer.<sup>20</sup>

Once the crime is reported, if the goods have crossed state or natural borders, a new problem is created: lack of cooperation between law enforcement agencies in different jurisdictions. In auto theft, organized crime has capitalized on this particular problem by transporting cars to Canada and Mexico.<sup>21</sup>

Even if the goods are seized and the thief is apprehended, a conviction is often difficult because of identification problems.<sup>22</sup> Many theft-prone items, such as oil drilling equipment and construction equipment, have no serial numbers at all. Other items have identification tags that are all too easily altered or removed.

Sentencing, too, has been a problem. Because society still views the thief as more culpable than the fence, the fence will often serve little or no jail time and a short probation.<sup>23</sup> In fact, many short-sighted prosecutors will give fences immunity for testifying against thieves.

Finally, though property crimes constitute nearly 91 percent of all crimes, they have not received top priority in local, state, or Federal agencies.

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<sup>19</sup>U.S. Congress, Senate, Criminal Redistribution (Fencing) Systems, op. cit., p. 1515.

<sup>20</sup>Ibid., p. 44.

<sup>21</sup>U.S. Congress, Senate, Professional Motor Vehicle Theft and Chop Shops, op. cit., p. 216.

<sup>22</sup>Ibid., p. 1514.

<sup>23</sup>Ibid.

Law enforcement in the past was principally aimed at the thief. Most fences were neighborhood operations, which could have been detected by traditional enforcement techniques but were viewed as inappropriate targets.<sup>24</sup> As fencing became more sophisticated and operated on a large scale, law enforcement agencies were slow to change this view.<sup>25</sup>

#### CONCLUSIONS AND FINDINGS

Most stolen goods are redistributed through fencing operations. Organized crime involvement in theft and fencing has expanded in order to supply the demand by consumers and businesses for stolen goods.

The key to organized crime's success in this area is its ability--often through extortion and bribery--to get key personnel to cooperate. Thieves cooperate by stealing and delivering, businesses by accepting goods known to be stolen, the police by ignoring violations, and public officials by stifling attempts at control, and all conspirators by remaining silent.

LCN families in such cities as Chicago, Philadelphia, Pittsburg, Buffalo, and New York are involved in theft and fencing operations. Black groups and motorcycle gangs, such as the Warlocks and Pagans, are active in theft and fencing also.

The bulk of LCN involvement is in the area of cargo theft. Two Government studies found that as much as 75 percent of all truck hijackings are engineered by syndicate members in areas of heavy organized crime activity. The studies concluded that the bulk, quantity, specialized nature, or other characteristics of the stolen goods represent solid evidence pointing toward fencing facilities, contacts, and know-how in a coordinated underworld.

Similar studies have focused on auto theft and have linked LCN to chop shops and associated fencing in both New York City and Chicago.

A number of different types of fences exist, ranging from the neighborhood fence (who is supplied by local thieves) to the outlet fence (a business primarily marketing legitimate goods but also, knowingly or unknowingly, serving as an outlet for stolen merchandise) to the master fence (who operates as a broker and rarely, if ever, sees or touches the merchandise, which can amount to hundreds of thousands of dollars per deal).

Despite the use of a variety of investigative methods, law enforcement has exerted little meaningful control over theft and fencing. This is due to numerous problems, including nonreporting or delayed reporting of thefts, difficulties in identifying stolen goods, and light sentences given to those who are convicted.

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<sup>24</sup>U.S. Congress, Senate, Criminal Redistribution (Fencing) Systems, op. cit., p. 1517.

<sup>25</sup>Ibid., p. 1522.

## CHAPTER 8

### ORGANIZED CRIME AND THE LEGITIMATE ECONOMY

For a variety of reasons organized crime figures have become involved in the legitimate economy, including the business world and unions.

#### ORGANIZED CRIME AND THE BUSINESS WORLD

In 1951, the Kefauver committee first drew the nation's attention to the problem of organized crime's infiltration into legitimate business, observing that "one of the most perplexing problems in the field of organized crime is presented by...criminals and racketeers...using the profits of organized crime to buy up and operate legitimate business."<sup>1</sup> The list of industries noted included advertising, amusement, appliances, automobiles, ballrooms, bowling alleys, banking, basketball, boxing, cigarette distribution, coal, communication, construction, drug stores, electrical equipment, florists, food, football, garment, gas, hotel, import-export, insurance, juke box, laundry, liquor, loans, news services, newspapers, oil, paper products, radio, real estate, restaurants, scrap shipping, steel, television, theaters, and transportation.<sup>2</sup> According to the committee, the infiltrated enterprises competed unfairly because of their accumulations of cash and their vicious methods.<sup>3</sup>

