



U.S. Department of Justice

**Federal Bureau of Investigation**  
Washington, D.C. 20535

September 14, 2018

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FOIPA Request No.: 1415098-000  
Subject: APRIL 1960 DOCUMENT TITLED  
"LABOR RACKETEERING"

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Sincerely,

A handwritten signature in black ink, appearing to read "D Hardy", with a stylized flourish at the end.

David M. Hardy  
Section Chief,  
Record/Information  
Dissemination Section  
Information Management Division

Enclosure(s)



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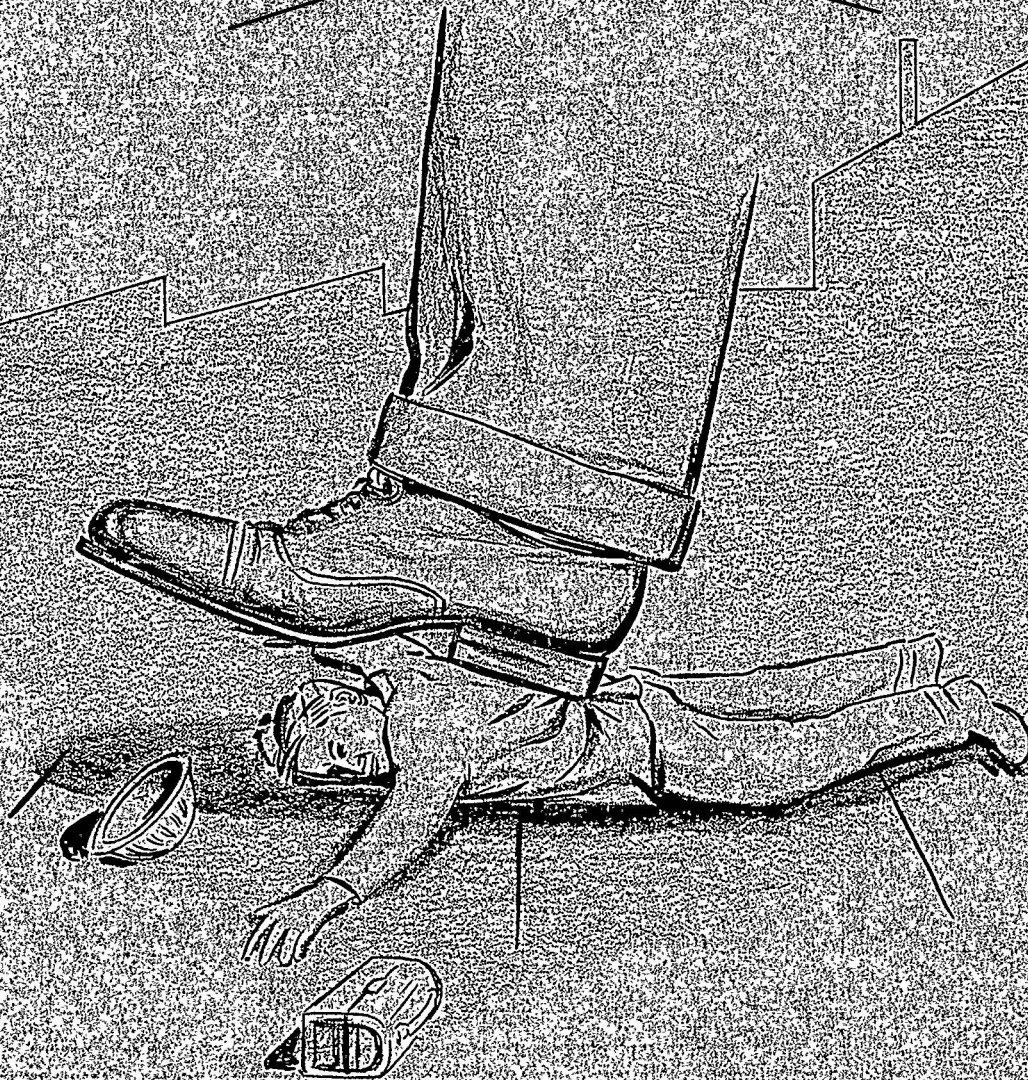
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# LABOR RACKETEERING

## SECTION 1

### EXTENT AND HISTORY

~~(Not for Dissemination Outside the Bureau)~~



**Federal Bureau of Investigation**  
**United States Department of Justice**  
**John Edgar Hoover, Director**

MONOGRAPH DATA

1. Title of monograph and date: "Labor Racketeering," Section I, dated April, 1960.
2. Monograph recommended by: The Director
3. Monograph approved by: The Director
4. Purpose of monograph: To highlight the extent and effects of labor racketeering, and explain its origin and nature, and trace its history and growth.
5. Monograph is part of a series.
6. Monograph will have current value as reference work after lapse of six months or year.

**LABOR RACKETEERING**

**Section I**

**Extent and History**

**April, 1960**

**(Not for Dissemination Outside the Bureau)**

**Federal Bureau of Investigation  
United States Department of Justice  
John Edgar Hoover, Director**

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## PREFACE

Few areas of corruption in contemporary American life have received more publicity and attention in recent years than those pertaining to labor racketeering. Hearings of the Senate Rackets Committee, especially those relating to the affairs of the Teamsters Union, have been instrumental in focusing the spotlight on corrupt union practices.

This monograph is the first in a series of general studies dealing with labor racketeering. This monograph highlights the extent and effects of labor racketeering, explains its origin and nature, and traces its history and growth.

Subsequent volumes will recount some of the conditions existing in the chief industries that have been affected by racketeering in the trade-unions serving them; enumerate and explain the various types of corruption in which today's labor racketeers have engaged; and analyze the causes of and the cures for labor racketeering.

There can, of course, be no quarrel whatever with the principles of trade-unionism, as such, or with the value of and contributions made by honest unionism in the United States over the years.



There is no intention in these studies on labor racketeering to reflect unfavorably on decent union leadership or on the memberships of unions generally. The sole objective of this series of monographs is to present a comprehensive and illuminating picture of those corrupt forces which have been at work since the dawn of the American labor movement and which continue to plague the Nation today.

## SUMMARY AND CONCLUSIONS

### A. Summary

Labor racketeering constitutes one of the most vital, pressing, and ever-present problems of our time. Corrupt trade-union practices menace the very foundations of our national life.

