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FEDERAL SUPPRESSION OF LABOR
RACKETEERING:

A REPORT†

*by**Honorable Herbert Brownell, Jr.**

DURING the past two years the Department of Justice has engaged in a most strenuous effort to enforce the federal criminal laws against parasitic racketeers who in many parts of the country have infested and poisoned the relations between business management and labor. Hoodlums and gangsters have attempted to infiltrate and capture control of business on the one hand or of labor on the other, or both. Whenever and wherever this has happened it has always been accompanied by ruthless extortions from business and exploitation of the union rank and file for the personal enrichment of those in control. The interests of the public have been disregarded and the legitimate interests of both labor and business have been sacrificed.

There are three laws which constitute the principal weapons in the armory of the Department of Justice in combatting this kind of racketeering. Two of them apply directly; the third indirectly. The first of these is the federal anti-racketeering statute, originally enacted in 1934, and often referred to as the Hobbs Act.¹ The second is section 186 of the Labor-Management Relations Act, passed by Congress in 1947 and usually called the Taft-Hartley Act.² The third, which applies indirectly, is the federal income tax law.

Two different types of cases are encountered so frequently as to be typical of violations of these laws. First, there is the case, covered by the Hobbs Act, where a racketeer who is control of a labor union as an official demands a "pay-off" from an employer,

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* Attorney General of the United States.

¹ 18 U. S. C. § 1951 (1948).

² 61 STAT. 136, 29 U. S. C. § 141 *et seq.* (1947).

usually in the form of cash, for his own personal enrichment under threat of damaging the employer with strikes, slowdowns, or violent injury to his property, person or family. Such a case amounts to extortion.

The second situation, covered by section 186 of the Taft-Hartley Act, is where a crooked employer induces a union official to betray and sell out the interests of his union members in return for cash or other bribe for his personal benefit.

Both situations involve the payment of money in secret and usually when that occurs the receipt of the money is not declared for income tax purposes. That is why investigation of such cases not infrequently results in a prosecution for income tax evasion.

In the Bianchi racketeering case,⁸ decided as recently as February 10, 1955, the Court of Appeals for the Eighth Circuit described the effect of these laws on the interests of union workers:

The Act covers no action by a labor leader honestly acting for the members of his organization. It does cover the compulsory payment of graft to a labor leader for his own individual enrichment. Thus, construed, the Act is clearly as protective to labor organizations and their membership as it is to employers. The payment of graft to a labor leader is, clearly, the purchase of his loyalty to his organization. The result is betrayal of his organization. Labor is likely to suffer more through such a sell-out than the employer who, willingly or unwillingly, pays the bribe. By punishing the traitorous leader who uses his power for his personal enrichment at the expense of his organization, the Act truly is at least as protective of the employees as it is of the employers. The Act makes such a betrayal hazardous.

In the little more than two years since January, 1953, there have been approximately 56 Anti-Racketeering indictments charging 126 defendants. Trial of 18 of these indictments has resulted in the conviction of 39 defendants. In two other trials the jury failed to agree and the case will have to be retried. Three indictments have been dismissed. The remaining 33 cases are on active calendar and will be tried in due course. During this same two-year period there have been 14 indictments charging 23 defendants with violating section 186 of the Taft-Hartley Law. Four of

⁸ *Bianchi v. United States*, 219 F. 2d 182 (8th Cir. 1955).

them have been tried resulting in seven convictions, one has been dismissed and the remaining nine are awaiting trial.

Since January 1953, at the request of the Department, the FBI has undertaken about 1,400 investigations of possible violations of these two laws and is continuing to open new cases at the rate of approximately 50 per month. These cases have originated in such far-flung cities as St. Louis and Kansas City in Missouri, East St. Louis, Springfield and Chicago in Illinois, Detroit, St. Paul, Cleveland, New Orleans, Boston, Pittsburgh, Los Angeles, Seattle, Las Vegas, New York City, Jersey City, Providence, Louisville and Washington, D. C.

The region around St. Louis, on both sides of the river, is a good example of what we found. The construction industry in the whole area was subject to a reign of terror because a handful of outright thugs and gangsters had forcibly seized control of certain key labor unions.

A St. Louis grand jury, impaneled to investigate these conditions in the spring of 1953, after returning a number of racketeering indictments, filed a presentment with federal District Judge George H. Moore which well describes the condition in the community revealed to them by the evidence they had taken. Included in the Grand Jury's report was the following:

Working men have suffered irreparable losses due to the irresponsible leadership of their unions.

Business men too have suffered losses which can never be regained.

These losses have resulted in a general financial debility in the area because of decreased purchasing power, both by individuals and businesses.

These workers and businessmen not directly connected with the despicable shakedown racket have suffered too, simply because they are unfortunate enough to live in a community which permits this racket to operate.

Even worse, new industry cannot be attracted to a community where there is a possibility that it will be subjected to labor difficulties from the start.

Firms long established in St. Louis, no matter how excellent their products, find it increasingly difficult to obtain orders. Their customers are hesitant about buying from companies who may be unable to keep delivery dates because they might be tied up by strikes.

