

Philadelphia Bootlegging and The Report of the Special August Grand Jury

During the prohibition era of the 1920s, America's largest cities produced famous bootleggers who have become part of our historical folklore. In Chicago, Al Capone, Frank Nitti, and Jack Guzik were notorious in their own day and further immortalized by the television series "The Untouchables." New York City, during the same period, spawned "Dutch" Schultz (Arthur Flegenheimer), Jack "Legs" Diamond (originally a Philadelphia boy), Meyer Lansky, "Lucky" Luciano, and Frank Costello. Yet who can name a Philadelphia bootlegger? The lack of famous names from what was then the third largest American city does not reflect a lack of bootlegging in Philadelphia. Rather, it reflects the degree to which widespread corruption and lax law enforcement deprived Philadelphia's bootleggers of the publicity that might have made them underworld legends.

Two periods during the 1920s, however, found bootlegging in Philadelphia the focus of media attention. The first period occurred after Mayor W. Freeland Kendrick unexpectedly named Smedley D. Butler, a Brigadier General in the U.S. Marines, to be Director of Public Safety beginning in January 1924. "Old Gimlet Eye" had won two Congressional Medals of Honor for his service in the Spanish-American War, the Philippine pacification, and Latin American expeditions. After just two years as Director of Public Safety, though, he told reporters: "Sherman was right about war, but he was never head of police in Philadelphia."¹

Butler completely reorganized the police department. When he had taken over, police precinct boundaries generally corresponded to political ward boundaries, so that local politicians could name the local police captain and thereby control the police in the ward. Butler reduced the forty-two police precincts to twenty-two and transferred large numbers of officers in an attempt to break the control of politicians over the police. He also instituted a series of highly publicized raids of speakeasies and distilleries. After critics charged that police raids deprived workingmen of their drinking places but left the wealthy un-

¹ Fred D. Baldwin, "Smedley D. Butler and Prohibition Enforcement in Philadelphia, 1924-1925," *Pennsylvania Magazine of History and Biography*, LXXXIV (July 1960), 352-368.

disturbed, Butler attempted to padlock the prestigious Bellevue-Stratford Hotel. His policies faced bitter opposition from many politicians, while magistrates sometimes refused to grant search warrants and looked with little sympathy on the prosecutions that resulted from the raids. When the Marine Corps refused to extend his leave beyond two years, Butler resigned from the Corps to continue as Director of Public Safety. The Mayor promptly fired him; Butler returned to the Marines. His two years in the city captured headlines for Butler but did not bring fame to bootleggers.

For a few months in 1928-1929, however, an investigative grand jury did briefly focus attention on Philadelphia bootleggers and their close ties with city police and local politicians. The grand jury, in turn, was convened because of the publicity resulting from a series of shootings that accompanied a war among bootleggers in the city. The killings began on May 30, 1927, when Joseph Zanghi and Vincent Coccozza were shot from a moving car near 8th and Christian Streets in South Philadelphia. The most notable assassination, however, occurred in early August 1928, when Hughie McLoon, the diminutive former mascot of the Philadelphia A's baseball team and a popular figure in the city's night life, was shot on Chestnut Street. The shooting provoked sufficient outrage that an investigative grand jury spent seven months subpoenaing witnesses and bank records, interviewing bootleggers, bankers, and cops, and preparing a final report of its findings. Excerpts from that report are published here.

But first some background. When the Volstead Act imposed national prohibition in January 1920, much of the previous structure of importation, manufacture, wholesaling, and retailing of alcoholic beverages became illegal and largely collapsed. Several results occurred. One result was that Americans drank less. Indeed, the best estimate indicates that during prohibition *per capita* consumption of alcoholic beverages fell to less than forty percent of the level before World War I.² A second result, of course, was that gradually a new set of businessmen established firms for the importation, manufacture, processing, wholesaling, and retailing of alcoholic beverages. At first, the new entrepreneurs operated on a relatively small scale and a generally *ad hoc* basis.

² David E. Kyvig, *Repealing National Prohibition* (Chicago, 1979), 23-26, also John C. Burnham, "New Perspectives on the Prohibition 'Experiment' of the 1920's," *Journal of Social History* II (Fall, 1968), 51-68.

But as the 1920s progressed, some entrepreneurs gained increased importance as coordinators of on-going bootlegging operations.