In 1967, the President's Crime Commission found that control of business concerns was usually obtained through one of four methods: (1) investing illegal profits; (2) accepting an interest in the business in payment of gambling debts; (3) foreclosing on usurious loans; and (4) using various forms of extortion.<sup>4</sup>

The Commission called for a national strategy to deal with infiltration of legitimate business and noted that law enforcement officials agreed that entry into the business world by organized crime was "continually increasing" and that it had "not decreased organized crime control over gambling, usury and other...criminal enterprises."<sup>5</sup> Studies since 1967 have done little to

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<sup>1</sup>U.S. Congress, Senate, Senate Report No. 141, 82nd Cong., 1st Sess. (Washington: Government Printing Office, 1951), p. 33.

<sup>2</sup>U.S. Congress, Senate, Senate Report No. 307, 82nd Cong., 1st Sess. (Washington: Government Printing Office, 1951), pp. 170-181.

<sup>3</sup>U.S. Congress, Senate, Senate Report No. 2370, 81st Cong., 2nd Sess. (Washington: Government Printing Office, 1950), p. 16.

<sup>4</sup>President's Commission on Law Enforcement and Administration of Justice, Task Force Report: Organized Crime (Washington: Government Printing Office, 1967), p. 4.

<sup>5</sup>Ibid., p. 5.

dispell the dark picture painted by congressional committees and the President's Crime Commission.

Senator McClellan himself reported in 1970 that a study by the Internal Revenue Service of 113 major organized crime figures showed that 98 were involved in 155 businesses.<sup>6</sup> Similarly, Melvin Bers, a labor economist, identified 200 organized crime principals or associates in New York. Of the 200, 18 were involved in 5 or more legitimate businesses, 143 in 1 to 4, while 39 had no known participation.<sup>7</sup> At this writing, the Department of Justice estimates that mob-connected individuals own more than 10,000 legitimate businesses nationwide, generating annual profits in excess of \$12 billion per year.<sup>8</sup>

A number of reasons account for the involvement of organized crime in the business world: to establish a legitimate source of income for IRS purposes, to obtain a veneer of respectability, to secure "fronts" by which to diversity economic risks among illegitimate and legitimate investments, and, of course, to make money.

With its extensive infiltration of legitimate business, organized crime poses a serious threat to the viability of segments of the nation's economic system. The proper functioning of a free economy--even a mixed economy that is heavily regulated--requires that economic decisions be made by persons free to exercise their own judgments based primarily on economic considerations. The injection of force or fear limits choice and can lower product quality and artificially increase prices.

Whenever organized crime moves into a business, it necessarily brings with it the specialized skills of the underworld, a capability for violence and an earned reputation for its ruthless use, a close familiarity with the techniques of public corruption, ready access to large sources of illicit capital, and a greater willingness to engage in criminal means to obtain otherwise lawful ends. Accordingly, the competitors of an organized crime-connected business can be effectively eliminated or restricted from growth; customers can be confined to sponsored suppliers.

Organized crime involvement in legitimate business can include merely using facilities for meeting places, employing a member in need of work, obtaining ownership in part or in whole without other participation in the firm's day-to-day affairs, or actually running the business itself, with all that implies.

#### Case Study--Massage Parlors

Massage parlors have become a version of the modern brothel. The majority

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<sup>6</sup>McClellan, "The Organized Crime Control Act (S.30) or Its Critics: Which Threatens Civil Liberties?" Notre Dame Lawyer, Vol. 46 (1970), p. 142.

<sup>7</sup>M. Bers, The Penetration of Legitimate Business by Organized Crime (Washington: Government Printing Office, 1970).

<sup>8</sup>Pennsylvania Crime Commission, A Decade of Organized Crime (Conshohocken, Pennsylvania: 1980), p. 214.

of them maintain a facade of legitimacy, while still offering an array of sexual services. In addition to promoting prostitution, massage parlors create a number of ancillary problems. They have a harmful effect on neighboring businesses, depreciate property values, and generally contribute to the deterioration of the area in which they are located. Often too, massage parlors do not report the full amount of their revenues, evading Federal, state and local taxes. Finally, they are also serving as profitable investments for organized crime.

Although massage parlors have existed in large metropolitan areas for a number of years, their number increased dramatically during the 1970s.<sup>9</sup> Their growth, moreover, has not been confined to run-down neighborhoods; several have opened on New York's East Side, for example.<sup>10</sup> They have also spread to suburban areas and small cities and towns far from major urban areas.<sup>11</sup>

Massage parlors advertise their services, usually by "handbilling" or displaying posters on building facades, but some advertise in "men's" magazines or the yellow pages of phone books. Many accept major credit cards.

