

Newport Gambling

Sin City Revisited: A Case Study of the Official Sanctioning of Organized Crime in an "Open City"

**Matthew DeMichele, Gary Potter, Justice and Police Studies, Eastern Kentucky
University**

Introduction

Discussions of organized crime in America tend to focus almost exclusively on the activities of groups operating in the major cities of the Northeast and Midwest, with a particularly heavy emphasis on organized crime groups operating in New York and Chicago. Despite the metropolitan and northern slant of the scholarly and popular literature on organized crime, it is abundantly clear that criminal enterprises also operate in smaller cities, rural areas and the South. Aside from the occasional reference to the "Dixie Mafia" these small city Southern enterprises have escaped serious inquiry (Abadinsky, 1994: 210; Hunter, 1983; Schmidt, 1984: 1, 15).

While it is true that much organized crime activity in the early 20th century was concentrated in the northeastern corridor of the U.S. (Boston, New York and Philadelphia) and Chicago, there were also other significant "pockets" of intense organized crime activity. One of the most notorious of these "pockets" was the Newport-Covington area of Northern Kentucky. For a variety of reasons including the difficulty of travel in the 1940s and 1950s organized crime groups initiated large-scale gambling and prostitution enterprises in Northern Kentucky. In fact, some of the most notorious organized criminals in American history have had extensive connections to Kentucky politicians, business leaders, community leaders, and law enforcement officials, particularly in Covington and Newport (Messick, 1967; 1968; 1995).

This paper will focus on the development of organized crime in Northern Kentucky from the Prohibition era (1919-1932) to the successful reform campaigns of the early 1960s. The data document the prevalence of organized criminal activity in the area, the shape of illicit markets, the means of coordination and management used by criminal entrepreneurs, and relations between criminal syndicates and political and law enforcement officials.

Prohibition

The passage of the Volstead Act and the subsequent outlawing of the distribution, sale and consumption of alcohol in the United States played a key role in organizing crime in Newport, just as it had in other cities. Prohibition had several tangible outcomes in Newport which are vital to understanding subsequent events.

First, as was the case almost everywhere else, Prohibition was a major impetus to the spreading of organized criminality. Otherwise legal businesses, like restaurants, taverns and cafes, now became "speakeasies", or in Kentucky parlance "tiger blinds." This not only extends the scope of organized crime into otherwise legal activities, but it also increases geometrically the number of locations in a community where "vice" is practiced. Where illegality is occurring with regard to liquor, it is a small step to also provide gambling, prostitution and other vice-related goods and services. In addition, the sweeping nature of a Prohibition law, by definition, suddenly and dramatically increases the number of criminal actors in a community by automatically converting those whose activities were legal on one day into organized criminals the next day.

Second, the criminalization of drinking allowed the accumulation of massive sums of working capital for criminal enterprises. People, most people, still drank. But now illegality allowed for a criminal surcharge to be added to the price. This artificially created organized crime tax ostensibly covers the additional costs of operating an illegal enterprise and compensates the participants for increased risk. What it accomplishes in reality is an escalation in profit accumulation. From these profits it is possible, as was the case in Newport, to fund new ventures in vice.

Third, Prohibition added a veneer of respectability to organized crime. The underworld which previously had simply been a collection of pimps, madams, extortionists, and small-time gamblers, operating in a segregated environment which assured the delivery of services to customers, but which also assured that "respectable" folk would have little no contact with the vices if they so chose, now was invited into everyday life. Liquor for weddings, birthday parties, anniversary celebrations, and the like came from the underworld. While it was unlikely that most middle-class families would invite a pimp into their parlor, a bootlegger was an entirely different matter.

Finally, Prohibition institutionalized corruption. Corruption has always been present, but it was clandestine and discrete. Payoffs assured that those who wished to participate in gambling, prostitution, opium-smoking and the other vices could, but in discrete settings under established rules that shielded criminal enterprise from the public gaze. Prohibition changed all that, the public not only wanted vice tolerated, but they wanted assurances that liquor would continue to flow. In many cities, and Newport was no exception, politicians began to appear publicly with bootleggers to allay public fear of liquor enforcement. Open bribery reassured drinkers that their forbidden nectars would continue flow. Prohibition institutionalized public corruption as appendages of American politics.

