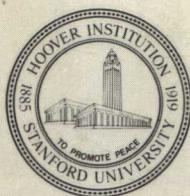


**The
Business
of
Organized Crime**
A Cosa Nostra Family



Annelise Graebner Anderson

**Hoover
Institution**



**Stanford
University**

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ANNELISE GRAEBNER ANDERSON

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INTRODUCTION

In the early days of Prohibition, a group of young men of Italian national origin formed a gang to supply alcoholic beverages to the thirsty population of one of the largest cities in the United States. By 1970, one of these young men had become the head of a Mafia family in what was still one of the nation's twenty largest cities. He and his associates from Prohibition days, and the members they had since recruited into their group, were now in illegal gambling and loan-sharking and owned a considerable number of legitimate businesses. They went about their business, were generally able to "fix" their problems with the local criminal justice system, were hawkish on Vietnam, opposed the counter-culture, contributed to political candidates of both parties, boasted when their children were accepted at college, and worried about recruiting new members and being called to testify before grand juries. I call them the Benguerra family, and this book is a case study of the group, their illegal market activities, and their legitimate business interests.*

In undertaking the research for this study, I was initially interested in the reasons why organized criminal groups own and operate legitimate businesses and undertake other legitimate savings and investment. Is legitimate business investment an aggressive effort to obtain extraordinary profits through illegal methods, or is it an effort to become respectable and assume accepted roles in American life? Neither view was confirmed. As the study progressed, I realized that to understand the legitimate business involvements of members of the group, I would

*Benguerra, the surname of the boss of the family, is a pseudonym. It was constructed from the letters of my maiden name, Graebner, with a *u* added for phonetic reasons.

need to understand their illegal market enterprises and opportunities and the problems they encounter as operators of illegal market enterprises. It became apparent that organized illegal market activity generates a need for legitimate business ownership and affects the economic benefits to be gained from particular types of legitimate business investment.

It also became apparent that the nature of the group itself is important. Some writers explicitly or implicitly view an organized criminal group as a business firm, but the Benguerra family does not function as a business firm. It does have the hierarchical organization structure described by many writers as typical of Italian organized criminal groups—a boss, an underboss, a counselor to the boss, and captains or heads of groups; below this administrative hierarchy are the ordinary members. The leaders of the group perform what are essentially quasi-governmental functions—they make rules, adjudicate disputes, and enforce decisions over a variety of matters—but the boss is not the chief executive officer of a business empire. Instead, members of the group have formed several firms, often partnerships, that operate in illegal markets. The organization of these illegal enterprises is not one-to-one with the group's governing structure. The businesses are owned by individual members rather than the group, although in numbers gambling the group does function as a cartel, controlling entry and probably also prices.

The situation is the same in legitimate business. Individuals rather than the group make decisions about entry into legitimate business and may enter alone, in partnership with other members of the group, or in partnership with nonmembers.

A group rather than a particular illegal market or a selection of examples of organized criminal activity was chosen for study because organized criminal groups with defined membership do exist, and they have been a major force in certain fields of illegal market activity in the United States in the last several decades. Second, many of the views or hypotheses about organized crime presented in the literature concern groups rather than illegal market enterprises—for example, the hypotheses that organized criminal groups are (implicitly) business firms functioning as formal organizations, or that certain core markets provide the foundation for the existence of organized criminal groups.

The various hypotheses offered in the literature are presented in the terminology of more than one academic discipline and are somewhat

imprecise and diverse. Whatever its diversity, however, the literature on organized crime is concerned with organized criminal *groups*. Ianni's study of kinship, for example, is explicit in selecting a group (or rather the top-level members of a group) as the unit of study. In studying loansharking, Seidl found it necessary to distinguish between loanshark organizations and the criminal organizations (here called groups) of which they were a part.¹

Organized crime as a matter of concern in the United States, and thus as a public policy problem, is also centered around the organized criminal group rather than specific illegal markets. The assumption is that an organized criminal group is more dangerous than isolated illegal enterprises because it can do many things that less well organized criminal enterprises may fail to do: corrupt public officials, use violence or the threat of violence effectively, and expand into areas that would not otherwise be controlled or influenced by large criminal organizations, including legitimate business.

The Benguerra family was selected for study because it is a major organized criminal group with reasonably self-contained operations, about which more and better information was available than about other groups. This group has 75 members, all men of Italian national origin. In addition, the group has sixteen close associates: men who work closely with at least two members of the group, know a good deal about the illegal activities in which members engage, and qualify for possible membership in that they are also Italian-Americans. Not all the members of the group are engaged in illegal activity; not all are wealthy; and half of them are over 60 years of age. The primary illegal market activities of the group are numbers lotteries and loansharking. Two other lesser organized criminal groups of other minority ethnic backgrounds operate in the same city.