Massage parlors can also be divided into two general types: "bust-out" operations and highly organized "clubs." Both are highly profitable. "Bust-out" operations are the smaller of the two, usually employing less than 30 masseuses. Their clientele is transient, making them more vulnerable to infiltration by undercover police officers. Because they have a low overhead, "bust-out" parlors can make a substantial short-term profit before they are closed by law enforcement authorities. For example, James Ragoni, a low-level New York organized crime figure, leased four furnished parlors for a total of \$500 per day. The lessee-operator realized a \$5,000 per week profit on the four parlors for a year.<sup>12</sup>

The luxurious "clubs" are often more sophisticated in their operation. They rely on an established clientele and elaborate screening techniques to detect undercover policemen and to avoid criminal convictions. "Clubs" can make a \$750,000 to \$1 million profit annually.<sup>13</sup>

Substantial evidence exists that organized crime, attracted by large profits, controls most massage parlors in urban areas.<sup>14</sup> Typically, the involvement of organized crime takes the form of hidden ownership as well as profit skimming through extortion. For example, Burno Pennissi, a nephew of Carlo Gambino, was listed as owner of two New York massage parlors, and he was believed to have interests in three others.

Because convictions for prostitution offenses have been difficult to obtain, many cities have turned to zoning and licensing as a means of

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<sup>9</sup>Rasmussen and Kuhn, "The New Masseuse," Urban Life, Vol. 5 (1976), pp. 271-272.

<sup>10</sup>New York Times, February 22, 1976, Section 3, p. 1.

<sup>11</sup>New York Times, January 7, 1974, p. 55.

<sup>12</sup>New York Times, July 27, 1977, p. 1.

<sup>13</sup>Ibid.

<sup>14</sup>VerTarde and Warlick, "Massage Parlors" Society, Vol. 11 (1973), pp. 63, 67.

controlling massage parlors. Licensing and zoning are, however, limited approaches to the control of massage parlors. Both attempt to control the facade, rather than attack the illegal conduct. The result is an unavoidable adverse impact on legitimate masseuses, masseurs, and businesses, such as health spas, that offer legitimate massages.<sup>15</sup> In addition, zoning and licensing have met with only moderate success. Licensing does little to reduce the number of massage parlors; the parlors simply become more careful to comply with regulations. They circumvent zoning ordinances by adopting different facades. Establishments calling themselves "modeling studios," "rap studios," or "dance schools" have sprung up in the place of massage parlors.

RICO-type legislation (pertaining to racketeer-influenced and corrupt organizations) passed at the state level has proven more effective than traditional equity proceedings in shutting down illicit operations, as the legislation is directed at personal conduct not merely the illicit use of property. In Florida, local police and prosecutors in the Orlando area used RICO-type legislation to close down 16 brothels permanently, to confiscate assets, and to obtain lifetime injunctions against the former owners.<sup>16</sup>

#### Case Study--Cigarette Distribution

The distribution and sale of cigarettes on which taxes are avoided--cigarette bootlegging--not only drains needed tax revenue from states and localities, but it gives rise to murder, hijacking, and official corruption. All levels of the cigarette industry are apparently involved in the illicit traffic, over which organized crime has increasingly exercised a substantial degree of control.

Bootlegging becomes profitable when the tax differential between high- and low-tax states reaches at least ten cents per pack of cigarettes.<sup>17</sup> In 1960, the largest tax differential between any two states was eight cents per pack. The cigarette manufacturing states, principally North Carolina, Virginia, and Kentucky, are low tax. The largest tax spread between two states is 19 cents, while the differential between North Carolina and New York City is 21 cents per pack. The North Carolina-New York City spread is \$2.10 per carton of ten packs or \$126 thousand per trailer truckload of 1,000 cases. As such, the financial lure of cigarette smuggling is obvious, and the extent of the traffic may be illustrated by estimates that one out of every three packs of cigarettes sold in Philadelphia and one out of every two packs sold in New York City are contraband.

Cigarette bootlegging, moreover, is not a "victimless crime." Every dollar of cigarette tax revenue lost to a state means a dollar increase in the general tax burden imposed on its citizens. Indeed, it is estimated that in 1975 34 states lost a total of \$390.8 million in taxes through bootlegging. The 1975 estimated loss for Pennsylvania, for example, was \$35.6 million.

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<sup>15</sup>Chicago Tribune, April 26, 1975, Section 3, p. 1.