In Newport these impacts were as real as anywhere else. Dozens of ostensibly legal establishments sold illegal liquor. Large-scale smuggling operations provided beer, wine, whiskey and gin to these businesses. Small-scale production operations became a common means of supplementing income. Oral tradition has it that there were so many back-yard stills in Newport producing wine and brandy that the smoke from these stills blocked out the sun from 1919 to 1932 (Messick, 1968: 18). While this is no doubt a bit of nostalgic hyperbole, there is

similarly no doubt that the production of "red" (illegal moonshine) liquor was commonplace in Northern Kentucky. It is well-documented that in the early years of Prohibition many major syndicates including those of Al Capone, Dutch Schultz and Meyer Lansky purchased some of their stock in Newport, as well as in other Kentucky locales.

It is from these speakeasies that many later gambling locations were spawned. It is from liquor-based corruption that the payoffs that supported massive-scale gambling were organized. And it is from the early local liquor syndicates that most of the key actors in Newport organized crime emanated.

Prostitution in Newport

Prostitution was certainly not a new enterprise to Newport in the post-Prohibition era. As early as the Civil War, troops garrisoned in Cincinnati would cross the Ohio River into Newport to make use of the numerous brothels. But it wasn't until the 1930s that prostitution became highly organized and routinized in Newport and the surrounding cities. Prostitution took many forms, some of which survive to today, but one unique aspect of prostitution in Newport was the influence of the city's system of one-way streets. Many residents of Northern Kentucky worked across the river in Cincinnati. When residents were going to work they crossed the Ohio via Monmouth Street, a one-way thoroughfare leading into Cincinnati. When they returned they used York Street, a one-way thoroughfare leading back through Newport. Some, but by no means all, prostitution was organized to accommodate this traffic flow. Brothels on or adjoining Monmouth Street were called "day houses" because they were open during the morning and afternoon to accommodate travelers to Cincinnati. Brothels on or adjoining York Street were called "Night Houses" because they opened in the late afternoon and ran into the early evening accommodating travelers back to Northern Kentucky. This system was Newport's version of the early fast-food industry, providing quick "drive-up" services to customers. By the 1940s there were 300 women working in the brothels of downtown Newport, an area less than one-square mile in size (Messick, 1968: 19). Among the largest operators of prostitution were the Bridewell brothers who had come from Jackson County in Eastern Kentucky. While the Bridewell's operated three small casinos, all of which also offered prostitution services, their primary business was not casino gambling, but rather a string of local brothels (Messick, 1961a).

Of course, not all prostitution was centered around traffic flow. Some of the larger, more pricey brothels opened in the late afternoon and stayed open all night for the convenience of casino patrons. Newport was a pioneer in yet another type of prostitution, bar-girls. Bar-girls were dancers, waitresses, or entertainers working in the many strip clubs (now euphemistically called "gentlemen's clubs") operating along Monmouth Street. In return for purchasing drinks, or more likely expensive "champagne", customers would receive the attentions of bar-girls. Bar-girls were paid a percentage of the house's take on the drinks they sold. The larger one's liquor bill the greater the attention offered, the higher the level of enthusiasm exhibited and the more physical the

contact provided. While bar-girls are primarily a strip club phenomenon, some of the lower stakes, "bust-out" casinos, offered similar services.

Newport brothels had an ongoing arrangement with Cincinnati taxi-drivers who would funnel business in their direction. Any out of town traveler or visiting businessman who inquired about prostitution services would be taken to one of the Newport brothels. In return the cabbie received a 40% kickback from the fees realized by the brothel. Competition between prostitution outlets was intense and the cabdrivers were an important means for "advertising" their wares. Considering that about 1,000,000 out of town visitors came to Newport each year before World War II, the referrals from taxi drivers were an important source of revenue (Messick, 1968: 15-19).