To call the group typical of Italian organized criminal groups in the United States would be too strong. Nevertheless, many such groups share the characteristics of size, illegal market activity, and coexistence with other organized criminal groups in the same city.

The Benguerra family is one of the 24 groups identified as the "core" of organized crime in the United States by the task force on organized crime of the President's Commission on Law Enforcement and Administration of Justice.² An Italian group was selected for study because organized crime in this country has been dominated by Italian organized criminal groups since the 1930s. Although this dominance may be

exaggerated in the public mind and in the views of law enforcement officials, to ignore it and the success of these groups would be to ignore an important matter. This dominance of Italian organized crime—partly real and partly assumed—also means that more comprehensive data are available on these groups than on groups formed by others.

The data sources for this study were provided by a federal agency and supplemented by public documents and interviews with people in the law enforcement community. The agency made two requests: that it not be identified, except as a federal agency, and that the city in which the Benuerra family operates not be identified. The agency was also concerned with the possibility that informants could be identified but was reassured, after reading a draft of the manuscript, by the aggregate use made of the data. Although I could probably have persuaded them to allow me to identify the city, not identifying it allows a more detailed presentation of data about the group.

Although the information in the data sources was less detailed than would be desirable for a study of this type, it is likely to be as comprehensive as any compilation of information about an organized criminal group. The Appendix discusses the kinds of information available in the data sources and how it was handled. In general, information about the group was available for 1960 to 1970. The years 1968–1969 were chosen for in-depth analysis, and the description of the illegal enterprises and legitimate investments of the group, insofar as it concerns a point in time, is a description as of January 1, 1970.

The study concentrates on the illegal market activities and legitimate business investments of group members and close associates, rather than on the interaction between organized criminal activity and law enforcement. This emphasis is intentional. A great deal more is known about law enforcement against organized crime than about organized crime itself. There are no published statistics on organized crime comparable, for example, to statistics on burglaries known to the police or the value of goods stolen. Nor are there systematic statistics on illegal gambling³ and loansharking, related corruption of public officials, or the use of violence. With the exception of this study, there is, to my knowledge, no systematic survey of the legitimate business activities of the members and associates of an organized criminal group that relates legitimate investment to the illegal market enterprises that are the primarily illegal activity of the members.

Concern about organized crime increased during the 1960s. In 1967

the government's task force report on organized crime, mentioned above, was published. Two years later two excellent overviews of organized crime appeared, one by sociologist Donald Cressey and the other by ex-New York City policeman Ralph Salerno.⁴ Again, new legislation, much of it recommended by the task force report, was passed, and both federal and state efforts to combat organized crime were increased.

But organized crime continues to generate both headlines and public concern. Unfortunately, data are not available for an empirical study of the effectiveness of the new legislation passed or the greatly increased resources allocated to combat organized crime since the early 1960s.

This study was undertaken in the belief that, to advance our knowledge of organized crime and eventually reach a point where we can compare organized crime "rates" at different points in time or in different localities, and thereby evaluate the effect of alternative public policies in terms of their benefits in reducing the damages done by organized crime, research more focused and detailed is necessary. To go beyond the general overview, research can focus on illegal markets for goods and services, in which from time to time organized criminal groups may be active or controlling, or it can focus on specific organized criminal groups. John Seidl and Louis Gasper chose the first approach, studying loansharking and illegal traffic in cigarettes, respectively;⁵ and of course numerous studies of illegal drug markets have been made. Ianni chose the latter approach, using a participant-observer method to gather data on the top members of an organized criminal group. This book also takes the latter approach: it is an in-depth study of an organized criminal group—in this instance, all the members of the group, unsuccessful as well as successful, and both their illegal and legitimate activities and the interaction between them.

Unlike Ianni's study, based on a participant-observer field method, my work is based primarily on data provided by a federal law enforcement agency. Each approach has its strengths and its weaknesses. The participant-observer is likely to obtain less information—or be less free to use it—about illegal activity and may influence the behavior of the group he or she attempts to observe. Investigative agency data, on the other hand, has been collected for purposes other than social science research, lacks many items of information that would be easy to observe and record but are not recorded because they are not valuable in law enforcement, and takes the researcher one step away from the actual participants.