<sup>16</sup>The National Law Journal, July 5, 1982, p. 1.

<sup>17</sup>This and the following two paragraphs rely on Advisory Commission on Intergovernmental Relations, Cigarette Bootlegging: A State and Federal Responsibility (Washington: Government Printing Office, 1977).

Those states that attempt to combat the smugglers are also forced to increase their expenditure for tax collection and law enforcement. In addition, the traffic gives rise to the commission of various other crimes: trailer trucks are hijacked; warehouses are burglarized; rivals, witnesses, and informants are assaulted and murdered; and politicians, law enforcement figures, members of the judiciary, legislators, and other public officials are corrupted.

#### North Carolina to Pennsylvania: Bootlegging

Under North Carolina law, all cigarette distributors, including cigarette manufacturers, must affix the state's two-cent tax stamps to each pack of un-tamped cigarettes in their possession prior to any intrastate resale. An exception exists under certain circumstances whereby North Carolina tax stamps need not be affixed to the pack prior to the sale of cigarettes in the state to a nonresident for purposes of out-of-state resale. Accordingly, a legitimate Pennsylvania distributor, licensed by Pennsylvania, but registered with North Carolina, may buy cigarettes in bulk from the manufacturer in North Carolina.

Four of America's six major cigarette manufacturers have production facilities in North Carolina: American Brands, Inc. (American Tobacco), Liggett Group Inc., Lowes Corp. (Lorillard), and R. J. Reynolds Industries, Inc. As such, cigarettes may be purchased from these manufacturers that bear neither the North Carolina nor the Pennsylvania tax stamp. A legitimate distributor may truck these cigarettes to his Pennsylvania warehouse, where he must then imprint the Pennsylvania tax stamp on each pack. A meter stamping machine records the number of packs stamped. Thereafter, the distributor remits 18 cents for each stamp affixed, less a 3 percent commission for serving as a state tax agent to the Bureau of Cigarette and Beverage Taxes of the Pennsylvania Department of Revenue. The cigarettes may then be resold to distributors, retailers, and members of the public in Pennsylvania.

The 16 cent tax differential that exists between North Carolina with its 2 cent per pack tax and Pennsylvania with its 18 cent per pack tax, however, is a strong economic incentive to cigarette bootlegging. A typical trailer truckload of 1,000 cases of cigarettes (60,000 cartons, 600,000 packs), for example, may generate a gross profit of \$96,000 through the differential alone. If a dealer's markup is added, the profit is bigger still.

Cigarette bootleggers are highly desirable customers for the distributor, since they buy in quantity and pay in cash. In addition, the distributor's sales to smugglers indirectly benefit the manufacturer. The more cigarettes a distributor sells, the more cigarettes the manufacturer makes; and the more cigarettes the manufacturer sells the bigger his profits. Manufacturers will also give the distributor a 3.25 percent discount if he pays his bills promptly. The distributor's cash sales to bootleggers enable him to take advantage of that discount. In turn, the manufacturer increases his cash flow, lessens his need for credit, and eliminates the possibility that the distributor's bill may never be paid.

After illicit purchase in North Carolina, the unstamped cigarettes may be trucked north to a warehouse in Pennsylvania, a trip that takes only about eight hours. Once in Pennsylvania, the cigarettes may be imprinted with a

lawful Pennsylvania tax stamp to make resale appear licit. Once the Pennsylvania tax stamp is affixed to each pack of bootlegged cigarettes, the criminal wholesaler blends them with his licit inventory and resells them to other wholesalers, retailers, or the general public.

#### Involvement of Organized Crime

There are over 250 licensed wholesalers in Pennsylvania. Shockingly, at least 20 of them have owners or employees with criminal records.<sup>18</sup> Organized crime participation in the traffic is well-established. John Sebastian LaRocca, the Mafia boss of Pittsburgh, is vice-president of Keystone Sales, a cigarette wholesaler.<sup>19</sup> The late Angelo Bruno, the boss of Philadelphia and southern New Jersey, listed his occupation in 1977 and 1978 as a "cigarette salesman" for John's Wholesale Distributors, Inc.<sup>20</sup> During the first 18 months of Bruno's association with John's, the corporation's volume increased to 230,000 from 40,000 cartons per month.<sup>21</sup> A number of Bruno's associates have also been connected with John's over the years.<sup>22</sup>