The entrepreneurs who by the late 1920s had emerged as the leaders in various phases of bootlegging reflected the fact that the new (and illegal) businesses offered economic opportunities for those willing to assume the risks of a criminal career. In American cities generally, the new entrepreneurs were surprisingly young—often in their early twenties or even their late teens—when prohibition began. They tended to be uneducated and unskilled, raised in the slums of the city. They were typically the children of new immigrants. A national sample of successful bootleggers from the late 1920s found that approximately 50 percent were of Eastern European Jewish background, 25 percent were Italian, and 25 percent were from other backgrounds—mostly Irish and Polish. Philadelphia's successful bootleggers, while perhaps more heavily Jewish than the national average, otherwise tended to mirror the national characteristics.³

Bootleg entrepreneurs, in their own day and in legend, are best known for the gang wars during which they shot each other down on the streets of American cities. Just such widely publicized shootings led to the convening of the Philadelphia grand jury in August 1928. But the gang wars have obscured recognition of what was the most remarkable characteristic of bootlegging: business cooperation. Those who established import operations, for instance, not only needed on-going relations with foreign exporters and shippers but with domestic processors and wholesalers. By the same token, wholesalers within each city provided a nexus between importers and manufacturers, on the one hand, and the thousands of retail outlets, on the other. Only by a complex network of business cooperation could importers, manufacturers, and wholesalers provide the range of alcoholic beverages sold by retailers to thirsty Philadelphians. There is a paradox, then, in understanding successful bootleggers. They tended to be young men with slum backgrounds and minimal business experience; nevertheless, they rapidly established regional and even international cooperation as an inevitable feature of the bootlegging business.⁴

³ Mark H. Haller, "Bootleggers and American Gambling, 1920-1950," in Commission on the Review of National Policy toward Gambling, *Gambling in America*, Appendix I (Government Printing Office, 1976), pages 108-115

⁴ Haller, "Bootlegging in Chicago: The Structure of an Illegal Enterprise," Paper read before convention of American Historical Association (Dec. 1974), also Haller, "Bootleggers as Businessmen. From City Slums to City Builders," Paper read to conference on Prohibition 50 Years Later (Eleutherian Mills, April 1983)

The 1928 grand jury uncovered important aspects of the economic and political networks that characterized bootlegging in Philadelphia. Most important, the grand jury identified Philadelphia's central role in the diversion of industrial alcohol. While the Volstead Act restricted the manufacture of alcohol for beverage purposes, alcohol was used in a variety of industrial processes and was a normal component of such diverse products as hair oil, lotions, and rubbing alcohol. Federal law required that alcohol manufactured for non-beverage purposes be "denatured"—that is, that poisons be added to the alcohol to prevent its use in products for human consumption. Because the Delaware Valley was a major center for the American chemical industry, including the manufacture of industrial alcohol, the area was also a center for diversion by bootleggers.

The grand jury discovered that "Boo-Boo" Max Hoff, Charley Schwartz, and their partners were the major figures in the diversion of industrial alcohol. Before prohibition, Hoff and Schwartz were known in South Philadelphia as operators of small gambling houses. By the 1920s, Hoff was an established figure in the city, not as a bootlegger but as a leading promoter of prize fights and the manager of prize fighters. The bar that he ran in the Sylvania Hotel in Center City was a hangout for the city's sporting crowd. Hoff was small and conservative in dress; Schwartz, by contrast, was a gaudy dresser, a conspicuous first-nighter at New York theaters, a notable fight fan with a ringside seat at major fights, and a big plunger at the race tracks and gambling houses along the East Coast. He carried a bankroll consisting mostly of \$500 bills ("five yard notes"), making it difficult for him to take a taxi or buy a pack of gum.⁵

So successful were the operations of Hoff, Schwartz, and their partners by the mid-1920s that they sold illegal alcohol as far away as Chicago and Minneapolis—often shipping their products by bribing employees of the Reading Railroad. One of their manufacturing plants, Quaker Industrial Alcohol Company, produced (and presumably diverted) nearly one and one-half million gallons in 1926 alone. The partners coordinated their bootlegging enterprises through the Franklin Mortgage and Investment Company, with offices in the Bankers

⁵ Philadelphia *Bulletin*, Sept. 14, 1928, and other newspaper clippings and data in File on Boo-Boo Hoff, Box 63, Coast Guard Intelligence files (National Archives, Washington, D.C.), Report of Special August Grand Jury [1929] in Committee of Seventy Papers, series 3, folder 1, Urban Archives, Temple University Library

Trust Building at Walnut and Juniper Streets in Center City Philadelphia. Their attorney, who represented their companies and defended the partners, was Congressman Benjamin M. Golder. Hoff and Schwartz had interests in Philadelphia nightclubs and gambling houses as well as investments in real estate in Atlantic City and Ocean City, New Jersey. Documents seized in their headquarters indicated that their payments annually to the city's police and politicians may have exceeded a quarter million dollars. Their bootlegging activities, in short, were the center from which they extended their influence and business interests.⁶