Labor racketeering is not new. The many and varied forms of corruption practiced by today's labor racketeers--union dictatorships, rigged elections, misuse of union funds, conflict of interests, cooperation of management, collusive agreements, infiltration of criminals, use of force and violence, coercive picketing and boycotts, and similar activities--had their origin in the early days of the American labor movement. The methods and tactics which were developed and standardized by labor racketeers of former eras have been applied and refined by labor racketeers of recent vintage.

The vast majority of trade-unions and their officials are honest, efficient, and imbued with a desire to improve the lot of the American worker. Nevertheless, labor racketeering exists on a sufficiently extensive scale in this country to give cause for marked concern and apprehension on the part of both union members and the public.

**B. Conclusions**

1. Labor racketeering has had an enormous and harmful impact and effect on the health, stability, and growth of the United States economy.
2. In particular, labor racketeering has seriously endangered our very national existence by interfering with and increasing the cost of defense production.
3. Union members have suffered heavy losses in wages, and management has incurred equally huge losses of money as a result of slowdowns, strikes, and other labor strife brought about by labor racketeers.
4. Corrupt unionism has inflicted immeasurable damage on the American people as a whole because of higher costs for commodities and services, delays in completing essential projects, and limitations on industrial expansion.
5. Too many corrupt American labor leaders have regarded the trade-union movement as a "happy hunting ground" for plunder, profit, and exploitation, rather than as a trust.
6. Union bigness and prosperity, combined with the apathy of union membership, unscrupulous labor officials, and dishonest employers, have been the main reasons for union corruption.
7. Labor racketeering has been evident in the United States since the beginning of the American labor movement in the latter part of the 19th century.
8. Corruption became a salient feature of the labor movement, especially in the building and construction industry, with the development of large-scale trade-unionism at the turn of this century.

9. As the labor movement grew, established and successful malpractices were augmented by the introduction of many new features of corruption.
10. Before, during, and after World War I, labor racketeering developed with alacrity throughout the country, and it was during this period that criminals became a force in the labor movement.
11. Repeal of Prohibition accentuated gangster infiltration into the field of labor racketeering, principally as a means of replenishing the revenue hoodlums lost after their bootlegging operations ceased.

## I. EXTENT AND EFFECTS OF LABOR RACKETEERING

### A. Extent of Labor Racketeering

How much labor racketeering goes on in the United States? The answer is: a good deal more than most trade-union leaders will care to admit, although not, perhaps, as much as the newspaper headlines might suggest.

The vast majority of labor unions and their officials are dedicated to the cause of decent, clean, constructive unionism. In general, labor is business-like, well run, and law-abiding. The unions organize, conduct their internal affairs, and bargain with management in orderly fashion. Their officials, by and large, are honest, loyal, and devoted to the welfare of their members. They do not resort to shakedowns and extortion, employ goon squads nor use violence, raid other unions, rig their elections, nor dip their hands in the union till.

Yet, labor racketeering is sufficiently widespread and prevalent to create considerable resentment and anxiety among both union members and the public alike. Hearings of the Senate Rackets Committee\* during 1957-1959 painted a sordid and dismaying picture of conditions amounting to virtual serfdom existing in most of the unions it investigated. Union members, both

\*United States Senate Select Committee on Improper Activities in the Labor or Management Field, also known as the McClellan Committee.

on the witness stand and in letters, described countless abuses suffered  
(1) (2)  
at the hands of union officials.

Time after time, the Senate Rackets Committee unearthed evidence suggesting that too many labor leaders consider union members to be important to them only as chattels or victims, not as principals to whom they owe the highest kind of fiduciary duty. Disclosures of mishandling of funds, outright thievery, union dictatorship, dishonest elections, intimidation, shakedowns, extortion, sellouts to management, coercive picketing and boycotts, and, most ominous of all, an accelerated tendency on the part of criminals to infiltrate the unions highlighted Committee hearings. (3) So extensive and odious were these revelations that President Eisenhower was prompted to characterize labor racketeering as "a national disgrace." (4)

**B. Injurious Effects of Labor Racketeering**

Labor racketeering has wrought incalculable harm on the American economy through losses in production and in retardation of growth. It has inflicted a heavy burden on all segments of the population, for every man, woman, and child in this country pays his or her toll--directly or indirectly--to the labor racketeers. Over the

years, labor racketeering has cost the American public literally billions of dollars.

Among the main injurious results produced by labor racketeering are the following:

1. Rank-and-file union members have sustained a grievous loss of wages--which can hardly ever be made up--due to slowdowns, strikes, and other labor troubles fomented by racketeering labor leaders. This labor strife has not been instigated for the benefit of the worker, but for the aggrandizement of those leaders themselves solely as a means of enforcing their demands on employers. Moreover, union members have been deprived of their democratic rights and control of their unions, and have found their union health, welfare, and pension funds misappropriated by greedy racketeers posing as their leaders and champions.

2. Similarly, employers have lost vast sums of money, which they can never regain, because of higher labor costs, curtailed production, and, in some cases, even complete lack of production brought about by labor racketeering. Some employers have been forced into receivership or bankruptcy as a consequence of the demands and activities of labor racketeers.

3. The public or community at large has suffered irreparable damage and loss resulting from higher costs for products and services; delays in production and in completing vital projects, such as housing, schools, hospitals, and other facilities; refusal of new industries to locate in areas plagued by unfavorable labor conditions; and abandonment of plans for expansion by business concerns in certain localities. Worst of all, however, has been the effect on our national security. Defense orders, so necessary to our national existence and the preservation of freedom throughout the world, have been seriously impaired and their cost skyrocketed as a result of labor racketeering. (5) (6)

C. Factors in Labor Racketeering

When the Congress of Industrial Organizations (hereinafter referred to as CIO) split away from the American Federation of Labor (hereinafter referred to as AFL) in 1935, the entire American labor movement comprised some 3,000,000 members. Today, it is about five times as large--more than 15,000,000-- with 13,500,000 enrolled in the reunited AFL-CIO alone.

Bigness and prosperity have bred trouble. The Senate Rackets Committee investigation into the International Brotherhood of



Teamsters, Chauffeurs, Warehousemen and Helpers of America (hereinafter referred to as Teamsters or Teamsters Union) focused attention on the problems that such growth has brought to the trade-union movement. Bigness tends to isolate the individual dues-paying union members from the labor leaders, giving the leader a chance to rule rather than to consult.