Worst of all, military orders, so necessary to the defense of this nation

and the promotion of freedom throughout the world, have been and can be seriously impaired.

This is truly a vicious circle — vicious in the strongest meaning of the word.

In southern Illinois and southern Indiana conditions were no different except that there was an even greater centralization of extortionate power. The conditions, with some justice, might be described as the development of a new feudalism, for no feudal lords ever exploited their serfs with any greater ruthlessness and selfishness than did the two leading labor racketeers in that area.

Without doubt the most powerful racketeer in Southern Illinois was Evan Dale, President of the Southern Illinois District Council of the Hodcarrier's and Common Laborer's Union. He had ruled his union for years with dictatorial powers, accountable to no one. In the course of attempting to negotiate an extortionate payoff from a contractor's representative, Dale described himself in the following language:

I am a Chicago boy. When I left Chicago I threw away my shovel for a blackjack and I have been using it effectively ever since. I came to Southern Illinois 15 years ago to carve out an empire. I have carved out an empire. I have 38,000 laborers and 28 business agents under me.

A racketeer of similar arrogance was in control of southern Indiana. This was Orell B. Soucie, business agent for the International Union of Operating Engineers, whose own people nicknamed him "The Duke of Indiana" as descriptive of his attitude and treatment of them.

Suffice it to say that there were many other communities in 1953 infested with similar industrial and labor racketeering.

The course followed in the St. Louis region is typical and I will again use that area as an example. The Department of Justice began early in 1953 by requesting the FBI to undertake a broad investigation of alleged violations of the Hobbs Act and of the Taft-Hartley Law on both sides of the river. Full advantage was taken of the grand juries impaneled by Judge Moore in St. Louis and by Judge Fred L. Wham in the Eastern District of Illinois by calling before them recalcitrant witnesses who refused to give information to the investigating agents or refused to make cor-

porate or union books and records available for inspection. The Department also dispatched to St. Louis and to East St. Louis its most experienced trial attorneys in the Criminal Division to assist the United States Attorneys in every way possible.

With such resources on the spot it might well seem to be a simple matter to prosecute and convict the racketeers responsible for these evil conditions in Missouri, southern Illinois and Indiana. Nothing could be farther from the truth. From the outset these cases were beset with difficulty.

In the first place, there was great uncertainty about the law. There had been so few cases in previous years that there was little in the way of judicial construction of the statutes to serve as a guide.

Also there was the constant problem presented by the limited jurisdiction of the federal government in cases of this type. In developing a case it was necessary not only to secure evidence of racketeering, extortion, and bribery but also to prove its interstate aspect in order to establish the application of the federal law and the jurisdiction of the federal courts.

Greater than all other problems, was the very natural reluctance of the victims of extortion, or the participants in bribery, to come forward and testify. The rank and file members of the unions individually felt that they were utterly dependent for employment on the racketeers who had seized control of their organizations. Many of them dared not challenge the power of the racketeer by testifying or even giving information for fear that if they did so they would be out of employment and permanently deprived of a livelihood. They also had good reason to fear physical violence as well.

Contractors who had been victimized were in no better case. They were afraid that if they gave evidence about extortionate payoffs they had been forced to make they would be blacklisted by the unions and would become the objects of wholesale reprisals in the form of strikes, slowdowns, sabotage and violence to the person.

It took a vast amount of time and effort on the part of the FBI and Treasury agents and the several federal attorneys who worked

upon these cases to gain the confidence of workers and contractors alike who knew the facts and who could supply the testimony that was essential to send these racketeers to jail. It is a great demonstration of the skill, tact and persistence of these public servants that they have been successful in their efforts in so many instances.

In the St. Louis region, there have now been tried and convicted in federal court a substantial number of defendants charged with racketeering offenses, including racketeers of major importance.

One of the first was Paul Hulihan, who was convicted in January 1954, together with others, of conspiring to obstruct interstate commerce by attempting to extort \$50,000 for his personal benefit from a St. Louis contractor under threat of labor trouble if the money was not paid. In the same case he was also convicted on a charge of having successfully extorted money from other contractors engaged in interstate commerce. The evidence showed, indeed, that such shakedowns were a regular thing with Hulihan. Upon conviction, Judge Moore sentenced Hulihan to serve 12 years in the penitentiary and to pay a fine of \$8,000. The Government has won the appeals, the judgment is final and Hulihan and his confederates are in the penitentiary serving their terms.

Another important St. Louis case resulted in the conviction last July of a labor racketeer named Callanan, together with five associates on charges of conspiracy and extortion from a contractor engaged in laying an interstate pipe line. In this instance the defendants had threatened strikes, slowdowns, feather-bedding and jurisdictional disputes unless the contractor paid them \$29,000 for their own pockets. The money actually was paid through the use of false invoices from a dummy partnership organized by the defendants for the ostensible use of equipment which the contractor never received.

A side issue in this case was an attempt by Callanan and one of his henchmen to induce a material government witness, through bribery and intimidation, to evade service of process and leave the jurisdiction until the trial was over. But the missing witness was located in time to appear at the trial. As a result of this, Callanan's henchman was subsequently tried and convicted for his

part in the matter in the Federal District Court in Oklahoma on a charge of obstruction of justice.