It is estimated that approximately 50 percent of the nation's illicit cigarette traffic is controlled by organized crime.<sup>23</sup> In the Northeast alone, organized crime is estimated to smuggle more than a billion packs of cigarettes each year and to realize a profit of over \$105 million.<sup>24</sup> As such, the income from bootlegging swells the pool of capital available to organized crime for investment in both licit and illicit operations, and there is evidence that organized crime has acquired cigarette distributors in at least one low-tax state,<sup>25</sup> as well as in several high-tax states.<sup>26</sup> In addition, the danger exists that organized crime may attempt to infiltrate the cigarette manufacturers themselves or at least their export operation,<sup>27</sup> for access to cigarettes destined for export would increase organized crime's profit margin, since those cigarettes are not subjected to either Federal or state cigarette taxes.<sup>28</sup>

The legitimate cigarette distribution industry in states where the bootlegging traffic exists has suffered economically. Their insurance and security costs have risen sharply. Sales and profit margins have declined drastically. Competitors selling bootleg cigarettes have undercut the prices offered by legitimate dealers, since their costs have been as much as 50 percent lower.<sup>29</sup> As a result, large numbers of distributors and retailers have been forced out of business or have been taken over by bootleggers.

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<sup>18</sup>The Philadelphia Inquirer, May 6, 1979, p. 14-A.

<sup>19</sup>The Philadelphia Inquirer, May 7, 1979, p. 8-A.

<sup>20</sup>Ibid.

<sup>21</sup>Forbes, December 15, 1977, p. 47.

<sup>22</sup>Ibid.

<sup>23</sup>U.S. Congress, Senate, Senate Report No. 962, 95th Cong., 2nd Sess. (Washington: Government Printing Office, 1978), p. 6.

<sup>24</sup>Advisory Commission, op. cit., p. 21.

<sup>25</sup>Ibid., p. 5.

<sup>26</sup>Forbes, op. cit., p. 77.

<sup>27</sup>Forbes, December 15, 1979, p. 48.

<sup>28</sup>Advisory Commission, op. cit., p. 21.

<sup>29</sup>Forbes, December 15, 1977, p. 44.

## Law Enforcement Response

Pennsylvania has criminalized the sale of unstamped cigarettes, the counterfeiting of tax stamps, tampering with stamping equipment, and other activity associated with bootlegging. Pennsylvania's efforts to combat bootlegging under these statutes in the past, however, have been thwarted by inefficiency, ineptitude, lack of imagination, and corruption.

Yahn & McDonnell, for example, is the largest licensed cigarette wholesaler in Philadelphia. In 1978, it collected \$18.3 million in cigarette taxes for the state.<sup>30</sup> In 1973, however, the Revenue Department compared the records of Yahn & McDonnell with those of the cigarette manufacturers. The audit revealed that the firm had sold 317,000 more cartons of cigarettes than it had purchased from the cigarette manufacturers. Accordingly, Yahn & McDonnell paid the state \$560,000 in back taxes plus a \$60,000 penalty. Nevertheless, it was not subjected to a criminal investigation or prosecution, and the source of the cigarettes was never determined; the firm's licenses also were not revoked.<sup>31</sup>

Traditionally, much of the hiring of the Bureau of Cigarette and Beverage Taxes, the primary cigarette tax enforcement agency, has been based on the personal and political connections of the job applicants, rather than on merit qualifications.<sup>32</sup> In 1977, the Pittsburgh office of the Bureau cost the state \$300,000 to operate. The office's 30 employees, however, confiscated fewer than 400 cartons of cigarettes during the entire year.<sup>33</sup> In fact, those cigarettes cost the state approximately \$750 per carton to intercept, while the Pennsylvania tax on a carton of cigarettes is only \$1.80.

## ORGANIZED CRIME AND UNIONS

Labor racketeering, the use of union power and wealth for personal profit, has been characterized by a labor leader as a pervasive and dreaded disease, a cancer that almost destroyed the American trade unions. That the disease is dreaded cannot be questioned. That it is pervasive seems an overstatement, for the vast majority of the nation's approximately 500,000 elected labor officials have never been charged with a crime.<sup>34</sup> Moreover, even the Department of Justice, hardly a disinterested observer, does not suggest that more than 300 of the 75,000 union locals are plagued with corruption.<sup>35</sup>

The Federal government, as part of its priority effort against labor racketeering, secured convictions of only 450 officers and employees of unions between 1973 and 1980; of that number, one-third were concentrated in only four unions: Teamsters, Laborers, Hotel Workers, and Longshoremens.<sup>36</sup>

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<sup>30</sup>The Philadelphia Inquirer, May 7, 1979, p. 8-A.

<sup>31</sup>The Philadelphia Inquirer, May 8, 1979, pp. 8-A, 10-A.