The major unions, during the turbulent 1930's, possessed only meager financial resources and had to fight for their lives. Today, however, they have achieved legitimacy and are accepted by the American people. They have grown old, stable, and rich. In 1956, for instance, trade-unions controlled an estimated \$25,000,000,000 in health, welfare, and pension funds, and that figure continues to mount every year. (7)

The International Ladies' Garment Workers' Union--374,000 strong--in 1958, had some \$58,500,000 in net assets, and could boast of \$211,000,000 in health, welfare, and retirement funds. (8) Several years ago, the Amalgamated Clothing Workers of America controlled eight insurance funds and two insurance companies with reserves of \$108,000,000, two banks worth \$90,000,000, and housing developments worth \$23,000,000. The United Mine Workers of America today owns

the third largest bank in Washington, D. C., with total resources of nearly \$300,000,000. All of these holdings constitute big business.

Many of the young labor leaders of the 1930's who are now top officials in their unions have lost close contact with the members they represent. A certain amount of this, of course, was inevitable.

Collective bargaining has spread and is more and more conducted on a regional or national basis with thousands of members involved.

Negotiations which led to the 1959 steel strike, for example, covered some 500,000 workers in one contractual pattern. In the final analysis, that agreement was worked out by only a handful of leaders on labor's side, with the 500,000 members being mere bystanders with a negligible role in the process.

In a union like the Teamsters Union, a single contract may be signed covering 180,000 members in a dozen states, but the members work for thousands of companies. The drivers of one concern hardly know those in another. For them to get together and stay the hand of their president, James R. Hoffa, would be an act of colossal organizing proportions. That is why racketeering flourishes so much more in widespread, decentralized industries--industries like trucking and construction. The bargaining is usually done with associations

encompassing scores or hundreds of employers, but the men in each of the units are isolated and come together only rarely.

In assessing the reasons for a Dave Beck, deposed president of the Teamsters Union, bigness was certainly one of the primary factors. When union bigness is combined with decentralized industries, apathetic union members, and avaricious union officials who are uncurbed by checks and balances, there exists the perfect opportunity for someone to dip into the union's funds. (9)

Racketeering and corruption are nonexistent or negligible in most of the labor movement wherein or when the workers are grouped together in large numbers, as in the major factories, or where the industry is regulated by a Government agency and cannot make any "sweetheart" or collusive agreements between labor and management. A railroad, for instance, that paid bribes to leaders of one of the big railroad brotherhoods would soon find itself in difficulties with the Federal Government.

So, too, in most of the vast unions, any corrupt practices would soon likely run into strong opposition by the membership that could not be brushed off, as in the decentralized industries. A business agent who is taking money from a construction firm can usually "arrange" the discharge of an opposition union member. But in a large plant, this could hardly happen without serious protest by the rank and file.

In 1956, the United Steelworkers of America, for example, experienced rank-and-file displeasure. At its national convention, David J. McDonald, the president, pushed through a monthly dues boost from three to five dollars. Back in the steel mills, the heat grew so intense that an unknown worker named Donald Rarick ran against McDonald for president and amassed one third of the votes.

Trade-unions which have a long tradition of democratic practices also have built-in protection. Some unions are models of democratic decency, maintaining what amounts to a two-party system, thereby (10) keeping the leadership on its toes and aboveboard.

## II. ORIGIN AND NATURE OF LABOR RACKETEERING

### A. Origin of Word "Racket"

Extortion and coercion--basic ingredients of present-day racketeering--are not new activities. In the United States in the late 19th century, criminal gangs forced businesses that were illegal or on the border line of legality to pay tribute to them in order to avoid personal injury or destruction of property. Houses of prostitution and gambling establishments were especially easy victims, since they were in no position to appeal for police protection. (11)

The word "racket" itself, however, did not gain currency among hoodlums until the pre-Prohibition era. The word was used to designate a benefit dance, party, or other form of entertainment given by a group in the name of some comparatively innocent person or occasion. Tickets were sold--often through fear--to small merchants and shopkeepers in a neighborhood. The group arranging the racket then split the proceeds.

During the 1920's, gangsters applied the word "racket" to both illegitimate and legitimate activities. "What's your racket?" became the accepted way of asking a new acquaintance what line of endeavor he pursued. It might be peddling narcotics, driving a truck, hijacking trucks, or selling vacuum cleaners. But if it was a source of income, it was a racket. (12) (13)

## B. Racketeering Defined Generally

The terms "racket" and "racketeering" have long been vaguely defined and loosely used. All kinds of flimflam schemes, swindles, confidence games, and similar activities have been labeled rackets. Rumrunning and bootlegging during Prohibition, horse and dog race betting establishments, policy or numbers games, lotteries, and other distinctly illegal forms of activity have likewise been referred to as rackets.

But racketeering is a special type of criminal activity. A racket can best be defined as an organized method of extorting money from those engaged either in legitimate or illegitimate enterprises, frequently accompanied by threats of infliction of personal injury or  
(14) (15)  
destruction of property.

Racketeering has many variations and ramifications. It can attach itself, like a barnacle, to any legitimate industry, business, or labor union which produces substantial profits for the unscrupulous elements involved. Over a period of years, many industries, businesses, and trade-unions in all sections of the country have been exploited by racketeers.

Labor racketeering is only one segment of racketeering, and it is as old as racketeering itself. As a rule, where any racketeering thrives, labor racketeering will also be found. Likewise, where general racketeering is nonexistent or insignificant, labor racketeering is also negligible.

C. Labor Racketeering Defined

The term "racketeering," as applied to labor-management relations, means the abuse or exploitation of an individual's position in the labor movement for his personal gain at the expense of workers or employers in industry, or both. Thus, a labor racketeer who has achieved a position of power in or over a trade-union uses such position for the purpose of personal profit rather than for the advancement of the union's legitimate objectives to benefit its members.

### III. HISTORY AND GROWTH OF LABOR RACKETEERING

#### A. Molly Maguires

Labor racketeering--even though it was not known by this term at the time--existed in the United States on a large scale even before there was any gangsterism as we know it today. Shortly after the Civil War, there appeared in the anthracite coal regions of Pennsylvania a secret society of Irish miners called the Molly Maguires, whose chief method of attaining better working conditions was murder.

Molly Maguires had operated in Ireland in the early 19th century, where they had murdered landlords and their agents for mistreating tenants. When the Mollies migrated to the United States in the 1850's and went to work in the Pennsylvania coal mines, they encountered social and economic conditions no better than those in the old country. Long hours, low wages, and poor working facilities were the rule, and fatal disasters frequent. There were no effective unions to aid them in improving their plight.

Under the stimulus of evil conditions, the Molly Maguires reorganized in Pennsylvania. Scores of mine bosses were assassinated.