The sentence imposed by Judge Moore on the defendants in the Callanan case is not without interest. Four of the defendants were sentenced on the first count of the indictment to terms of imprisonment for 12 years. The fifth defendant was sentenced on the first count to 10 years. On the second count, upon which all had likewise been convicted, Judge Moore placed them all on probation for a period of five years, not to commence, however, until after their terms of imprisonment on the first count had expired, and upon condition that during the five years they hold no office of any kind in any labor organization.

During the Callanan case, it was learned that he had compelled the members of his union to contribute to a so-called "political fund" of which Callanan was the sole custodian. After he was in jail it was discovered that Callanan had spent the largest part of this union fund to defend himself against the criminal charges upon which he was convicted.

In December 1954, in East St. Louis, Illinois, Evan Dale, the self-described "empire builder," quoted above, and an associate named James Bateman were convicted of conspiring and attempting to commit the largest extortion on record. These men had demanded the payment to them by the Ebasco Services, Inc. of New York, as the price of labor peace, one per cent of the entire amount of the Ebasco contract to build a power plant for the United States Government at Joppa, Illinois. This demand amounted to \$1,030,000 in cash. When the money was not forthcoming, Dale plagued Ebasco with eighteen months of jurisdictional strikes, sabotage of equipment, violence to workers, and every conceivable kind of intimidation. The trouble was so bad and lasted so long that eventually Ebasco was forced to relinquish the contract to another firm.

Dale's campaign of sabotage and terrorism has caused a dead loss to the United States, in the form of increased construction costs, estimated at the trial to be \$58,000,000. But for all his boasts and all his power, Dale and Bateman were both convicted

and Federal District Judge Wham imposed a sentence of fifteen years imprisonment and a \$10,000 fine upon each.

With these examples before him, Orell B. Soucie, the "Duke of Indiana," quit without a fight. Having been indicted with two associates on racketeering charges in the Southern District of Illinois, and having pleaded not guilty, all three defendants, on the eve of trial, unexpectedly entered pleas of guilty to the main counts in the indictment. On March 29th, when Federal District Judge Casper Platt sentenced the "Duke" to five years imprisonment and a \$10,000 fine, he castigated him for having betrayed the confidence of the men in his union and for having used his position of trust to enrich himself at their expense. He told Soucie he was unfit to represent the labor movement in this country.

These cases that have been particularly described have all come from the region of St. Louis. But there are many equally important cases handled by the Department with similar success in most of the cities enumerated earlier. New York requires special mention since there have been thirteen hoodlum labor leaders convicted on racketeering charges from the waterfront alone, including Joe Ryan, president of the International Longshoremen's Association, and sixteen more labor racketeers or corrupt employers from the waterfront are now awaiting trial on racketeering charges.

The growth of labor racketeering demonstrates once more that to meet American standards the law must apply to all alike. The necessity of treating with those who flout the law arises mainly from the need to be fair and just toward those who willingly obey and rely upon the law for the preservation of their security and freedom. There can be no equality under the law, and no fairness and no justice to those who obey, if violations go uncorrected. To handicap and penalize the obedient by ignoring the disobedient will, if long continued, bring an end to law.

Justice, in a broad sense, includes all the means and processes by which the American form of government maintains a system of order—a system which is designed to enable us to live together in a complex society with a maximum of personal freedom. Our system of government was founded in the belief that the true purpose and values of life may not be attained through subjection

to a person or class but can be achieved only through personal freedom with liberty to men and women as individuals to make their own choice and to shape their own lives. Our conception of the proper administration of criminal justice is based on this belief. The objective of the criminal law in America is neither revenge upon nor expiation for the criminal—still less is its purpose to crush political opposition. In our system the function of the criminal law is to supply the force necessary to protect the general welfare against those who would disturb it and to preserve that state of order which alone makes possible the exercise of liberty. The criminal law, as exemplified by the cases discussed here, is the defender, not the enemy, of individual liberty. It is the shield of freedom.

The true excellence of our concept of criminal justice stands in clear relief against the background of the contrasting purposes in the administration of criminal law in totalitarian countries. Under the governments of the Soviet Union, Nazi Germany and Fascist Italy the purpose in the administration of the criminal law is simple and clear. The sole object of administration is through the forms of law to crush all resistance, all objection and all criticism of the State on the part of individuals and to eliminate through coercive force applied by governmental processes all persons who are, or might become, a danger to the regime or an obstacle in carrying forward its programs. In totalitarian countries criminal justice is no more than the sum total of the forcible means by which the tyranny keeps itself in power and the criminal law is the tool of despotism and of slavery.

Thomas Jefferson said on this subject:

Equal and exact justice to all men, of whatever state or persuasion, religious or political, forms the bright constellation which has gone before us, and guided our steps through an age of revolution and reformation.

The great ideal of the founding fathers of our country of equal and exact justice to all men, administered honestly and efficiently and as a protecting shield for liberty and personal freedom, is not a mirage. It is an attainable goal which can be reached in a republic by the intelligent, patient, persistent efforts of conscientious citizens.

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