<sup>32</sup>Ibid., pp. 1-A, 10-A.

<sup>33</sup>The Philadelphia Inquirer, May 6, 1979, p. 14-A.

<sup>34</sup>U.S. News and World Report, September 8, 1980, p. 33.

<sup>35</sup>U.S. Congress, Senate, Labor Management Racketeering, Hearings before the Permanent Subcommittee on Investigations, Committee on Government Affairs, 95th Cong., 2nd Sess. (Washington: Government Printing Office, 1978), p. 9.

<sup>36</sup>U.S. News and World Report, op. cit.

The corruption and mob influence in those four unions, however, is a national disgrace that seems to be impervious to the traditional law enforcement efforts launched against it over the past 20 years. An examination of two of the four unions makes the point.

### The Longshoremen

The International Longshoremen's Association (I.L.A.) is virtually a synonym for corruption in the labor movement. The reputation of the I.L.A. is well-deserved, and, in retrospect, it is understandable how its corruption came about. Excluding labor-related rackets, a host of ordinary criminal activities prospered on the docks. The economic necessity of speed in loading and unloading ships, plus the dearth of rail connections to the piers, begat the coveted "loading" racket, which involved no more than moving cargo from the pier floor to waiting trucks. Because demand for the service was inelastic, loading generated extraordinary profits.

During the twenties, gangs fought pitched battles for control of loading on New York's West Side docks. Other crimes, too, were widespread. Pilferage was virtually impossible to prevent; shippers eventually accepted it as a cost of doing business. The waterfront work force--casual, unskilled, demoralized and insecure due to hiring practices, frequently immigrants--was fertile territory for gamblers and loan sharks. Gangsters, therefore, became a factor to reckon with in the union, and by 1950, 30 percent of the union's officers had police records.<sup>37</sup>

Once in control of the union, organized crime found the shipping industry a congenial market for the more traditional types of racketeering, including "strike insurance." When a ship docks, it must be emptied quickly. The cargo may include perishable foodstuffs, and, in any event, the owner gathers no return on his capital investment--the ship--while it is in port. Ship "turn-around" time is the crucial key to profitability. Besides direct evidence that individual pier bosses regularly shook down shippers by threatening walk-outs, that the International sanctioned its first strike only in 1948 suggests payoffs at higher levels.

Time pressures also encouraged owners to maintain an oversupply of labor, so that all ships, even on the busiest days, could be unloaded at once. That oversupply ultimately explains the economic circumstance that gave rise to the lucrative and commonly used "kick-back" racket. Because the number of ship arrivals fluctuated, the hiring boss, usually a union officer, selected the necessary workers from the surplus of men at the daily "shape-up." The criterion for selection on many piers was a willingness, evidenced by a pre-arranged signal such as a toothpick in the ear, to "kick-back" a part of the day's wages to the boss.

Racketeers prospered during the 25-year term of I.L.A. President Joseph P. Ryan. Ryan pursued a laissez-faire policy toward the locals, and spent most of his time chumming with shippers and Tammany politicians. Meanwhile,

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<sup>37</sup>V. Jensen, Strife on the Waterfront (Ithaca, New York: Cornell University Press, 1974), p. 100.

in 1937, Albert Anastasia, the Mafia family boss, muscled his way into the six "Camarda" locals, so named after the influence of international vice-president, Emil Camarda, and he was soon, in Valachi's recollection, "absolute ruler of the Brooklyn waterfront."<sup>38</sup> Under Anastasia, organized pilferage, strike insurance, kick-backs, and loansharking on the piers reached unprecedented levels.<sup>39</sup> A grand jury investigation in 1940 also revealed that several hundred thousand dollars were missing from the treasuries of the six locals.

Subsequently, Anastasia put his brother, Anthony "Tough Tony" Anastasia, in charge of the consolidated local 1814,<sup>40</sup> presently the largest in the I.L.A., and the former power base of Anastasia's son-in-law, Anthony M. Scotto. The legacy of the early gangster years has been a tradition of crime on the waterfront, and its acceptance as a fact of life by longshoremen, union officials, shipowners, and government personnel. The depth of that legacy is well-illustrated by the career and prosecution of Anthony Scotto.