Eventually, using the same violent methods, the Mollies invaded the political arena and began installing in office mayors and judges who were members of the Molly Maguires. They also killed labor leaders whose chickenhearted tactics they scorned, seized control of trade-unions, called strikes, and threatened with death any strikers who might have been tempted to return to work.

By the mid-1870's, the Mollies exercised power over large communities and murdered judges and district attorneys who ventured to prosecute Molly suspects. Then, in 1875, after a series of particularly gruesome killings, a Pinkerton detective, hired by a mine operator, went to work in the mines, joined the Mollies, gained the confidence of the leaders, and finally turned state's evidence. A number of Mollies were tried, and a score were hanged. Thus ended the first big labor racket in America in which violence was employed.

(17) (18)

#### B. Racketeering in Early Labor Movement

Corrupt practices were not unknown in the fledgling AFL during the 1880's and 1890's. With the growth of large-scale trade-unionism at the turn of the century, corruption became an important phenomenon of the labor movement, especially in the building and construction industry.

Because of the very nature of this industry, it was a "natural" for labor racketeers, who preyed on workers and employers alike. Occasionally, aggrieved persons would appeal to public authorities, and this resulted in court action and exposure of abusive practices of shocking proportions.

As the labor movement developed, old and successful malpractices became widespread and somewhat standardized, and many new features of corruption were introduced in some unions. Pilfering from union treasuries, despotism, nepotism, and favoritism increased. Misuse of union position for personal gain was resorted to by union officials at all levels. The use of kickbacks, the sale of jobs to preferential workers, and collusive agreements, later called "sweetheart" contracts, likewise became commonplace. (19)

C. First Labor Racketeers

1. Sam Parks

One of the first and most notorious labor racketeers to make his appearance in the United States was Sam Parks, who was the absolute ruler of the New York building trades between 1896 and 1903. Parks believed in only one organizing tactic--physical force--and he achieved remarkable results with it. By brute strength, he organized the Housesmiths, Bridgemen, and Structural Iron Workers' Union (hereinafter referred to as the Housesmiths Union), and by brute force he reduced his 4,000 iron workers to a state of complete subjugation.

If Parks did not attend to the recalcitrants personally, they were taken care of by Parks' gang of plug-uglies, who were paid out of the union treasury. A not unusual punishment for a member who asked too many searching questions was to knock him down and stamp on him.

Parks did not rely exclusively on force to sustain his power in the union. He dispensed favors and patronage to his loyal constituents. Needy workers could always get a loan from Parks, and he was more than liberal in setting up drinks in saloons. Every member of the union knew he was a racketeer, but so great was their fear of him that he had no difficulty keeping them in line.

The Housesmiths Union was exploited by Parks for his own ulterior purposes. While it is true that he helped boost the wages of the iron workers, he saw to it that his own pockets were well filled in the process. He exercised complete control over the union's finances, spending \$150,000 in the years 1901-1903 without an accounting. In addition, he used his union position to elicit bribes from employers. Although he had no other visible source of income than his \$48 weekly salary as a walking delegate, Parks deposited \$11,000 in his bank account in 1903 and showered diamonds on his wife.

When the Housesmiths Union joined the Board of Building Trades, Parks was selected as its president, and under his guidance it also thrived as a machine of corruption. Other racketeers besides Parks were represented in the inner circle of this organization. The Board of Building Trades practically controlled the building industry in New York City, for few employers were willing to run the risk of a sympathetic strike.

In the Summer of 1903, Parks was convicted of extorting money to settle a strike on the New York City water front and was sentenced to two and one-half years in Sing Sing Prison. In spite of his conviction, he was given a vote of confidence and his union salary continued during his incarceration. Parks, however, was soon released on a legal technicality. Shortly thereafter, he was again arrested for extortion, found guilty, and given an additional two years in prison. His power over the union was finally broken. Expelled from the union in the Fall of 1903, he died the following spring. (20)

## 2. Martin Madden

While Sam Parks was king of the building trades in New York City, Martin "Skinny" Madden reigned over the Chicago building trades. He gained a foothold in the building trades in 1896 as business agent of the Steamfitters Helpers' Union. By terroristic techniques, he soon forced the union to elect him president, treasurer, and business agent for life.

Elections in Madden's union were extremely simple. All those favoring him were asked to step to one side of the hall; all those opposed, to the other. Only one considered foolhardy dared to oppose him.

Industrial piracy was already rampant in the Chicago building trades when Madden arrived on the scene. After he had gained control of the Building Trades Council, Madden was able to run the entire building trades industry in Chicago. Members of the Board of Business Agents were mere pawns in his hands, and the president of the Building Trades Council became his mouthpiece.

Everyone--builders, contractors, and workers--was called upon to pay tribute to him. Under Madden's expert guidance, trade-union abuses grew with startling rapidity. He became the personification of graft, intimidation, and violence. Conditions soon became so intolerable that the building trades employers organized in 1900 to overthrow the tyrant.

During a lockout in 1900, Madden threatened, bullied, and rejected all compromises. By the Spring of 1901, the unions, exhausted by the long and arduous struggle, were compelled to make peace on the employers' terms. During the two years' duration of the agreement, the unions promised not to become members of a building trades council or any similar body.

Although Madden continued to dominate the building trades, he was never able to recover completely his prestige in the labor movement. In 1909, Madden and several other building trades labor leaders were indicted on charges of extortion, convicted, and given light fines. He (21) died in 1912.

### 3. Patrick Henry McCarthy

The West Coast racketeering counterpart of Parks and Madden was Patrick Henry "Pinhead" McCarthy, who exercised absolute domination over the San Francisco building industry from 1898 to 1922. Named president of the Building Trades Council in 1898, McCarthy consolidated his power so rapidly that, in 1909, he was elected mayor of San Francisco. One McCarthy administration proved to be enough for the voters of that city.

Misappropriated funds of the Building Trades Council and contributions from the public utilities provided him with ample revenue. Sometimes members of the unions affiliated with the council complained about the misuse of funds, but there was little they could do about it.

When circumstances dictated, McCarthy did not hesitate to interfere with elections. By manipulating votes, stuffing ballot boxes, and slugging opposition workers, he insured that only his friends were selected as union officers. A consistent policy of favoring its friends and punishing its enemies was pursued by the Building Trades Council. An amendment to the council's constitution in 1914 gave it the power to discipline individual members of local unions. Union men who aroused McCarthy's ire were deprived of their working cards, without which they could not find work anywhere in San Francisco.