While the grand jury uncovered a great deal of information about the diversion of industrial alcohol, its investigation of other sources of Philadelphia booze was less successful. In the brewing of beer for the Philadelphia region, two men were of chief importance. One was Max Hassel, known as the "Millionaire Newsboy." The son of Jewish immigrants and a newsboy on the streets of Reading, Pa., during World War I, Hassel somehow invested in a local brewery in the early years of Prohibition, and by the mid-1920s he owned a number of breweries in the Reading area. The other major figure was Mickey Duffy, whose name concealed the fact that his parents immigrated from Poland. Duffy owned several breweries in southern New Jersey. From a headquarters in Camden, he coordinated shipment of his beer into Philadelphia and also operated a Philadelphia numbers gambling syndicate. By the late 1920s, Hassel and Duffy were partners in several breweries until Duffy's assassination in Atlantic City in 1931.⁷

Another important group of Philadelphia bootleggers were the six Lanzetti brothers, led by the eldest brother with the improbable name, Pius. The brothers organized "alky" cooking in the small row houses in the Italian neighborhoods of South Philadelphia. Within such immigrant neighborhoods bootleggers provided families with stills and corn sugar; the families manufactured alcohol in their homes; and the bootleggers then purchased the alcohol and processed it for sale. Despite their involvement in bootlegging, the Lanzettis were better known for

⁶ *Ibid.*

⁷ File No. 5-62-52, Central Files of the Department of Justice (National Archives, Washington), Letter to Jesse L. Thompson, Feb. 16, 1926, in folder 4354-5239, Box 47, Coast Guard Intelligence Files, Letter of William J. Kelly to Harry J. Anslinger, Feb. 3, 1930, Box 49, Coast Guard Intelligence Files, Philadelphia *Inquirer*, Aug. 22, 1928, 8.

the operation of numbers gambling in South Philly from the late 1920s until the mid-1930s.⁸

One aspect of bootlegging—importation—was completely ignored by the Grand Jury. Yet Philadelphia, itself an international port and located close to ocean ports on the Jersey coast, produced a number of entrepreneurs important in financing and managing the system by which whiskey and rum from Europe, Canada, and the West Indies found markets in American cities. In the early 1920s, Atlantic City was a smugglers' paradise because of the close ties forged between smugglers, local politicians, and Coast Guard officials. Much of the booze seems to have been destined for the Philadelphia market, but it is not clear what direct involvement Philadelphians had in the smuggling. Nevertheless, some of those ties are suggested by the fact that Johnny Campbell, owner of several ocean-going vessels and known by 1924 as "King of the Bootleggers" in Atlantic City, soon moved his headquarters to downtown Philadelphia. Thereafter, he not only continued to smuggle booze into ports along the Jersey coast but imported directly into Philadelphia on coal ships.⁹

When the Coast Guard severely restricted smuggling in the Northeast in the summer of 1925, some smugglers moved their operations to Florida ports and imported liquor from the West Indies and Central America. Apparently Eddie Satinover and his wife Ella, residents of the Wynnefield section of Philadelphia, were among those who sought warmer climates for smuggling activities. Among their partners was George Long, who owned the Three Star Hennessy Chemical Company in Philadelphia and was involved in diversion of industrial alcohol. As early as December 1926, the partnership purchased liquor in Puerto, Mexico, and arranged for its shipment to Florida; in 1927 Ella travelled to Nassau and arranged for shipments from there to Florida ports. Although Eddie Satinover was indicted in 1928, he was never brought to trial.¹⁰

⁸ Jim Riggio, "Tales of Little Italy," *Philadelphia Magazine* (March 1971), 78-79, *Philadelphia Inquirer*, May 4, 7, 12, 15, and 18, 1934, *Philadelphia Bulletin*, Feb. 6, 1935.

⁹ Folder 400-600 in Box 46, newspaper clippings in Box 19, and Folder 4354-5239 in Box 47, Coast Guard Intelligence Files.

¹⁰ Memo "Re Eddie Satinova," May 24, 1927, and Confidential Statement of Mrs. Ella Satinover, June 8, 1927, in Box 56, Coast Guard Intelligence Files, also File No. 23-18-218, Central Files of the Department of Justice.