Table 1: Prostitution Outlets in Newport, circa 1959

Brothel	Address	Description
345 Club	345 Central Avenue	Night House, with gambling
Columbia Café	101 West Fourth Street	Night House, with gambling
Florence's	212 Columbia Street	Day House
Fourth Street Grill	Fourth and Columbia	Night House, with gambling
Frolics	Monmouth Street	Bar Girls, with gambling
Galaxie	Monmouth Street	Bar Girls, with gambling
Goldy's	28 West Second Street	Day House
Harbor Bar	201 Columbia Street	Night House, with gambling
Kitty's	30 West Second Street	Day House
Mabel's	26 West Second Street	Day House
Ray's Café	116 West Fourth Street	Brothel, open both day and night
Silver Slipper	Monmouth Street	Bar Girls, with gambling
Stardust	Monmouth Street	Bar Girls, with gambling
Stork Club	Monmouth Street	Bar Girls, with gambling
Vivian's	21 West Third Street	Night House
Wanda's	213 York Street	Day House

Outside of Newport, in Wilder, one of the most famous brothels in America was in operation, the Hi-De-Ho Club. The Hi-De-Ho was primarily a brothel, although it did have a small casino operation as well. It was owned by James "Big Jim" Harris, the marshal of Wilder. Patrons of the Hi-De-Ho could patronize the bar and casino on the first two floors, and then, if they wished engage in more physical pursuits on the top two floors (Messick, 1968: 87-88).

Marshal Harris successfully operated the Hi-De-Ho until 1951, when State Police raided the establishment. Under Kentucky law in incorporated cities like Newport the State Police had no jurisdiction unless they were invited in by local police. But Wilder was an unincorporated municipality and the State Police needed no invitation to act there. The raid was provoked by two factors. The Hi-De-Ho was taking gambling business away from the Cleveland Four's Latin Quarter and that syndicate was busily lobbying their supporters in Frankfort for relief. In addition, the Hi-De-Ho's brothel operation was also engaged in blackmail. Harris had wired the rooms and gave his sex workers "scripts" from which they would try to elicit clients names, addresses, wife's names, and children's names. Sometimes, after the client returned home, Harris would call and explain how embarrassing it might be for the audio tape to surface and suggesting that \$5000 would assure the destruction of the tape (Messick, 1968: 87-88).

"Big Jim" Harris was indicted by a grand jury in 1955 on prostitution charges. To a large degree his indictment was the result of Cleveland Syndicate complaints about his blackmail operation and the continued growth of the Hi-De-Ho Club as a gambling venue. Harris had also made the mistake of trying to shake-down Cleveland Four operatives for \$10,000. Now they would use the Grand Jury to close him down. Witnesses from the 1951 raid testified against Harris. Harris was represented by local attorney Charles Lester who seemed to not take the trial very seriously. He simply didn't show up. Harris was sentenced to three years in prison and was not officially out of business (Messick, 1961i ; 1961j; 1968: 87-88).

George Remus

George Remus had nothing to do with gambling and prostitution, but his impact on the organization of crime in Newport was enormous. Remus was a German immigrant who came to Chicago in 1876 at the age of three. He was by trade a both licensed pharmacist and a criminal lawyer, occupations that would position him well for Prohibition (1919-1932). Remus moved to Cincinnati, right across the river from Newport, at the beginning of the Prohibition era. There he built a bootlegging empire, that while short-lived, nonetheless had two major implications for organized crime in Newport: (1) his bootlegging operation formalized corruption; and, (2) his bootlegging syndicate would spawn many of the major actors in Newport gambling (Messick, 1968: 17-18).

Remus' bootlegging enterprises were both audacious and massive. As a pharmacist, Remus could buy bonded liquor from the Treasury Department, for use in medicines, hair tonics, and the like. He could then divert that liquor to illegal sales. It was with this legal liquor that Remus began his empire. But he didn't stop there. Remus parlayed the profits from his liquor diversion into the purchase of seven distilleries in Ohio, Indiana, and Kentucky, that had been closed by the Volstead Act. When the stockpile of bonded liquor had been tapped out, Remus simply produced his own. Putting together a large distribution organization employing dozens of local criminal actors, Remus first moved his alcohol on the highways by the truckload and then on the rails by the boxcar load to local distribution sites (Messick, 1968: 17-18).