Employers, as well as workers, were subject to McCarthy's despotism. He created an industrial court in which he was the judge and jury. If a contractor broke the union rule, he was served with a "summons" by a union bailiff, appeared before McCarthy, and was convicted and fined. To ignore a "summons" from McCarthy meant business suicide.

McCarthy was well versed in all facets of collusive agreements. The Building Trades Council and the Planing Mill Owners' Association had an agreement providing that finished lumber products could not be used in the San Francisco building industry unless they had passed

through local mills and bore the union stamp upon them. Importation of finished lumber products into the local market was thereby effectively barred. A similar monopoly in the brick industry raised the cost of bricks to such unreasonable heights that there was a marked decline in the use of bricks as a building material.

McCarthy boasted of being a friend of both labor and management, but this, in the end, proved to be his undoing. He openly opposed the Water and Power Act, a proposition to provide state-owned electric light and power, after the act had been endorsed by the Building Trades Council. When it was revealed in 1922 that McCarthy had received \$10,000 from the Pacific Gas and Electric Company for his services as a lobbyist, it was more than organized labor in San Francisco would stand. He resigned under fire as president of the Building Trades Council and turned in his union card.

D. Growth of Labor Racketeering

1. Hoodlums Enter Trade-Unions

Four vital components--dishonest labor leaders, unscrupulous employers, crooked politicians, and professional criminals--are present in every full-grown labor racket. Of



these four elements, only the last was lacking to complete the picture of corrupt unionism in the years just prior to the outbreak of World War I. This does not mean that hired thugs had not already appeared on the labor scene, but until then they had done their fighting almost exclusively on the side of management.

Few pacifists or disciples of the creed of nonviolence were to be found in the ranks of the infant trade-unions. Employer violence was matched by union violence. Dynamite, arson, and murder were all deemed proper weapons in labor's long, fierce struggle to achieve its independence.

By 1915, hired thugs were considered to be an indispensable ally of organized labor. The unions soon discovered, however, that gangsters did not accept temporary work. Once hired, no one dared to discharge them. Not all of them were content with playing a minor role. They aspired to bigger and better things, and by terroristic tactics many actually elevated themselves to union offices. Others were satisfied to remain in the background and be the power behind the scenes. By 1920, several unions were controlled by gangsters.

From 1912 to 1920, labor racketeering developed with amazing rapidity throughout the country. Extortionists, blackmailers, and gangsters in the guise of labor leaders betrayed the workers and victimized the public at every turn. Yet, the heads of the AFL stood by and did nothing. Labor racketeering spread from New York City to Chicago, San Francisco, Cleveland, and other industrial centers. With no one to check it, union corruption grew and flourished. (23)

## 2. "Dopey Benny" Fein

A hoodlum named "Dopey Benny" Fein has the dubious distinction of being the first prominent labor gangster in this country. Before World War I, "Big Jack" Zelig, "Pinchy" Paul, and "Joe the Greaser" Rosenzweig had become the official strong-arm men for the various needle workers' unions in New York City. In 1913, Zelig was killed, and Rosenzweig murdered Paul. Fein thereafter seized the gang leadership and put union gangsterism on a business basis.

A clearinghouse arrangement was devised by which cash transactions were avoided between the different gangs. When Fein obtained contracts to wreck shops or maim individuals outside of his own bailiwick in lower Manhattan, he turned the job over to some

other gang. In return, he would undertake any task in his own territory for which a contract had been obtained by other gangs. Each gang did the work assigned to it by some other gang as a reciprocal courtesy.

Fein did everything in a business-like manner and adhered to a standard scale of prices for the work performed by his hirelings. For instance, his price for raiding and wrecking the largest shops in the clothing and needle trades was \$600. For invading a factory for the purpose of throwing an objectionable manager or foreman down an elevator shaft or breaking his arm or thumb, the fee was \$200.

Employers and foremen were not the only ones who lived in fear of Fein's hoodlums. To maintain their power within the unions, many labor leaders hired goons to assault the rank-and-file members and others who menaced their thrones. Two special "courts" were held by the gangsters to hear offenses against the union. One "court" heard petty offenses, and the other, major offenses.

Punishment meted out by these "courts" included sentencing an unfortunate culprit to have his thumb broken so that he could no longer work in the needle trades, or to have his ear slashed as a lesson in humility. In extreme cases, the "court" saw fit to resort to capital

punishment. During a general needle trades strike in 1910, one worker accepted a job in a nonunion plant. He was summoned before the "court," condemned as a scab, and later clubbed to death.

Fein's operations were not confined to New York City. His notoriety spread and became nationwide, and he received contracts to intimidate employers in Philadelphia, Cleveland, and other large cities.

By his own volition, Fein brought his gangster career to a close in 1915. Believing that he had been double-crossed, because the unions refused to provide bail when he was arrested, Fein delivered a full confession to the district attorney. As a consequence of his confession, indictments were lodged against a number of gangsters and union officials, although they were never brought to trial. (24)

### 3. Robert Brindell

One of the most successful labor racketeers during this period was Robert Brindell, who schemed to bring all the building trades unions in New York City under his domination. His initial move was to affiliate his union--the Dock and Pier Carpenters Union--with the United Brotherhood of Carpenters and Joiners of America. Depending on the support of the carpenters, Brindell then built his

machine among the conservative trade-union officials. Finally, in 1919, Brindell transformed the old Board of Business Agents into a Building Trades Council, which was granted a charter by the Building Trades Department of the AFL. Brindell had himself elected president of the council for life.

The Building Trades Employers' Association saw in Brindell a tool for the furtherance of its own corrupt goals. Through this association, some 15 contractors and manufacturers had, since 1916, monopolized the New York City building supplies market. To sustain these monopolies, the cooperation of organized labor was necessary.

In 1919, the Building Trades Employers' Association entered into an agreement with the Building Trades Council whereby association members were to use none but Brindell workers. Brindell men, in return, were to work for none but members of the association. With this club in his hand, Brindell was able to begin his career of systematic plunder.

In order to avoid trouble with Brindell, owners, builders, and contractors would consult with him or await his instructions before letting a contract. On his part, Brindell would designate the contractor

who was prepared to pay him the largest bribe. One company official, to forestall labor strife on a \$40,000,000 project his firm was handling on the New York City docks, paid Brindell an "insurance premium" of \$50,000. Brindell was a mercenary individual and his strikes were almost in every instance holdup strikes called for the sole purpose of obtaining payoffs from employers.

