

Federal Bureau of Investigation  
United States Department of Justice

Los Angeles, California  
October 15, 1949

2481

Director, FBI

~~CONFIDENTIAL~~

0 Confidential

RE: LOS ANGELES CRIME SURVEY  
October 15, 1949

Dear Sir:

There is transmitted herewith the Crime Survey for the Los Angeles Division covering the period from April 15, 1949 to October 15, 1949.

This report was prepared under the direction of Special Agent [redacted] and individual contributions by other Special Agents are designated in the particular sections of the report.

Very truly yours,

*R. B. Hood*  
R. B. HOOD  
SAC

b7c

94-250

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*Mr. Racco's office*  
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During the past eighteen months, California Attorney General FREDERICK M. BOWSER and WARREN OLNEY III, General Counsel for the Governor's Commission on Organized Crime, have carried on a running battle of publicity in the newspapers of California.

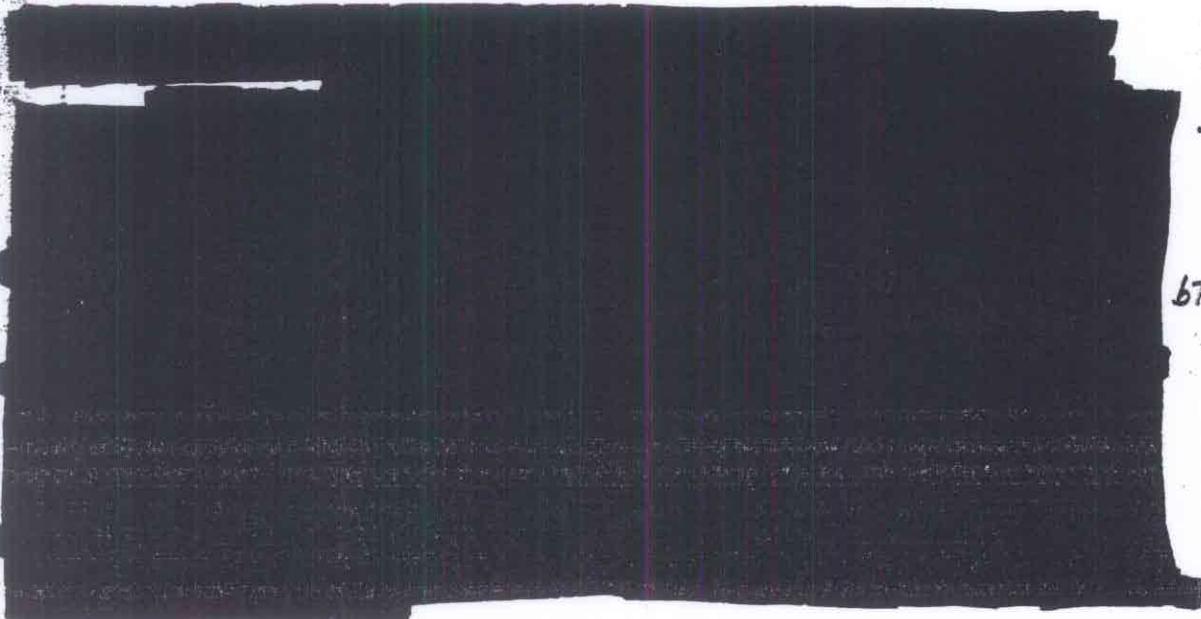
The Guarantee Finance Company has operated on Florence Avenue outside the city limits of Los Angeles as a central clearinghouse for bookmaking activities. It is operated without molestation by law enforcement and it is reliably reported that the company has 128 runners or bookies who work in and around Los Angeles proper. Newspaper reporters have stated that the second floor of the building had been made into a huge room with dozens of telephones. Bookies would call in their bets to this office and through the use of code names, transacted their business. b7c

The examination of criminal activity in California by the Crime Commission had centered on the illegal bookmaking activity which flourished in the State. After the Crime Commission investigators gathered a considerable amount of information, the State Corporation Commissioner moved in one day unexpectedly, and seized the books of the Guarantee Finance Company. Its license to do business as a finance company apparently was a front and at least the major portion of its business was that of bookmaking. WARREN OLNEY has stated that a careful record of the income and operating costs was maintained by the company including the item "Juice" to pay-off local law enforcement officials. The records seized by the Corporation Commission are reported to have included sufficient data to indicate that the pay-offs amounted to \$247,000. during 1948 on one account, and another "special expense" of \$108,000. OLNEY declared that these items were the bribing of local law enforcement officials. A short time prior to the seizure of the books by the Corporation Commission, it is alleged that [redacted] sent [redacted] to check up on the corporation and found nothing improper in its activity. b7c

On behalf of the Crime Commission, Mr. OLNEY notified the telephone company of the bookmaking activities at the Guarantee Finance Company. Telephone service was suspended upon this report in accordance with a ruling of the State Corporation Commission that the telephone company should not furnish service to any agency declared in an illegal activity by a local law enforcement department.

Soon after the suspension of telephone service, a politician reportedly contacted the office of the Attorney General to ask an opinion as to whether the telephone company had authority to discontinue the phone service to the Guarantee Finance Company. This proposition also involved whether the Crime Commission is an authorized law enforcement agency and thus could legally furnish the telephone company instructions to discontinue service to a customer. There was no allegation that the Crime Commission claimed to be such an agency, however, there appeared to be no attempt to describe the Guarantee Finance Company as other than a bookie agency.