Another interesting pair of bootleggers were the brothers Charles and Irving Haim (or Haimovitz). Charles had been a city policeman before prohibition. When prohibition came, the brothers were partners with Hoff and Schwartz in the purchase of chemical companies and the diversion of industrial alcohol. Around 1927, the Haims had a falling out with Hoff and Schwartz and began to operate independently. They probably continued active in the diversion of industrial alcohol. By 1929 the Haims appeared as partners, along with a Minneapolis bootlegger and Canadian exporters, in the establishment of the Mill Creek Distillery in Havana. This company not only manufactured bourbon and rye for smuggling to New York, Florida, and New Orleans but also coordinated shipments from Europe for the American market. The importance of the Haims in providing liquor for Philadelphia is difficult to determine, but they might well have rivalled Hoff in importance.¹¹

Between the manufacturers and importers on the one hand and the retailers on the other there was a complicated system of warehousing and wholesaling. The Grand Jury did little to analyze wholesaling in Philadelphia; only scattered newspaper stories offer a few vague details. Since beer was mostly brewed in blue-collar towns in the Philadelphia region, beer distribution necessarily involved trucking kegs into the city and storing them in warehouses before selling them to local speakeasies. In 1928 the police identified Al Hendrie as the largest beer runner in the city. The thirty-year-old Hendrie owned four trucks and made regular runs from the coal mining regions of eastern Pennsylvania to a garage located on North 11th Street. He claimed that he paid city detectives \$900 weekly to operate and that he also made payments to officers in the counties through which his trucks moved. Scattered evidence suggests that whiskey wholesalers similarly kept their goods in local garages, old warehouses, and other city buildings. Trucks from the warehouses then made regular runs to retail outlets.¹²

¹¹ Letter to M. W. Willebrandt, April 4, 1924, in File No. 23-30-26, Central Files of the Department of Justice (National Archives, Suitland, Md.); *Evening Bulletin*, Sep. 12, 1928, Folder 12877 on Mill Creek Distillery, Box 79, Coast Guard Intelligence Files, Letter to F. W. Cowan, July 29, 1930, in Folder 4180, Box 90, Coast Guard Intelligence Files, and Confidential Memo from American Consulate General, Aug. 15, 1932, File No. 5-39-52, Central Files of the Department of Justice.

¹² Newspaper clippings in file on Boo-Boo Hoff, Box 63, Coast Guard Intelligence Files.

Throughout the city, thousands of retailers purchased booze from manufacturers and wholesalers and then sold to individual customers. Some—the local speakeasies—sold by the drink to customers who imbibed on the premises; other retailers sold by the bottle or case to customers who preferred to drink at home or to carry hip flasks. The Grand Jury, in its final report, provided a detailed description of the close relations between the numerous neighborhood speakeasies and the police and politicians. In several wards, local retailers were organized into protection associations and made regular payments to a collector. The collector, in turn, funneled the funds to the police and to the political ward leader.

In addition to the speakeasy operators, many Philadelphians—like hotel bellhops, doormen in apartment and office buildings, operators of newspaper kiosks—made money through the sale of bottles or cases. Among the more interesting of these retailers were a handful of men known as “society bootleggers,” who specialized in servicing the wealthy and claimed to sell only the best imported brands. Because imported brands were assumed to be safe as well as of high quality, they commanded the highest prices. The most famous of Philadelphia’s society bootleggers was Joel Kerper. A cigar importer before Prohibition, he found it more profitable in the 1920s to provide his socially prominent customers with alcohol. From his office at 341 Walnut Street, he sold what he claimed were choice liquors to brokers, attorneys, and others who often had Main Line addresses. In the summer, he made shipments to their vacation homes on the Maine coast in packages labelled “varnish” or “floor paint.” When he was finally arrested in 1928, his records showed that he netted about \$30,000 yearly and that his “choice liquors” were, in fact, a mixture of Canadian imports, water, and Philadelphia-made grain alcohol.¹³

Even this brief sketch demonstrates that the structure of bootlegging in an urban metropolis like Philadelphia was highly complex. Alcoholic beverages flowed from a bewildering variety of sources: from importation, diversion of industrial alcohol, from home stills and large stills hidden in old factories and country barns, from beer breweries, and from other sources not discussed here. The beverages then needed to be trucked to the city, processed, warehoused, and distributed to local outlets. Finally, in a city like Philadelphia, there were literally thou-

¹³ Various newspaper clippings in folder 10030, Box 63, Coast Guard Intelligence Files.

sands of small-scale retailers of alcoholic beverages. Many importers, manufacturers, wholesalers, and retailers not only had ongoing relationships with each other but also with local police and politicians to ensure protection. No bootlegger or group of bootleggers could dominate such a complex economic and political network. "Boo-Boo" Hoff and his partners, although clearly the most important figures in the diversion of industrial alcohol, faced numerous competitors in the Philadelphia region alone. Max Hassel and Mickey Duffy, once they joined forces, owned between them a string of breweries stretching from Reading to Atlantic City; but numerous other brewers continued to manufacture beer for the Philadelphia market. Compared with the legal liquor business, either before or after prohibition, bootlegging remained relatively small-scale and competitive.