Tribute from workers, together with graft from employers, swelled Brindell's enormous income. From the 5,000 men in his own union, Local 1456 of the United Brotherhood of Carpenters and Joiners of America, he received a personal fee of 50 cents a month under a life agreement. One dollar was collected each month from the 115,000 members of the Building Trades Council. Brindell exacted \$90,000 in initiation fees from the 1,800 members of his House Wreckers' Union, who also contributed \$10,000 in dues. "Privilege to work" cards were issued to 300 nonunion men at a weekly fee of ten dollars. Even the 136 business agents were compelled to pay Brindell \$14,000 in annual dues. Brindell once confided that he had realized \$2,000,000 from the labor movement.

Brindell's lust for graft and the employers' greed ultimately caused his ruin. Not content with a mere 25 or 40 per cent additional

profit, builders and contractors had elevated the cost of construction from 100 to 300 per cent. Building came to a virtual standstill. New York City's housing crisis was no longer a matter of strictly local concern. Finally compelled to take cognizance of the corruption in the New York City building trades, the New York State Legislature empowered the Lockwood Committee to investigate the high cost of construction in New York City.

Brindell was eventually indicted for extortion in November, 1920, convicted, and given five to ten years in Sing Sing Prison. His associates were convicted of the same offense and also received jail sentences.

(25) (26)  
Paroled after four years, Brindell died in 1927.

#### 4. Legislative Investigations

##### a. Lockwood Committee

The Lockwood Committee of the New York State Legislature lifted the lid over the cesspool of graft which Brindell and the Building Trades Employers' Association had created in the New York City building trades. The revelations of the intolerable conditions uncovered stirred up considerable public indignation. Following its investigation, the Lockwood Committee made three specific recommendations to rectify abuses:

1. In order to protect union members against the misappropriation of their funds and to secure accountability to them by their officials for the use of such funds, union constitutions should be amended to require that accurate books of account be kept in which all receipts and disbursements were to be entered and accounted for.

2. All provisions contained in existing contracts between unions or associations of unions, on one hand, and employers' associations or associations of employers, on the other hand, giving preferential treatment in the supplying of union labor, were to be forthwith cancelled and all future contracts of that nature were to be expressly forbidden.

3. Any delegate or business agent who was convicted and served a prison sentence for extorting money from employers or for otherwise using his position to coerce employers was to be made ineligible for future appointments or election to that post.

Mild as these recommendations were, the unregenerate union leaders refused to make even a pretense of carrying them out. They did nothing to eradicate any of the numerous corrupt



practices unearthed and enumerated by the Lockwood Committee. On the contrary, both labor and management united in an attempt to discredit the committee. In its final report in 1923, the Lockwood Committee was forced to admit complete failure in its efforts to secure union cooperation in the drive against labor racketeering.

The only alternative was regulatory legislation. Thus, early in 1923, legislation was proposed that a state commission be created to regulate and supervise the constitutions, bylaws, regulations, and practices of trade-unions. Organized labor, Tammany Hall, and many liberals--who honestly feared that legislation of this nature might prove oppressive--united in an aggressive attack against the bill, causing its defeat.

But the Lockwood Committee's revelations were not without their effect on organized labor. Unionists throughout the country began to doubt the integrity and value of their organizations. Some succumbed to the open-shop drive undertaken by the employers, and, between 1921 and 1923, the AFL lost over a million members. (27) (28)

b. Dailey Commission

Bad as conditions were in New York City after World War I, they were worse in Chicago. Chicago's building industry was strangled

by a criminal alliance between dishonest labor leaders and crooked contractors. Racketeering was so rampant and flagrant that the Illinois Legislature finally found it necessary to appoint the Dailey Commission to inquire into the building scandal.

In most respects, the findings of the Dailey Commission paralleled those of the Lockwood Committee. The Dailey Commission discovered that between 1912 and 1920 hardly one building was erected in Chicago which did not pay its toll to labor racketeers. Graft was not the exception but the rule. Millions of dollars were collected each year by spurious business agents. Union labor was exploited by corrupt officials who resorted to murderers, bomb throwers, and strong-arm men.

Employers in Chicago were as thoroughly unscrupulous as the representatives of organized labor. Many labor racketeers could never have attained power without the active support of dishonest employers. Contractors frequently financed the campaign of their favorites for union office in order to have as heads of unions men whom they could manipulate for their own devious interests. Many a business agent traveled to a union convention at his boss's expense. The builder who did not have one or two pet union leaders on his payroll was the exception.

For every cent they expended in graft, employers expected--and usually received--something of value in return. Strikes were called against competitors and monopolies were maintained. Criminal partnerships of labor and management flourished in Chicago as in New York City. Collusive agreements and combinations existed in the brick, lumber, millwork, glass, sheet metal, heating, plastering, excavating, and plumbing industries.

So entrenched and so confident had the crooked labor-management combine become that its members defied prosecution with impunity. Witnesses were intimidated not merely by threat of injury to person and property, and even loss of life, but also by threat of discharge from employment, boycott, ostracism, and isolation.

Eventually, however, the Dailey Commission's findings bore fruit and over 200 labor racketeers were indicted and tried. Forty were convicted of extortion and conspiracy. This broke up the labor rackets for a while and enabled the great building boom of the 1920's to get under way. But as building hit its stride and the demand for labor rose, most of the old rackets came back to life. In less than five years after the Dailey Commission investigation, the majority of Chicago's important unions were taken over by such hoodlums as "Scarface" Al Capone, Murray "The Camel" Humphreys, Roger "The Terrible" Touhy, and George "Red" Barker.

## 5. Arnold Rothstein

After World War I, the first czar of the labor rackets was Arnold Rothstein, of New York City. The son of a wealthy, respectable dress manufacturer, Rothstein had once been a salesman for his father's firm, but gave up this job for a career of crime. Most notorious as a gambler, Rothstein was linked with the 1919 World Series baseball bribe scandal.

By the mid-1920's, Rothstein was the overlord of a host of gambling, labor, narcotics, stolen goods, and prostitution enterprises. He also had a legitimate real estate business, from which he derived a considerable income. Rothstein's vast wealth--estimated at anywhere between two and ten million dollars--enabled him to consort with leading figures of the business, political, social, and entertainment worlds and thereby become a Broadway celebrity.