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HEREIN IS UNCLASSIFIED  
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The State Corporation Commission, the Governor's Commission on Organized Crime, the Federal Grand Jury, and the Los Angeles County Grand Jury have examined the books of the Guarantee Finance Company which were seized by the Corporation Commission. Testimony published relating to the inquiry of the County Grand Jury reflects two items, one for \$247,000. and the other for \$108,000. do not have adequate explanation and it is alleged by WARREN OLNEY, III, counsel for the Crime Commission, that they represent pay-offs to local law enforcement officers. The \$108,000. item purportedly appears on the company books as a payment to "J. C." While no testimony or other information appears in support of the opinion, it is entirely possible that [redacted] and a political power in the area where the Guarantee Finance Company operated with "at least 104 agents", or bookies who acted as runners. The County Grand Jury is continuing its probe and District Attorney WILLIAM E. SIMPSON is quoted in the local press for September 28, 1949 as having said he would use the runners to trap the big-time operators. One press story quoted SIMPSON as saying it would be useless to indict "a bunch of little fellows" but that he would use them "to catch the four big fish" in the multi-million dollar bookmaking syndicate. He did not name those whom he intends to prosecute.

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It is significant that much larger bookmaking combines continue to operate

POLITICAL TIE-UPS WITH ORGANIZED CRIME

1. [REDACTED]

[REDACTED]

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The "Howser Story" continues since the last crime survey of this office of April 15, 1949, with his attempt to abort the state of the popular Special Commission on Organized Crime headed by WARREN OLNEY III. This commission has been endorsed by all law-enforcement agencies in the state as a necessary adjunct in the fight against organized crime within California.

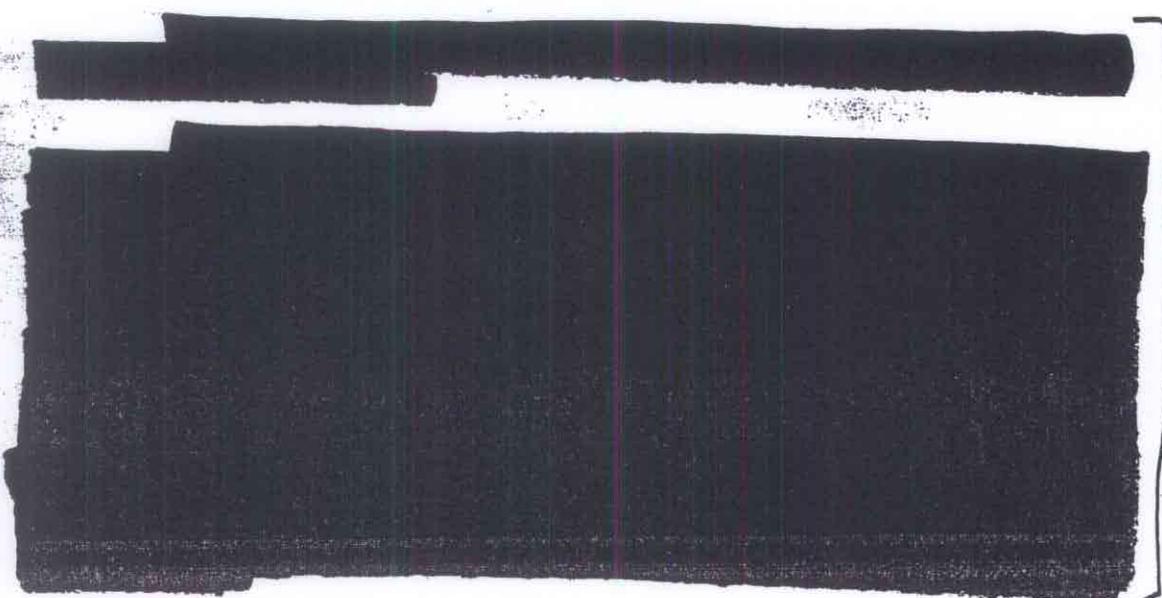
Not only has the crime commission been endorsed by the California District Attorneys and the Sheriffs and Peace Officers Associations, but leaders in the Democratic party as well have approved the commission's continuance.

When the commission stated that Eastern mobsters were attempting to muscle into the lush California fields, HOWSER challenged their findings as being "lurid fiction". He asked proof of their contentions, and to prove that they were unfounded he asked the Legislature for funds to prove his point.

He demanded that the commission be discontinued because, as he put it, it aimed at creating a "police state". In his own words, he "walked alone". He went before several legislative committees and asked that they go along with him, pleading with the members to disregard the "browbeating of public opinion". He stated that there was no organized crime problem in California.

The Legislature, however, despite HOWSER's pleadings, voted to continue the commission for another year. All of its staff was re-appointed. WARREN OLNEY III remained as Chief Council and Executive Official, and [REDACTED] former Special Agent of the FBI and Chief Investigator of the Truman Committee, remained as Chief of Investigators.

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The last clash of Attorney General FREDERICK N. HOWSER with a law-enforcement agency was with the California Crime Commission. Mr. WARREN OLNEY III, Counsel for this commission, has made public charges that HOWSER had openly intervened in an attempt to balk investigation of a Los Angeles bookie syndicate. OLNEY's accusation in a legal brief filed with the State Public Utilities Commission has to do with the Guarantee Finance Company, alleged front for a seven-million-dollar Southern California book-making syndicate which reportedly had branches extending as far as San Francisco. Records of this company were subpoenaed by the Crime Commission last January and the State Securities Corporation was authorized to enlist outside legal aid to fight efforts by the company to recover its state-seized assets. OLNEY's charges concerning HOWSER included a statement that four agents from HOWSER's office "shanghaied" four employees of the Pacific Telephone & Telegraph Company and questioned them for three hours concerning the monitoring of telephone calls of the Guarantee Finance Company and were warned not to inform their superiors of the incident. Subsequently, OLNEY charges, HOWSER went before District Attorney WILLIAM SIMPSON of Los Angeles and asked that he seek an indictment of the Pacific Telephone & Telegraph Company for violating the state's anti-wiretapping law. b7c