Historians have, thus far, done little to unravel the complex economic and political networks that characterized bootlegging in the 1920s, despite the importance of bootlegging for an understanding of American life of that decade and the history of crime in subsequent decades. This is why the report of the Special August Grand Jury is an important historical document. It is among the best contemporary attempts to understand the political and economic structure of bootlegging in an American metropolis.

*REPORT OF THE SPECIAL AUGUST GRAND JURY*¹⁴

The outstanding facts uncovered by the Grand Jury were:—

1. That from illegal sources a certain number of Philadelphia police were getting approximately \$2,000,000 in graft a year. High ranking police officials were discovered to have bank accounts out of proportion to their salaries. With incomes ranging from \$1,500 to \$2,500 per year they had assets which ran from \$5,000 to nearly \$200,000 with no other apparent source of revenue. Two police officials were jailed and virtually all were questioned by the Grand Jury.

2. That there was a definite link between the police graft and organized politics. It was shown during the probe that prominent politicians not only closed their eyes to the liquor traffic and other forms of vice but were themselves participants in these illegal businesses.

¹⁴ From typewritten Report of the Special August Grand Jury [1929], pages 1, 2-3, 41, 42-43, 44, 45-46, 47-49, 52-53, 65-66. The excerpts from the Report have been edited to correct punctuation, spelling, and typographical errors. Also, the order of some excerpts has been changed to create greater continuity.

Through the activities of the Grand Jury one Republican city committee-man was sent to jail on a charge of taking bribes from saloon-keepers for "protection" and another still waits trial on a charge of running a "number game."

3. That the trafficking of liquor was so important a business that Philadelphia, not to be shamed by Chicago, had for its very own a "King of the Bootleggers." Despite the fact that the Grand Jury subpoenaed this "boss bootlegger," whom it at various times identified as Max "Boo Boo" Hoff, to testify before it eight times, it was unable to indict him. . . .

4. That gambling was as well organized as the liquor traffic and that there were "overloads" in gambling circles as well as a "King of the Bootleggers." Locations of some of the largest of these places which were being conducted "without knowledge" of the police was given by the Grand Jury in one its presentments. . . .

ON POLICE WEALTH

One hundred and thirty-eight policemen were found by the Grand Jury to be "unfit for service." Of that number there are still some fifty cases to be judged by the Civil Service Commission. Some of the officers declared unfit were dismissed by the Commission; others preferred to resign. . . .

TYPICAL "POLICE PAYROLL"

During the course of the police graft investigation it developed that many police in every part of the city were on the "weekly payroll" of bootleggers and operators of stills. A typical payroll list kept by a man admittedly in the liquor traffic was released publically by the Grand Jury. The list was kept in a little black book seized by Federal prohibition agents when they raided the home of Morris Clearfield. The book contained the names of various police and mentioned a captain, who according to District Attorney Monaghan, was Charles Cohen. This man with twenty-three others was arrested and charged with bribery, extortion, and conspiracy but was freed. The police in question were, according to the probing body, attached to the Fourth street and

Snyder avenue station and the Detective Bureau. The partial list is attached hereunto:

WEEK OF NOVEMBER 2, 1927

Thompson	\$ 5.00
Mitchell, cop	10.00
Two detectives, City Hall	10.00
Walley, Casper, Rags, 3 cops	10.00
Lawrence, cop	5.00
Jacob—helper, Sergeant Harting	12.50
Captain	75.00
Joe Simmons, Sergeant Haynes, Sergeant Archy, Sergeant Barras, Sergeant Kolsky	27.50
Sam, Tom and Steve, 3 cops	15.00
Mack—helper, Sergeant Gallagher, Sergeant Whaley	14.00
Cells, cop	5.00
	\$204.00

DEALING WITH "EXTRA" MONEY

Numerous possible, but highly improbable, reasons were given by the members of the police force when asked as to the source of their wealth. This is how many of the police force made "extra money" according to their statements before the Grand Jury.

1. Being lucky in crap games and poker games.
2. Betting on the right horse.
3. Building bird cages for the retail trade.
4. Raising thoroughbred dogs for sale.
5. Lending money to dead saloonkeepers who left provisions in their will for the loan plus a large bonus.
6. Having an interest in butcher stores, restaurants, and haberdasheries.

After more than two months of intensive probing, on October 29th, the Grand Jury named twenty-four high ranking police whose bank accounts approximated three quarters of a million dollars. They gave a short analysis of each man's account arrived at from various testimony. In reference to each the probing body said:

CASE OF CAPTAIN OF DETECTIVES BECKMAN

Investigation by the Grand Jury brought forth a statement that Captain Beckman, head of the Detectives Bureau, was the possessor of a

personal fortune approximating \$75,000, the source of which he was unable according to the Grand Jury to "coherently explain."