But Remus did more than organize the production and distribution of "white" (legally produced, rather than moonshine) liquor. He also organized political graft on a massive scale, recruiting contacts in police departments, courthouses and city halls in the tri-state area. He was given the appellation of the "Gentleman Grafter." By his own accounts he spent millions paying off police, judges, and mayors to simply look the other way as his bootlegged liquor flowed into their jurisdictions. Journalist Hank Messick credits Remus with teaching the art of graft to public officials in the area. While this may be overstated, especially in light of the fact that local politicians and law enforcement seemed to have already been more than adept at taking bribes and "looking the other way," it is certainly true that Remus elevated the level of organization in local corruption to a point at which it became routine. The regular, scheduled, weekly payoff became a way of life in Newport (Messick, 1968: 17-18).

During Prohibition, however, local corruption was insufficient to maintain a criminal organization. It is in this regard that Remus differed from most of his more successful East Coast and Midwestern colleagues. While Meyer Lansky, Bugsy Siegel, "Dutch" Schultz, Al Capone and others had been able to neutralize, corrupt or otherwise protect themselves from Treasury Department agents, Remus ignored this area of vulnerability to his detriment. In 1922 Remus' operation was raided and he and twelve of his associates were arrested, convicted and imprisoned. But it was the progeny of the Remus bootlegging operation who would use the web of corruption he created to establish post-Prohibition gambling as the major enterprise in the open city of Newport (Messick, 1968: 17-18).

The Cleveland Four

Of those syndicates operating primarily outside of Newport, the most important was the Cleveland Four. Named for the four leaders of the syndicate, Moe Dalitz, Morris Kleinman, Louis Rothkopf and Sam Tucker, the Cleveland Four had a long history and far-flung interests. Arguably, next to Meyer Lansky and his associates, the Cleveland Four was one of the most powerful syndicates in the United States and a defining influence in the organization of crime throughout the entire 20th Century (Messick, 1968: 21).

Each of the governing members of the Cleveland Four brought his own unique experiences to the organization; assumed primary responsibility for specific enterprises of the organizations; and left his own clear mark on organized crime. Moe Dalitz was a native of Detroit where he was an early member of the "Purple Gang," a syndicate involved in the "protection racket," strikebreaking, and bootlegging. He was a friend and mentor of the young Jimmy Hoffa who would rise to prominence as president of the Teamsters Union. Dalitz left Detroit for Cleveland, and rum-running across Lake Erie in 1925. Morris Kleinman was a Cleveland native who started out running a brewery in Cleveland and ended up supervising bootlegging for the Cleveland Four through Canada. Louis Rothkopf was also a Cleveland native with expertise in the construction and management of stills. He took a major role as a supervisor of the syndicate's many alcohol production facilities both domestically and internationally. Finally, Sam Tucker was a immigrant from Lithuania who supervised the purchase, maintenance and

operation of the fleet of boats used by the syndicate during Prohibition (Messick, 1967).

Closely allied with Meyer Lansky and Bugsy Siegel in New York, the Cleveland Four were bootlegging liquor from Canada and operating a nationwide distribution system. By 1930 they were partners with Lansky in several large distilling operations in both Cuba and Ohio. In the early 1930s, the Cleveland Four, just like Lansky began establishing illegal gambling casinos in the Cleveland area as a probable post-Prohibition enterprise. By the 1950s the Cleveland Four were joining Lansky and Siegel in Las Vegas expansion at the world-famous Desert Inn (Messick, 1967).

Although the Cleveland Four distributed liquor in the Newport area, their first direct move into metropolitan Cincinnati came with the assassination of Dutch Schultz. The Dutchman owned a race track outside of Cincinnati named the "Coney Island Racetrack." Within days of Schultz's demise the Cleveland Four took that track over, renaming it River Downs, a track that continues to run today. Shortly thereafter they acquired ownership of Latonia Park, a dog track in Florence, Kentucky, right outside Newport, which they turned into a horse track and was later renamed Turfway Park, a track now owned by Keeneland (Messick, 1967).