Among his multifarious criminal activities, Rothstein developed and maintained a flourishing and lucrative racket supplying gangsters to both employers and unions alike in the New York City garment industry. Employers hired his goons to break picket lines, while union leaders used his gorillas to combat employers' thugs and to



Arnold Rothstein



"Scarface" Al Capone



Murray "The Camel" Humphreys



Roger "The Terrible" Touhy



Louis "Lepke" Buchalter

Some Prominent Labor Racketeers  
of the 1920's and 1930's

throw stink bombs into lofts. On special, necessary occasions, Rothstein "fixed" the police so that they would not club strikers. For his labor services, he received fees reputedly running into hundreds of thousands of dollars.

Rothstein was shot in a mid-Manhattan hotel\* and died in a nearby hospital in November, 1928, allegedly for his failure to settle \$300,000 in gambling debts. He left a pernicious legacy. The hoodlum elements that Rothstein had introduced to the garment center remained to become powers in the industry and in the rackets. They were to defy subsequent efforts to dislodge them.

#### 6. Al Capone

During the Prohibition era, the gangster became a national figure, and racketeering was elevated to the position of one of America's most profitable industries. Through bootlegging, gangsters attained wealth and power far beyond their fondest dreams. "Scarface" Al Capone was the chief beneficiary of this lawless period. His infamy made international legend.

\*By a coincidence of fate, another infamous racketeer, Albert Anastasia, met a similar violent end in this same hotel in October, 1957.

Capone, a native of Italy, was brought to New York City as a child by his parents. In his teens, he became a member of the notorious Five Points gang in New York City. When Johnny Torrio, another member of the same gang, gained the leadership of a city-wide bootlegging syndicate in Chicago in 1920, he hired Capone as one of his killers. Capone soon proved himself to possess outstanding organizing skill as well as qualities of leadership and ruthlessness. After being ambushed and nearly killed in 1925, Torrio "retired," leaving Capone in command.

Capone and other Chicago gang leaders ruled their realms like despots. When labor leaders and employers alike encountered difficulties, they appealed, not to the legally constituted authorities, but to the all-powerful gang chieftains. The case of Morris Becker, an independent cleaner and dyer, illustrates the sinister influence exerted by these hoodlums.

Becker had been a victim of a monopoly which existed between the Master Cleaners' and Dyers' Association and several cleaning and dyeing unions. Prices were fixed by the association and each master cleaner was given a territory. If shop owners refused to patronize the master cleaners to whom they had been assigned by the racket, union truckmen would not pick up their garments.

Similarly, stubborn members of the association were not only subject to stiff fines for price cutting and other violations of association rules, but they could not get union truckmen to drive their trucks. If these measures did not keep dissenters in line, sterner penalties were inflicted by the association. Acid was poured on clothing, trucks overturned, windows smashed, and shops and plants bombed in an effort to crush habitual offenders.

Becker at first appealed to the authorities for protection but got nowhere. Finally, in desperation, he appealed to Capone for assistance. Subsequently, when Becker announced that Capone had become his "partner," his troubles vanished immediately, as the mere mention of his new business "associate" produced a miraculous effect on all who heard it. Hoodlums employed by the Master Cleaners' and Dyers' Association kept their distance. (42) (43)

Repeal of the Prohibition Amendment in 1932 dried up the main revenue of the bootleg empires built up by Capone and other underworld leaders. A new source of income had to be found to replenish gang coffers.



During Prohibition, labor racketeering had amounted to a minor side line for Capone and his cohorts, but it was inevitable that they should turn to labor racketeering to bolster their diminishing revenue. They knew from firsthand experience that corrupt unionism, in combination with criminal conspiracies, would provide handsome profits. Capone and his fellow gang leaders decided to cut into the graft of so-called legitimate labor leaders and trade associations.

In the roaring 1920's, the gangsters had learned that transportation is a fundamental of military strategy. With this in mind, the racketeers made their first point of attack the transportation unions. One by one, the unions of truck drivers, coal teamsters, milk wagon drivers, oil wagon drivers, pie wagon drivers, municipal teamsters, tire vulcanizers, and garbage collectors came under the iron grip of such gang leaders as Capone, Murray "The Camel" Humphreys, George "Red" Barker, and Roger "The Terrible" Touhy.\*

The racketeers' entry into the ranks of organized labor was by no means peaceful. Grafters and gangsters already entrenched in the

\*Touhy was ambushed and killed by assassins in Chicago in December, 1959, only 23 days after he had been paroled. He had served nearly 26 years of a 99-year prison sentence for kidnaping and a 199-year sentence for a prison escape.<sup>44</sup>

unions had no intention of sharing their wealth and offered active resistance. Open warfare ensued and Chicago became a bloody battlefield, with the racketeers the eventual victors.

There were few industries--large or small--that did not feel the impact of labor racketeers through their control of trade-unions. For example, armed with an AFL charter, hoodlums organized a florist racket. Florists and their employees were driven into a union whose only purpose was to provide money for the criminal combine.

By the early 1930's, two thirds of the unions in Chicago were estimated to be controlled by or to be paying tribute to Capone's organization itself. Many of these, of course, had been rackets before Capone and his ilk had appeared on the scene, but the majority were converted to that status by Capone and his fellow racketeers.

The workers and the unions controlled by Capone and other racketeers in Chicago were infinite in their variety. They included: laundry, cleaning and dyeing, linen supply, bakers, carbonated beverages, barbers, excavating, flour, tobacco, ice, beauticians, roofing material, garages, dairy products, building wrecking, circular distribution, ice cream, furniture storage, kosher meats, machinery moving,

railway express, janitors, window washers, electrotyping, motion-picture operators, hod carriers, common laborers, building service, engineers, bartenders, waiters, and retail clerks.

It was no surprise that not all labor leaders and businessmen were hostile to gangster control. Some businessmen, especially those in the service trades, actually welcomed hoodlum domination as a solution to the ever-present problem of price cutting and cutthroat competition.

Although Capone inspired savage gangland wars in Chicago, in which nearly 300 died by the knife, shotgun, machine gun, pistol, explosives, and other lethal means, he remained immune from prosecution for his multitudinous murders and crimes. He was finally brought to book, in the early 1930's, on the charge of evasion of income taxes amounting to around \$215,000. For this, he was convicted and sentenced to ten years in prison and fined \$50,000, with \$20,000 additional for costs.

Capone was released from prison in November, 1939, and died of  
(45) (46) (47)  
natural causes in January, 1947, in Miami Beach, Florida.

## 7. Louis Buchalter and Murder, Inc.

Louis "Lepke" Buchalter was Arnold Rothstein's infamous successor in New York City's labor rackets. As head of and the genius behind the so-called Murder, Inc., a vast organization of racketeering, vice, and wholesale murder, he became a legendary character.