In dealing with this case, the Jury attempted to show that Captain Beckman and Mr. Boo Boo Hoff were intimate. A former employee of Mr. Hoff's, Louis Elfman, told of the latter meeting Captian Beckman on several occasions. . . .

HARRY A. DAVIS

When Director Davis' resignation was accepted publicly he had been with the force for a period nearly thirty-five years. He was appointed in January of 1893. In 1896 he was promoted to a sergeancy, in 1905 to a lieutenantancy and in 1914 was given the rank of captain and detailed as Assistant Director of the Department of Public Safety.

Mayor Mackey appointed him to fill the directorship of the bureau and he held that position at the time of the Grand Jury's inception.

Shortly after he severed his connection with the police department Mr. Davis was appointed executive secretary of the Republican City Committee, which position he still holds, and which he held before going into the Mayor's cabinet. . . .

TRACED WHISKEY SUPPLY

We also endeavored to trace the manner and the means whereby large quantities of whiskey were available for consumption. We recognized the maintenance of stills accounted for some small part of the available supply. This did not seem to us to explain the enormous quantity of whiskey and alcohol on the market. By dint of persistent effort we discovered the manner in which large quantities were produced and diverted into liquor channels. The method substantially involved four separate items:

1. The organization and operation of industrial alcohol plants.
2. The diversion of alcohol from such plants.
3. The sale of denatured alcohol by the industrial alcohol plants as permitted by law to perfumery and other establishments commonly known as "coverup" houses.
4. The distribution of alcohol by coverup houses and others.

KING OF THE BOOTLEGGERS

A typical example of a company organized and operated ostensibly to produce industrial alcohol, but in reality to furnish alcohol for beverage

purposes . . . is the Quaker Industrial Alcohol Company. The officers of the company were dummies who had been employed in large part by the president who died prior to the inception of our investigation. The president himself was a dummy, but he held the key to the identity of the real persons back of the enterprise.

HOFF AND LIEUTENANTS NAMED

Certain evidence before us leads to the conclusion this plant was maintained and operated by Max Hoff, Charles Schwartz, Sam Lazar and a number of other men prominently identified with the liquor traffic. . . .

We uncovered evidence which conclusively established the fact that, during a period of a few months, 350[,000] gallons of alcohol were illegally diverted into liquor channels. We are advised this quantity of alcohol provided in excess of a million gallons of consumable liquor.

DIVERSION OF ALCOHOL

One of the methods of diversion was to ship large quantities of alcohol over railroads in drums labeled as containing some other product, such as tar, asphaltum, etc. This form of diversion was possible through the bribery of railroad employees, and we believe a Federal gauger was also implicated.

An employee of the Reading Railway Co. entered into an arrangement with Fries, president of the Quaker Industrial Alcohol Company, to sign bills of lading covering the shipments from the Quaker Company without knowing or without inquiring into the actual contents of the shipments. On orders from Fries, the employee would order the necessary cars on the Bell road siding. These cars would then be loaded with drums labeled to contain tar, asphaltum, etc., whereas, in reality, they contained alcohol. The names of the consignees were fictitious. By these methods of bribery and corruption, over 350,000 gallons of alcohol were diverted into the liquor channels.

Another method of diversion practiced by this company was to sell denatured alcohol to a person or company commonly known as the "cover up" house entitled by law to receive it for perfumery or other purposes. These houses confirm the sales [by] the industrial alcohol plant and coverup, by reason of the cloak of legality, the unlawful diversion of alcohol. Enormous quantities of so-called denatured alcohol delivered to coverup houses require merely a process of redistillation to make it salable for beverage purposes .

COVERUP HOUSES

We found "coverup" houses which claimed to have delivered thousands and thousands of gallons of hair oil, toilet waters, and perfumery to individuals far in excess of normal requirements. In one instance, five hundred gallons of "hair oil," according to the books of the "coverup" house, were delivered in one shipment to a village of about 50 people. There can be no doubt these deliveries concealed unlawful diversion of alcohol. . . .

GANG WARFARE LAID TO BOOTLEG PROTECTION

As diversion and distribution of alcohol was beyond the pale of the law, no legitimate method of protecting the product could be used, and it was essential that an adequate form of protection be devised which would result in the safe delivery of the product either to dealers or to the places where it was to be sold or consumed. It is to be borne in mind the Quaker Industrial Alcohol Company was only one of a number of such plants. . . . Other large industrial alcohol plants, such as Glenwood Industrial Alcohol Company, maintained similar establishments and among these constant competition and rivalry for business existed. . . .