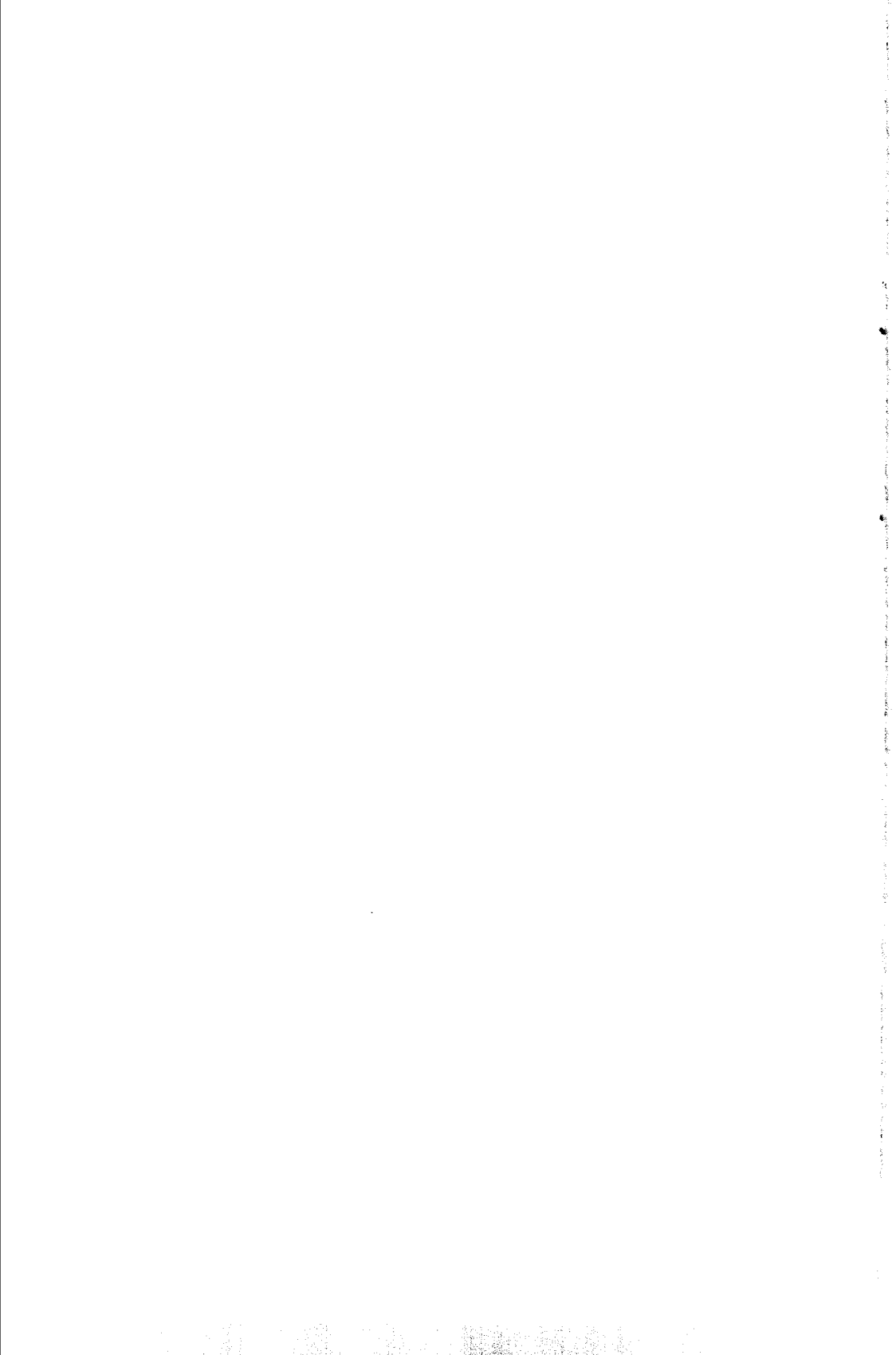
Nevertheless, federal agencies have been collecting data more or less systematically over a long period of time, and similar kinds of information are collected by state and sometimes local agencies by what are often called organized crime intelligence units. A study based on data of investigative agencies can thus be replicated at another time or another locale, whereas the participant-observer study probably cannot.

Given an interest, investigative agencies could begin to collect more systematically data with social science relevance, so that they could make periodic reports of the state of organized crime in a city: the volume of illegal market transactions, the number of violent acts associated with organized criminal activity, the kinds, size, and number of legitimate businesses owned by members and associates of different groups, the extent to which patterns of control of lines of trade or labor unions can be observed, and even perhaps the extent of corruption of public officials. With such periodic studies, it should be possible to compare the operation of organized criminal groups in different places to determine, for example, why one group is more violent than another; why one group's activities in legitimate business are extortionate or characterized by the use of criminal means to attempt to monopolize, whereas another's are not; or why the organization of an illegal market such as gambling or loansharking, the prices charged for the illegal goods or services, and the fairness and honesty toward consumers differ in different cities.