Buchalter, who was a native of New York City, started his criminal career as a youth by stealing from pushcart peddlers and delivery wagons on the East Side. His close associate in crime during this period was Jacob "Gurrah" Shapiro, later to be his chief lieutenant in Murder, Inc. By the time he was 20 years of age, Buchalter had already served a prison term for larceny.

In the early 1920's, Buchalter and Shapiro teamed up as free-lance goons, selling their services to the highest bidder in industrial disputes. Within a few years, Buchalter had built up a thriving business supplying assorted hoodlums to unions and employers alike in industrial conflicts. As long as they received their stipulated fees, Buchalter and Shapiro did not care whether they worked for labor or management.

Buchalter's criminal enterprises multiplied and prospered. In his heyday--the 1930's--it was estimated that Buchalter had some 250 illicit projects functioning at the same time, staffed by an army of henchmen, including trigger men, strong-arm men, industrial saboteurs, and accountants. The incomes of Buchalter and Shapiro were reputed to be as high as \$5,000,000 a year.

The system utilized by Buchalter for gaining control of trade-unions was singularly simple and effective. A labor leader, for instance, would request Buchalter to take care of objectionable elements in his union. After Buchalter's gorillas had taken appropriate action to quell the rebels through intimidation or mayhem, Buchalter would order his men to remain in the union.

In due time, Buchalter would install his own officers, and the labor leader who had called on him to intercede would be in no position to protest. Eventually, of course, Buchalter would force an increase in dues which went into the treasury of Murder, Inc. In subsequent union elections, the rank-and-file members were kept in line by Buchalter's strong-arm men who guarded the ballot boxes. If a union's membership revolted, goons went into action with fists and blackjacks. Those who complained to the authorities had acid dashed in their faces.

Buchalter forced his way into industrial concerns in a similar fashion. Manufacturers who had used his gorillas as strikebreakers soon found that they had taken Buchalter on as an "associate." Those who tried to resist would have their stocks ruined by acid throwers. When a plant owner weakened, Buchalter would place his henchmen in the factory as foremen, managers, or shop assistants, plus a bookkeeper to see that he was not cheated. Ultimately, Buchalter would dictate to plant owners where they might send their outside work on contract. Naturally, he received a percentage from the contractors as a kickback.

The story of the take-over of the flour industry in New York City by Buchalter illustrates how he operated. The union in the flour trucking industry--a local of the Teamsters Union--was already taking orders from Buchalter. Buchalter summoned one of the heads of the industry and informed him that henceforth, he, Buchalter, would be his "partner." Buchalter then established the Flour Truckmen's Association. This labor-management monopoly was thereupon invoked to Buchalter's advantage. Strikes were called against all employers who refused to join the association or pay tribute to Buchalter. Employers were compelled to pay shakedowns of over \$1,000,000. The price of flour trucking soared.

The flour trucking racket absorbed the pastry and pie divisions of the bakery industry. Buchalter then formed the United Cake, Pastry, and Pie Bakers' Association. Bakers who ignored the association or failed to live up to its price schedules had their trucks burned or their plants picketed. It was a question of surrendering to the association or being driven out of business.

Buchalter also became an important figure in the rich fur dressing industry. In 1932, employers founded the Protective Fur Dressers Corporation and the Fur Dressers Factor Corporation to compel dressers to pay high fixed prices for services and stifle competition. Buchalter was hired to direct the campaigns of depredation and violence and to furnish the strong-arm squads enforcing the demands of both these corporations.

Officials of the fur unions were "persuaded" to cooperate in the conspiracy by a promise of higher wages for the workers. Unions and employers were kept in line by anonymous threatening telephone calls, assaults, stench bombings, acid throwings, explosions, kidnapings, and even murders.

During the years that Murder, Inc., terrorized New York City, Buchalter was successful in subjugating a number of trade-unions. His

criminal empire controlled unions comprising clothing workers, leather workers, bakery and pastry drivers, motion-picture operators, flour truckers, clothing truckers, fur dressers, and milliners.

Buchalter's mercenaries held thousands of union members and employers in thrall. Their weapons were destructive acids, fire, bludgeons, blackjacks, knives, ice picks, and pistols. Buchalter's gunmen were among the most sanguinary in the annals of crime. It is estimated that during its grisly existence, Murder, Inc., was responsible for between 60 and 80 murders. The victims were shot, stabbed, garroted, burned with gasoline, or buried in quicklime.

For years, it seemed that Buchalter, Shapiro, and their associates in crime were beyond the law. Buchalter had an amazingly simple system for safeguarding himself from successful prosecution-- he merely killed potential witnesses or frightened them into leaving town. Thus, it was not until the late 1930's that members of Murder, Inc., were brought to the bar of justice. One by one, the racketeering enterprises which Buchalter had constructed were demolished through the vigorous, unremitting prosecution of those involved.



Buchalter went to his death in the electric chair at Sing Sing Prison in March, 1944, along with two henchmen, for the 1936 murder of a Brooklyn shopkeeper. Shapiro died of heart disease in June, 1947, in the same prison, where he was serving a 15-years to life sentence for extortion (48) (49) (50) (51) (52) (53) (54) and conspiracy.

#### 8. Purple Gang and Other Racketeers

Elsewhere throughout the United States, criminal groups found labor racketeering to be extremely profitable. The Purple gang, which flourished in Detroit from about 1925 to 1936, engaged in a variety of criminal activities, not the least of which was labor racketeering. The Purple gang "muscled" into the cleaning, dyeing, and coal industries and then the building trades industry, through the Plumbers' Union. In connection with its labor racketeering activities, the Purple gang is (55) (56) (57) reputed to have inflicted \$500,000 worth of property damage in 1930 alone.

In Cleveland, even funerals became the object of racketeering. Racketeers formed an undertakers' association which they forced undertakers to join. If an undertaker used any of his own limousines or permitted private cars to be driven in a funeral procession, that mortician would be precluded from using cars provided by the association and would be unable to obtain the services of union chauffeurs for his own vehicles.

Violence was employed against those who persisted in flouting the association's authority. Cleveland racketeers set fire to the garage of one recalcitrant undertaker, destroying \$18,000 worth of vehicles and nearly ruining his business. Hoodlums did not hesitate to break up non-association funerals and throw the caskets into the street. (58)

As we have seen in this monograph, by the outbreak of World War II, labor racketeering had seriously infected the trade-union movement in the United States. In the years since, it has spread like cancer until it threatens the very main stream of American labor.

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