CRIMINALS EMPLOYED "IN RACKET"

The men employed by the operators of alcohol manufacturing plants and by their distributors, prior to the advent of prohibition legislation had been engaged as burglars, bandits, dope peddlers, and gunmen. They made a precarious existence, and the money which was procured was out of all proportion to the risk assumed. As the system developed these men realized the enormous financial benefit to be derived by them through connections with the liquor traffic. With such men disloyalty was followed by death and a business rival was eliminated by murder. They were ready and willing at all times to perform any act of violence on behalf of their employers which would tend to a continuance of the profits they were receiving. In many instances proprietors of saloons or cafes were visited by gunmen or toughs and vicious assaults committed upon them, either to induce them to purchase their liquor from other sources or in retaliation for real or fancied affronts. These gangs and gangsters, with money derived from these occupations, insolent in their power, and secure in the confidence of their chiefs, flaunted the law and openly defied constituted authority.

CITE McMANUS CASE

Of the many instances before us of the connection and results of the liquor traffic and gang warfare, the case of a man named McManus is outstanding. McManus for sometime was employed in the prohibition department as custodian of liquor in the warehouse and later as an investigator in the prohibition department, and, as such, operated as a free lance investigator inquiring into the conditions of distilleries and other plants engaged in the diversion of alcohol. At about 1 A.M., on January 26, 1926, while returning to his home, 5028 Saul Street, in the city of Philadelphia, in company with his wife and baby, he was assailed from behind by two men with caps pulled well over their faces or with masks. One of these men struck his wife over the head, rendering her unconscious. McManus was carrying their baby and, realizing the nature of the attack upon him and the probable reasons therefor, and being fearful for the life of his child, deposited the child in the snow in the bushes. He then retreated some little distance to remove the scene of the fighting from the vicinity of the child and his wife. The attackers drew revolvers and shot him. He received six bullet wounds in his legs and was taken to the hospital, where he remained for 27 weeks.

INVESTIGATED ALCOHOL COMPANY

The story which led up to this attempt to murder McManus has to do with the diversion of alcohol and warfare between rival gangs. McManus had investigated the Consolidated Ethyl Solvents Corporation in which Hoff, Lazar, Schwartz, Fuerstein, the Haims, and [a] man named Robinson and one Benjamin Fogel . . . were reputed to be interested. McManus had trailed a truck supposed to contain unlawfully diverted alcohol and, entering upon the premises, tested the alcohol. After leaving the plant to enter his automobile, he saw Schwartz and Fuerstein sitting in his car and they said they wished to talk to him and asked him whether he wanted money. Upon receiving his reply that he did not want money, Fuerstein told him, "You got to cut this out" and said, "You will either cut it out or you will be removed."

BOOTLEGGERS' POWER TO REMOVE INVESTIGATOR

Not long thereafter he was removed as investigator. He told us of a consultation which had taken place among the competitive elements in the alcohol traffic, which brought together Hoff, Lazar, Schwartz, Fuerstein, the Haims and many other men prominently identified with

the liquor traffic. Later, some difference of opinion arose among these men and a gang was formed, composed of Hoff, Schwartz, Lazar and other associates, and another gang was organized in competition with them, including the Haims, Fuerstein and a great many other men. Irving Haim saw McManus and informed him of the formation of these cliques. Irving Haim, Charles Haim, Saller and a number of other men offered McManus the sum of \$150 per week to do substantially the same work which he had done before being dismissed from the prohibition department, the information to be apparently used against Hoff and his associates and furnished to the prohibition department. He accepted the employment and thereafter Haim paid him his salary and gave him other sums of money at different times exceeding \$10,000.

The nature of his employment and the general purpose for which his information was used came to the attention of the opposing clique. Strangely coincident, the attempt to murder followed. . . .

MACHINE GUNS SOLD IN MARKET STREET SHOP

The Grand Jury traced the direct connection between the sale of fire arms and their employment in the trafficking of liquor. It found that the Chicago bootleggers were not the only "racketeers" who could purchase machine guns and bullet proof vests as they would the ordinary commodities of life. . . .

We had before us a man named Goldberg, who conducted a store on Market Street, in Philadelphia. This man maintained an arsenal in his cellar. He purchased machine guns which he sold and delivered on orders of some of the prominent figures in bootlegging activities, among them Max Hoff. He dealt in bullet-proof vests. The evidence before us discloses that, on orders of Max Hoff, he supplied bullet-proof vests and machine guns for which Hoff paid.

The machine guns could readily be carried concealed in automobiles or in other places. Many of the murders committed in this city were committed with the use of machine guns and such other paraphernalia as was sold by Goldberg. Ford and Bailey were notorious in their association with Hoff. They were frequent visitors to a place maintained by him in the Sylvania Hotel and to a place known as "the Ship," and the evidence indicates that each of these men received the sum of \$100 per week.