Peter Schmidt and the Beverly Hills

One of the associates of George Remus who would have a major impact on the organizing of crime in Newport was Peter Schmidt. Schmidt had been one of Remus' truck drivers and had been one of the twelve men arrested with Remus. Upon his release from prison Schmidt used the money he had made in bootlegging to buy a hotel on Monmouth street in Newport, which he named the Glenn Hotel, after his son. Initially Schmidt offered illegal alcohol for sale and a few slot machines to amuse his patrons. The Glenn Hotel was also a rather infamous hideout for organized criminals from other parts of the country who were avoiding indictments or arrests. Dave Jerus, one of Al Capone's gunmen hid out there for a while, as did the notorious strong-arm man, Bob Zwick. The Glenn Hotel was raided by Treasury agents and in the raid Schmidt shot a federal officer which earned him another five year stint in prison. But Pete Schmidt had bigger plans for Newport, and upon his release from prison he began to put them into effect (Messick, 1968: 19-21).

Back in Newport Schmidt expanded the casino at the Glenn Hotel. But it was still a small-scale operation. He envisioned a much larger, much more elegant gambling venue, complete with good food and entertainment, much like Lansky's casinos in Saratoga, New York and Broward County Florida, or like the Cleveland Four's Arrowhead Club. Schmidt purchased a former speakeasy named the Old Kaintuck Inn three miles south of Newport in the town of Southgate. He totally refurbished the old club, renamed it the Beverly Hills Club and opened it as Newport's premier "carpet joint" (Messick, 1968: 19-21).

The Beverly Hills Club was an unqualified success and in that success lay problems for Schmidt. One of the early visitors was Moe Dalitz. Dalitz clearly

liked what he saw and thought The Beverly Hills Club would a fine acquisition for the Cleveland Four. Dalitz offered to buy it or to take Schmidt in as a partner. But Pete Schmidt wasn't interested in selling or acquiring new partners. The Cleveland Four, however, were not used to being refused. In 1936 there was a fire at the Beverly Hills Club. The casino was destroyed and the niece of the caretaker was killed (Messick, 1968: 22-23).

The fire was a mysterious circumstance. What is known is that another of George Remus' associates, Albert "Red" Masterson, bought several canisters of gasoline the night of the fire. Another local man, Dave Whitfield, a friend of Masterson, provided refuge that same night for a man, Edwin Garrison, a veteran of Dutch Schultz's New York gang, who was suffering from burns on his hands and legs. Whitfield ended up taking the fall for the fire and the death of the young woman. When he got out of prison he was hired a casino manager in one the Cleveland Four's casinos. "Red" Masterson made a minor criminal career out of providing muscle work for both the Cleveland Four and Meyer Lansky's associates in Newport for the next two decades, thereby creating at least a prima facie case for syndicate involvement (Messick, 1968: 22).

But, death and fire were insufficient deterrents to Peter Schmidt. In April 1937 he reopened the facility as the Beverly Hills Country Club. His opening night party was attended by Governors and other politicians from four states. Crystal chandeliers, oak paneling, plush blue carpets and gilded gold leaf pattern wallpaper made the new Beverly Hills an even more elegant gambling venue. But the phoenix risen from the ashes was even a greater target for the Cleveland Syndicate (Messick, 1968: 23).

In the summer of 1937 a group of armed men robbed the Beverly Hills Country Club. Schmidt hired heavily armed guards, but acts of harassment continued. Schmidt even attempted to approach an organized crime group from Toledo as possible partners, probably to provide him with some additional protection. But they had no interest in a run-in with Dalitz, Kleinman, Rothkopf and Tucker. In 1940, Charles Lester a local attorney, handled the legal sale of the Beverly Hills Country Club from Peter Schmidt to Sam Tucker. The Cleveland Four now had their "carpet joint" in Newport. Peter Schmidt retired to his Glenn Hotel, at least for the time being (Messick, 1968: 23-24).

Jimmy Brink and the Lookout House

Jimmy Brink was a native of Cincinnati who had been involved in local, small-time bootlegging. In 1933 Brink opened the Lookout House. The Lookout House was in Covington, in neighboring Kenton County, Newport's neighbor across the Licking River. The Lookout House, located on a hill off the Dixie Highway, was a huge building that contained several cocktail lounges, a restaurant-showroom, and of course a casino with large picture windows which allowed patrons to lookout at the Cincinnati skyline, and presumably allowed local law enforcement to look in had they been so inclined (Messick, 1968: 25-27).