The ultimate goal, of course, is to be able to relate alternative public policies and practices with respect to law enforcement against organized crime to their costs and their benefits in controlling and reducing the harm done by organized crime. This goal is different from that of law enforcement officials, who offer as criteria of success the numbers of indictments and convictions they achieve. Public policy concerning crime necessarily, however, involves government in its most fundamental characteristic—the legitimized power to use force within the area of its jurisdiction to take property and restrict freedom—in the modern state, in accordance with enacted statute.⁶ The use of such powers involves costs in privacy and freedom, and costs of potential misuse of governmental powers currently and in the future. With more legislation and more money, investigators and prosecutors should of course be able to increase indictments and convictions. This does not tell us, however, whether the world would be a better place to live as a result, or whether

the new legislation would be worth the resources devoted to it or the decrease in freedom or privacy that may accompany it.

The kinds of data on which this study is based are available in the files of agencies that investigate organized criminal activity. This type of case study could thus be done on organized criminal groups in other cities, and it could be repeated in the same city to determine changes over time. If this were done, we could begin to get some idea of the scope of the problem of organized crime; of whether the problem is increasing, decreasing, or changing; and of the effectiveness of alternative legislation and enforcement activities in combatting the problem.



THE MAFIA: CONTROVERSY AND EVIDENCE

While the Benguerra family has gone about its business, the American public has followed its exploits and those of other organized criminal groups through anecdotal and often inflammatory newspaper accounts. In 1951 Senator Estes Kefauver's Special Committee to Investigate Organized Crime in Interstate Commerce held televised hearings; the Senator declared that a nationwide crime syndicate existed in the United States, and the Committee's report identified that syndicate as the Mafia.¹ Edward G. Robinson, James Cagney, and others made movies in which they played gangsters, and on television Ephraim Zimbalist, Jr., fought the Mafia, or the Syndicate, for the FBI and the American people. *Life* reported on gangsters from all over the country attending a meeting—or a barbeque—in Apalachin, New York, in 1957.² Organized crime in the 1950s seemed to be a thriving industry, for the gangsters, for congressmen, for the police, prosecutors, and lawyers, and for the media. The public was at least entertained.

The idea of a nationwide crime syndicate had its critics. In an article first published in 1953, Daniel Bell, a Columbia University sociologist, described urban rackets—"illicit activity organized for continuing profit, rather than individual illegal acts"—as "one of the queer ladders of social mobility in American life." But he opposed the Kefauver Committee's description of the Mafia as a nationwide crime syndicate: "Unfortunately for a good story—and the existence of the Mafia would be a whale of a story—neither the Senate Crime Committee in its testimony, nor Kefauver in his book, presented any real evidence that the Mafia exists as a functioning organization."³

Life's report of the meeting in Apalachin, attended by perhaps 60 or more organized crime figures, increased public concern. During the 1960s new laws were passed, more money was appropriated by Congress for the fight against organized crime, and interagency groups—called strike forces—were set up under the auspices of the Organized Crime and Racketeering Section of the U.S. Department of Justice to investigate and prosecute organized crime in selected cities.

In 1963 and 1964 Joseph Valachi testified before a U.S. Senate committee investigating narcotics traffic. Valachi claimed to be a member of an organized criminal group called a family. According to him the various groups in the United States supposedly make up something called *Cosa Nostra* (our thing), or what Kefauver had called the *Mafia*—a term Valachi claimed he had never heard used.⁴

In 1966, the Oyster Bay conferences on organized crime brought together over 40 experienced representatives of law enforcement agencies, prosecutive agencies, and crime commissions and produced the following statement about organized crime:

Organized crime is the product of a self-perpetuating conspiracy to wring exorbitant profits from our society by any means—fair and foul, legal and illegal. Despite personnel changes, the conspiratorial entity continues. It is a malignant parasite which fattens on human weakness. It survives on fear and corruption. By one or another means, it obtains a high degree of immunity from the law.

It is totalitarian in its organization. A way of life, it imposes rigid discipline on underlings who do the dirty work while the top men of organized crime are generally insulated from the criminal act and the consequent danger of prosecution.⁵

The task force on organized crime of the President's Commission on Law Enforcement and Administration of Justice, reporting in 1967, had this to say:

Organized crime is a society that seeks to operate outside the control of the American people and their government. It involves thousands of criminals, working within structures as complex as those of any large corporation, subject to laws more rigidly enforced than those of legitimate governments. Its actions are not impulsive but rather the result of intricate conspiracies, carried on over many years and aimed at gaining control over whole fields of activity in order to amass huge profits.