Prior to his conviction under RICO for racketeering, Scotto had been described as a "rising star in the labor world," who was expected to "succeed Thomas W. Gleason as President" of the I.L.A.<sup>41</sup> He held civic posts and lectured at various colleges and universities, including Harvard.<sup>42</sup> He was also a caporegima in the Gambino crime family.<sup>43</sup>

In 1975, the FBI began an extensive investigation into union racketeering on the docks, code-named Unirac; it involved more than 100 FBI agents, and in the investigation of Scotto and Anthony Anastasia, electronic surveillance played a crucial role.<sup>44</sup> Eventually, Unirac resulted in charges against 100 persons, both union and management. Despite character testimony from Governor Hugh Carey and two former New York City mayors, John V. Lindsay and Robert Wagner, Scotto himself was convicted of accepting \$225,000 in payoffs from waterfront businessmen. Scotto received a five-year prison term, and he lost his union position under the Waterfront Commission Act of 1953.

While the craftsmanship that characterized the Scotto investigation and prosecution cannot be faulted, little evidence exists that life on the waterfront has changed as a result of it.

### The Teamsters

More so even than the I.L.A., the International Brotherhood of Teamsters has become a synonym for a union corrupted by organized crime. The attraction

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<sup>38</sup>p. Maas, The Valachi Papers (New York: G. P. Putnam's Sons, 1968).

<sup>39</sup>H. Nelli, The Business of Crime: Italians and Syndicated Crime in the United States (Fair Lawn, New Jersey: Oxford University Press, 1976), p. 247.

<sup>40</sup>Maas, op. cit., p. 244.

<sup>41</sup>"On the Waterfront," Barrons, January 21, 1980, p. 8.

<sup>42</sup>New York Times, January 18, 1979, p. 1.

<sup>43</sup>U.S. Congress, Senate, Senate Report No. 91-617, 91st Cong., 1st Sess. (Washington: Government Printing Office, 1969), p. 39.

<sup>44</sup>"United States v. Scotto: Progression of a Waterfront Corruption Prosecution from Investigation through Appeal," Notre Dame Lawyer, Vol. 57 (1981), pp. 369-371.

of the Teamsters union to organized crime is not difficult to explain: a Teamster strike threat is the single most potent instrument of coercion available to the labor racketeer. Avoiding it is good "insurance." Since almost every business involves trucking, the truck driver's union holds the life line of the business, either in delivering its supplies and raw materials or in removing its finished goods or waste material. In addition, unionized employees of the firm itself will be reluctant to cross a Teamster picket line. A cut-off in any of these services will, therefore, cripple a firm.

The details of Hoffa's relationship with organized crime have already been noted in Chapter 1. However, Hoffa's entry into the greater Midwest, through the good offices of Paul "Red" Dorfman, merits further elaboration.

By 1949 Hoffa controlled the Michigan Teamsters, but was still relatively unknown outside his home state. According to Robert Kennedy, "the key to the entire Midwest was Chicago," and the key to Chicago evidently was the Chicago mob. Dorfman, who took over the Waste Handler's Union in 1939 when the incumbent was murdered, persuaded his underworld friends, notably Anthony Accardo and "Longie" Zwillman, to back the rising young Hoffa; the price was the Central Conference of Teamsters Welfare Fund insurance contract, from which Dorfman eventually garnered \$1.6 million in excessive commissions.<sup>45</sup>

The welfare fund racket was a significant departure in the course of labor racketeering, distinguishable from the embezzlements of earlier racketeers, and even from the speculations of modern amateurs. Previously, embezzlers were limited by the size of the union treasuries, then funded solely by members' dues. Because it was not the practice to "invest," or loan, treasury funds, conversions were easier to detect. The racketeer-dominated fund administrator, on the other hand, functions as source of capital for the speculative ventures of organized crime figures. He is an economic powerhouse--just like any other banker--but in the case of the Teamsters, he is bigger than most banks.

After strike insurance and fund manipulation, the sweetheart deal is the most common racket in the Teamsters. Although massive deviations from the standard agreement in the entertainment industry were uncovered by a Congressional investigation in 1962,<sup>46</sup> the "clear" case of labor-management collusion is still most characteristic of the construction industry, with trucking a close second. Other illicit payments may be made to union representatives for the privilege of using nonunion labor, or for not organizing workers within the union's jurisdiction. A more sophisticated use of the sweetheart arrangement enables the employer to choose with whom he will negotiate, rather than dealing with the officials his employees select.

Despite the revelations of the McClellan committee, the cardinal labor rackets--strike insurance, sweetheart deals, and fund misuse--continue to

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<sup>45</sup>R. Kennedy, The Enemy Within (New York: Popular Library, Inc., 1960), pp. 67-69.