In April 1938, state authorities indicted Brink on 45 counts of illegal gambling. The court issued an injunction against gambling at the Lookout House, but local

authorities declined to enforce it. Two of the witnesses who had been instrumental in indicting Brink were beaten and subsequently declined to testify. The Lookout House was back in business, which was both good and bad news for Jimmy Brink (Messick, 1968: 25-27).

Having acquired the Beverly Hills Country Club, the Cleveland Four was now taking notice of Brink's operation at the Lookout. A desire to expand their successful Kentucky holdings was part of the allure of the casino in Covington. But a more important tactical reason spurred Cleveland Four envy. The Lookout House was in Kenton County. The Beverly Hills Country Club was in Campbell County. Grand Juries, which were required for any investigations or indictments, operated on staggered schedules. In other words when the Grand Jury was in session in Campbell County, it was not in session in Kenton County. That meant that with two "carpet joints" in neighboring counties the Cleveland Four could close the one in the county with a Grand Jury in session. While corruption virtually guaranteed a smooth operation of gambling, acquisition of the Lookout House would guard against unwelcome judicial inclinations toward reform, or a Grand Jury that turned out to be hostile (Messick, 1968: 25-27).

Once again it was Sam Tucker who entered into discussions with Brink. Tucker was now living in Covington and was managing the Northern Kentucky operation of the syndicate. Brink was well aware of both the problems the Cleveland Four could cause and of the potential benefits of collaboration with a powerful, national syndicate. The syndicate offer was generous. Brink got \$125,000 up front, a great deal of money for the 1940s; he got to keep 10% of the Lookout House; he was given 10% of the Beverly Hills operation; and he could stay on as manager. It was Cleveland Four policy to keep locals in day-to-day charge of their operations and Brink benefitted by becoming their front-man at the Lookout House (Messick, 1968: 25-27).

Other Clubs of the 1930s

Apart from the Beverly Hills Country Club and the Lookout House only a handful of small, "bust-out" joints were operating in Newport in the 1930s. Most of them opened around noon and ran until the early hours of the morning. They offered only some of the traditional casino games, complemented by games like "razzle-dazzle," a multi-die game which bilked players. Most of these clubs had horse and sports bookmaking operations as their major sources of revenue (Messick, 1995).

On Central Avenue in Newport the 316 and 345 Clubs (named for their addresses) were operating. The 316 Club was operated by yet another of the Remus group, Taylor Farley, a local resident. The 345 Club was run by Emile Bridewell. The Bridewell brothers, Emile, James, Ralph and Ray would run several bust-out joints over the years, but their primary illicit business was prostitution. These Jackson County, Kentucky natives would run a series of brothels over the next two decades in Newport. The Club 314 operated at 314 W. 4th Street and another of the small bust-out joints in town. In the late 1930s a gambler named Arthur Dennert opened the 633/Flamingo Club, at 633 York

Street. This would become one of Newport's most popular casinos (Messick, 1968: 15-19).

Outside of Newport in the 1930s was the Avenue in Bellevue, a town a little northeast of Newport and the Beacon Inn located a little south of Newport on Licking Pike.

The Levinsons, The Bermans, and Meyer Lansky

The 1930s in Newport ended with the arrival of the Levinson brothers, Ed, "Sleepout" Louis, and Mike. The Levinsons grew up in Chicago, but they made their mark in organized crime in Detroit where they ran a couple of casinos and played an active role in the newspaper circulation wars of the 1920s. Their entrance into Newport was of major importance because the Levinson's directly represented the interests of another major, national syndicate headed by Meyer Lansky, in collaboration with Bugsy Siegel and Lucky Luciano and other New York gangsters. While Lansky and his partners often worked in close collaboration with the Cleveland Four, their presence in Newport both provided a mitigating influence now that two powerful syndicates were represented, and in some ways a greater threat to local syndicates and operators. It was clear by the end of the 1930s that those who "got along" with the powerful outside syndicates would profit handsomely, and those who did not would operate only at their sufferance (Messick, 1968: 34-35).

The Levinson brothers simply forced Art Dennert out at the Flamingo/633 Club. The Flamingo was in downtown Newport, but unlike the other downtown clubs it was upscale and was about to go further upscale. The Flamingo was a very large club with a bar and cafeteria in the front and the casino in back. The Levinson's also operated a major bookmaking parlor at the back of the casino. With a huge neon sign in front the Flamingo was hard to miss (Messick, 1968: 25).