The core of organized crime activity is the supplying of illegal goods and services—gambling, loan sharking, narcotics, and other forms of vice—to countless numbers of citizen customers. But organized crime is

also extensively and deeply involved in legitimate business and in labor unions. Here it employs illegitimate methods—monopolization, terrorism, extortion, tax evasion—to drive out or control lawful ownership and leadership and to exact illegal profits from the public. And to carry on its many activities secure from governmental interference, organized crime corrupts public officials.

The task force, using data provided by the Department of Justice, found the Italian-American groups central to organized crime:

Today the core of organized crime in the United States consists of 24 groups operating as criminal cartels in large cities across the Nation. Their membership is exclusively men of Italian descent, they are in frequent communication with each other, and their smooth functioning is insured by a national body of overseers.⁶

In spite of conflict with non-Italian criminal groups, competition among groups, and internal dissension leading to a variety of realignments, as organizations these groups have a record of survival and continuity going back to the 1930s. The origins of many of them can be traced to the days of Prohibition and before.⁷

The task force report was followed in 1969 by two excellent overviews of organized crime, both by men who had been consultants to the task force. In *Theft of the Nation*, sociologist Donald Cressey emphasized the centrality of Italian organized criminal groups and their nature as formal organizations:

I [believe] that the Cosa Nostra organization is so extensive, so powerful, and so central that precise description and control of it would be description of all but a tiny part of all organized crime . . . we do know enough about the structure of Cosa Nostra to conclude that it is indeed an organization with both formal and informal aspects. . . . Cosa Nostra exists independently of its current personnel, as does any big business or government. Business, government, and Cosa Nostra go on despite complete turnover in the personnel occupying the various positions making up the organization. . . . No man is indispensable. Organization, or "structure," not persons, gives Cosa Nostra its self-perpetuating character.

Cressey goes on to describe the structure of the families that make up Cosa Nostra: each has a boss, an underboss, a counselor to the boss (a staff rather than a line position), captains (or heads of smaller groups), and ordinary members—soldiers. "The highest ruling body in Cosa Nostra is the 'Commission'. . . . The Commission is made up of the rulers of the most powerful 'families,' which are located in large cities."⁸

Ralph Salerno, formerly with the Central Intelligence Bureau of the New York City Police Department, provides in *The Crime Confederation* essentially the same description as Cressey's:

... the fact is that the Italian gangs—Cosa Nostra—do make up the center of organized crime: a group of 5000 to 7500 formal members to which an equal number of non-Italian group members are linked by alliances and for which independent groups and individual criminals work. . . . The Boss of the Cosa Nostra family schematized above may or may not sit on the Commission, which is what Cosa Nostra calls its national council."⁹

It was also in 1969 that Gordon Hawkins, taking Daniel Bell one step further, published an article declaring that the Mafia had the same status as God: you might believe, but proof is hard to come by. Hawkins appropriately attacks statements of politicians, law enforcement officials, and others comparable to those presented in the task force report of the President's Commission and the report of the Oyster Bay conferences quoted earlier, with reference to both the existence of the organization, its structure, and its code of conduct for members. He reviews Cressey's contribution to the task force report, noting that "the details of criminal hierarchies given by Professor Cressey and others in the literature on organized crime are curiously reminiscent of the details of celestial hierarchies to be found in the literature of angelology."¹⁰

Hawkins, like Bell, acknowledges the existence of racketeering and accepts Harvard economist Thomas C. Schelling's description of "large-scale continuing firms with the internal organization of a large enterprise, and with a conscious effort to control the market."¹¹ But according to Hawkins, the question is "whether in addition to such 'large-scale continuing firms' located in various parts of the country, there is a national syndicate that dominates organized crime throughout the country—one large nationwide criminal organization that controls the majority, if not all, of the local undertakings."¹² He concludes that there is no evidence to support this hypothesis. His arguments are essentially based on what he considers to be internal contradictions in Joseph Valachi's testimony before a Senate committee in 1963 and 1964 and on lack of corroboration of that testimony.

The question Hawkins has set up—whether a national syndicate controls organized crime throughout the country, even on the local level—is really a straw man. Politicians and law enforcement officials can be expected to make extreme and unqualified statements about the extent and dangers of organized crime: it gives them visibility, it develops