<sup>46</sup>U.S. Congress, Senate, American Guild of Variety Artists, Hearings before the Permanent Subcommittee on Investigations, Committee on Government Operations, 87th Cong., 2nd Sess. (Washington: Government Printing Office, 1962).

operate. The chief developments in the 1960-1980 period involved increased sophistication in the conduct of the rackets and a recognition that union power can serve to promote a variety of licit and illicit syndicate activities, particularly the manipulation of welfare and pension funds. Senator Sam Nunn opened a 1978 congressional inquiry into labor racketeering with the comment, "The protection of our labor unions and their pension and health and welfare trust funds against corruption by organized crime is one of our highest law enforcement priorities."<sup>47</sup>

Considering the great increase in fringe benefit remuneration in the last 20 years, the racketeering potential is enormous. The Teamsters organization alone controls more than a thousand funds, with total assets of \$9 billion.<sup>48</sup> Its Central States Pension Fund, which investigations have repeatedly shown to be the favorite "bank" of organized crime, contains more than a billion dollars. Thus, although some corrupt unionists still steal members' dues, it is actually unnecessary; the opportunities are greater and the risks slighter in manipulating the welfare and pension funds.

Investment discretion is the major conduit for diverting Union funds into racketeer pockets. Illicit loans are of two types. First, there are those loans intended primarily as income for the racketeers. Sometimes these loans are just circuitous ways of distributing spending money to fund insiders; in a word, they are embezzlement. Second, there is the type of loan designed primarily to underwrite the speculations of the borrower. While the fund racketeer may demand a kick-back, the transaction is better understood as a contribution to capital, or even as a gift. The borrower may be a syndicate member and the dollar amounts are, generally, significant. The major borrowers, and hence the funds, have invested heavily in real estate, particularly resorts, casinos, and health spas, with Las Vegas the greatest repository.

More is sometimes involved than the traditional strike insurance, fund manipulation, or a sweetheart deal. A slightly different use of union pressure wrought a "virtual monopoly" in the Los Angeles meat-loading industry.<sup>49</sup> Pronto Loading and Unloading, a Los Angeles firm, paid five Teamsters officials \$600 a week to threaten meat packers with labor trouble if they failed to take advantage of Pronto's services. Pronto itself had a Teamster contract, but hired mostly illegal aliens, to whom it was not required to pay fringe benefits.<sup>50</sup>

This special combination of Teamsters strike threat and sweetheart deal has been used extensively to establish monopolies for mob-controlled companies. The payoff in these cases is primarily the privilege of dominating an industry. The monopoly may be established by the use of a "whip" company, which, because it is permitted to use nonunion help, can underbid competitors for contracts. If that is ineffective, pressure may be applied directly to the customer. The monopolists can then "name their own price, provide bad to indifferent service, and otherwise put a squeeze on the customers in their control."<sup>51</sup>

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<sup>47</sup>U.S. Congress, Senate, Labor Management Racketeering, *op. cit.*, p. 4.

<sup>48</sup>D. Moldea, *The Hoffa Wars* (New York: Paddington Press, 1978), p. 287.

<sup>49</sup>U.S. Congress, Senate, Labor Management Racketeering, *op. cit.*, p. 147.

<sup>50</sup>Los Angeles Times, April 13, 1979, p. 2.

<sup>51</sup>U.S. Congress, Senate, *First Interim Report*, Select Committee on

(Continued)

## CONCLUSIONS AND FINDINGS

In 1967, the President's Commission on Law Enforcement and Administration of Justice found that organized crime used four principal methods to gain control over business concerns: investing illegal profits, accepting an interest in the business in payment for gambling debts, foreclosing on usurious loans, and using various forms of extortion.

Because organized crime is willing to resort to threats and violence and has large sources of illicit capital, competitors of its businesses can be effectively eliminated or prevented from growing. In addition, customers may be intimidated into patronizing firms controlled by organized crime.

The Department of Justice estimates that mob-connected individuals own more than 10,000 legitimate businesses nationwide, generating profits in excess of \$12 billion annually.

Among the business-related ventures of organized crime that have been highlighted in recent years are massage parlors and cigarette bootlegging.

Organized crime's involvement in the legitimate economy also includes infiltration of various unions. Such infiltration enables organized crime to prevent the unionization of some industries or firms and to make sweetheart contracts in others. In addition, organized crime has abused and stolen from union welfare and pension funds and has used union power as a means to extort by putting economic pressure on businesses.

The Justice Department suggests that about 300 of the 75,000 union locals are plagued with corruption. One-third of the convictions secured by the Federal prosecutors for labor racketeering during the 1973-1980 period involved four unions: the Laborers, Teamsters, Longshoremen, and Hotel Workers.

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Improper Activities in the Labor or Management Field, 85th Cong., 2nd Sess. (Washington: Government Printing Office, 1958), p. 374.