On the other side and in the next block was the Yorkshire, at 518 York Street. The Yorkshire was run by Joe and Martin Berman (aka "Miller" in Newport) two gamblers who were Lansky's employees and/or partners in a number of earlier New York ventures. The Berman's had gained control of the Yorkshire in 1944 from Jimmy Brink. The Yorkshire was a three-story brick building with a 7500 square foot casino on the first floor and a race and sport book in the back. The expensive carpets left no doubt that this two was an upscale joint (Messick, 1968: 26-27).

Other Casinos of the 1940s

Many local operators also opened casinos in downtown Newport in the 1940s. These operations were smaller, less classy operations than the syndicate casinos. But it wasn't their size that caused concern in Cleveland and New York. First, the sheer prevalence of gambling was becoming a problem. It wasn't competition that the national syndicates feared, because they appealed to a very different type of gambler, but the fact that the sheer number of casinos was hard, even for corrupt local officials to ignore. But, a greater source of concern was the fact that these smaller "bust-out" joints ran rigged games. Cleveland and New York

interests had understood for years that it wasn't necessary to rig gambling. The sheer grind of mathematics meant the house would win, and would win big. But for smaller, and sometimes greedier operators, the grind was not enough. They introduced some games, which while honest, had such an immense house advantage, like Razzle-Dazzle. Razzle-Dazzle was a game imported from Cuba that made us six dice in a metal cage that was spun. In order to stay in the game players had to keep doubling their bets. The big win was coming on the next spin of the cage. The big win never came. They also rigged some games, roulette in particular, a game favored by less cerebral players because of its lack of any useful strategy, and craps, a game at which large sums of money could be won or lost on any single roll of two dice. In order to guard against a run by players, some casinos kept loaded dice at the ready. Once again, complaints emanating from rigged games were not in the interests of syndicate operators (Messick, 1995).

The smaller casinos were opening everywhere. At 613 Monmouth Street, "Big Jim" Harris opened the Stork Club. Harris is best remembered for his ownership of the infamous Hi-De-Ho Club in neighboring Wilder (see prostitution, below). Several casinos opened which catered primarily to the African-American population of Cincinnati in what was still a very segregated America. The Copa at 339 Central Avenue; the Alibi at 310 Central Avenue, the Rocket at the corner of 2nd and York Streets, the Sportsman's at 228 West Southgate Alley, the Varga and the 222 Club (which would later be relocated next door to Covington, were all primarily black establishments (Hinton, 1951a; United States District Court, 1953).

The Merchants Club at 15 E 4th Street was a three story building with a dining room and casino. Red Masterson who had played a role in the Beverly Hills Club arson was given the job of manager by the syndicate. Pete Schmidt, the victim of the Beverly Hills Club fire, was also opening up a new venue. The Glenn Rendezvous, owned by Schmidt, opened at 928 Monmouth Street. The Glenn was another three story building with a casino on the second floor and a large bookmaking operation on the third floor. The Bridewell brothers, still heavily involved in prostitution, opened two small casinos, the Mecca Club at 922 Monmouth and the Red Able Club at 941 Monmouth (United States District Court, 1953).

Outside of Newport the Club Alexandria had opened at 2124 Monmouth Street, about halfway to Beverly Hills Country Club in Southgate. The Alexandria Club could accommodate only about 300 players. The Grandview Gardens at 15 Wildrig Street in Wilder was primarily a restaurant, but had a small casino in the back. What had been the Beacon Inn on Licking Pike in Wilder became the Primrose Club in the 1940s when it was acquired by Buck Brady. Brady was yet another of the alumni of Remus' bootlegging operation. He invested his Prohibition-era profits in purchasing and remodeling the older casino. Brady believed that the rural setting of the Primrose Club would keep him safe from either of the national syndicates operating in Newport at the time (United States District Court, 1953).