Their duties consisted in terrorizing, attacking, and probably murdering competitors. They were body guards to Hoff and his satellites, and their record in this city is one of crime and violence. We are advised Hoff cannot be prosecuted for his purchase of these weapons as no law makes their sale or possession unlawful . . .

LARGE NUMBER OF SALOONS RUNNING AT INCEPTION OF PROBE

At the time our investigation commenced there were summoned the Director of Public Safety and other high officials in the Police Department, and the reports made by them or by their subordinates covering various phases of criminal activity are before us. One report shows at that time 1170 saloons and cafes were operating in this city and thousands of speakeasies. Most of these establishments sold liquor, and the evidence is conclusive [that] they could not be profitably operated without the sale of liquor. They were maintained openly and notoriously to the certain knowledge of the citizens. Obviously each required large quantities of liquors or other beverages to supply its patrons. In many cases the merchandise was delivered openly to the saloons, cafes, and speakeasies, where it was to be sold or consumed

ORGANIZED POLITICS LINKED WITH VICE AND GRAFT

The connection between the collection of graft from the law breakers and the political system which had made that species of blackmail possible was definitely established.

Matthew Patterson was considered a political figure of some importance. He was a genial fellow well met and a familiar figure to thousands of Philadelphians. Aside from being in the State legislature for several terms, serving as a member of several extremely important committees, he was the Republican leader from the Nineteenth Ward and had a seat in the Republican City Committee.

When the Grand Jury probe opened a young lawyer, Joseph L. Ehrenreich, came into the District Attorney's office and gave Judge Monaghan a check for \$4503.56. Questioned, he said that he had collected it at the instance of "Mat," as Mr. Patterson was generally called, for what he believed were campaign purposes.

Appearing before the Grand Jury Mr. Ehrenreich proceeded to unfold a tale which caused them to gasp in amazement.

POLITICAL BOSS AND POLICE CAPTAIN INDICTED

Following this recital Mr. Patterson and Captain Charles Schoenleber, commander of the district which comprised the former's ward, were indicted and brought to trial on charges of extortion, bribery, and conspiracy.

At the trial Mr. Ehrenreich testified that he had been instructed by Mr. Patterson to call on William G. Peters, a saloonkeeper and "get some collections."

For a period of six months, the young lawyer said, he went to Mr. Peters' saloon [at] Germantown avenue and Berks street, where the latter turned over to him \$1870 in March; \$2090 in April; \$2020 in May; \$2029 in June; \$2090 in July; and \$2035 in August; a total of \$12,195. . . .

After the collections started Mr. Patterson instructed the lawyer to give Captain Schoenleber \$1240 every month, telling him to take \$300 a month for himself and keep the rest in bank until such time as he was called on to produce it. . . .

Previously Mr. Peters told the court that Mr. Patterson had appointed him to collect \$55 every two weeks from the saloonkeepers in the Nineteenth ward. He "kept a little book of the saloonkeepers who paid him."

On the stand Mr. Peters was asked by Major Schofield, prosecuting the case, "What was the money for?"

"Protective Association."

"What was its purpose?"

"Protection."

"What kind of protection?"

"So we wouldn't be bothered by police."

Twelve saloonkeepers who testified at the trial all admitted giving \$55 every two weeks to Mr. Peters.

In the face of the evidence presented the jury found both Captain Schoenleber and Mr. Patterson guilty. . . .

GAMBLING OVERLOADS

On the phase of the inquiry with respect to gambling and the part played by it in the corruption of certain elements of the Police Department the Jury found:

1. One gambling house was maintained at the corner of Thirteenth and Market streets, in which Charles Schwartz, Max Hoff and others

were reputed to be interested. Another was the Turf Club where men and women of influence gambled nightly and was said to be owned partially by Max Hoff.

2. Another large establishment of this kind was at 1332 Walnut Street, controlled and operated by Richard Kaelker, his brother Charles, and Moses Weinbeck. This place was fitted up with elaborate gambling devices, including roulette wheels, bird cages, and dice. Liquor was served free of charge and food provided for the patrons. Every luxury was offered the frequenters of the establishment, which was hung with tapestries and oil paintings and which was peopled by quiet footed attendants.

Richard Kaelker, his brother Charles, and Moses Weinbeck for many years had been the overlords of organized gambling in this city, and without their permission or approval, no large gambling establishment could be maintained.

Both the Kaelkers and Weinbeck were active for many years in the political activities of the Twentieth Ward.

All of these places . . . operated over a period of many years without molestation by police authorities. A condition such as this cannot exist except with the knowledge and connivance of those in authority. In the police districts in which these establishments were maintained police officials were affluent and other police officials known to be friendly with the overlords of the gambling syndicate were found to be in possession of enormous sums of money

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