There were also a few casinos opening up in Covington. The Kentucky Club had opened at 627 Scott Street and the Rocket Club (not affiliated with the Rocket Club which would open later in Newport) was at 417 Scott Street. The Dogpatch was a very small casino on the river in Covington, and another small casino called the Teddy Bear Lounge operated outside of Covington on the river. The Club Kenton was located near the corner of Main and Kenton Streets. The Covington casinos with the exception of the Lookout house and the Kentucky Club were much smaller than their Newport neighbors.

By the beginnings of World War II, gambling was wide open in Newport. During hot summer months the doors of the casinos stood open, concealing virtually nothing from the gaze of either the public or law enforcement. Here were no secret codes or names of friends to be dropped to gain admission. Anyone could enter a casino, customer tourist, or police officer. Things were going so well that most of the leadership of the Cleveland Four were busy elsewhere. Morris Kleinman was looking after illegal gambling in Cleveland. Louis Rothkopf was overseeing syndicate investments in legal liquor. And Moe Dalitz had enlisted in the U.S. Army to fight the war. That left Sam Tucker in charge of Newport and Covington operations (Messick, 1967).

The absence of so many adult males during the war was a problem for Newport vice. Many customers were fighting in Europe or the Pacific. Others simply weren't showing up because of wartime travel restrictions which had virtually closed down the Cincinnati convention business. Even the Cleveland Syndicate was suffering. The Lookout House's revenue was off and an illegal gambling veteran, Sam "Gameboy" Miller, was brought down from Cleveland in 1944 to cut costs and shore up profits. Miller was also responsible for assuring that no internal theft was occurring among casino employees. The move was a success, by 1946 the Lookout House had returned to its 1930s profit levels (Two gamblers balk at Senate questions, 1951).

But, whether it was the sagging gambling economy precipitated by the war, or the absence of three of the Cleveland Four, some local opportunists were about to shake-up the Newport underworld. Prominent among these were lawyer Charles Lester, the local attorney who had handled the transfer of the Beverly Hills Country Club from Pete Schmidt to the Cleveland Syndicate.

Charles Lester

Charles Lester had been under retainer to the Cleveland Four. Whether it was avarice, opportunity or simple bad judgment that motivated Lester is unclear, but in 1943 he switched sides in the Newport underworld. Lester began to conspire with Pete Schmidt, who had still not given up his hope that he would become Newport's premier illegal gambling boss, despite the presence of two powerful, national syndicates. In September 1943 Lester and Schmidt made their move. The local judge who was on the Cleveland payroll was out of town, meaning that any legal actions would have to be heard by the visiting jurist. Lester filed a civil suit naming 92 people as operatives of the Cleveland Syndicate and demanding that an injunction be issued requiring the local police and prosecutors enforce Kentucky's gambling laws. In this suit Lester recruited

Jesse Lewis, and entirely unconnected and apparently honest deputy attorney general, as co-complainant. Lester and Lewis went to a courthouse in a neighboring county and found a judge will to sign a restraining order against illegal casinos and ordering the Newport police to raid them and confiscate illegal gambling equipment. Lester returned to Newport with the injunction, assembled police raiding parties before all the casinos could be warned and lead raids on the Beverly Hills, the Merchants Club, the Yorkshire, and apparently for sake of appearances, Pete Schmidt's Glenn Rendezvous. Schmidt took only a marginal hit because obviously he knew in advance what was happening and hid much of his equipment. The syndicate-connected casinos, however, did not fare as well, having over \$100,000 worth of gaming equipment seized by the police. Five people were arrested and indicted on gambling charges (Messick, 1968: 27-28).

The raids had been a bold ploy by Lester. But Newport, being Newport, was quick to offer a debilitating counter-move. Campbell County officials ordered the seized equipment returned within days. The five indicted men never faced trial and were, in fact, all elected to public office in the next election as a clear repudiation of reform (Messick, 1968: 29). But the Lester-Schmidt alliance would create problems in Newport for the next two decades, and Lester would play a major role, although unintended role, in the eventual downfall of illegal gambling in the city.

By 1948 Lester and Schmidt were read to try another strange gambit. They recruited a wandering street minstrel named Robert Siddell to run for Mayor. They rationalized that controlling the Mayor's office would give them some leverage against the Cleveland Four. But Siddell lost, a syndicate backed candidate won and promptly ordered a raid on Schmidt's Glenn Rendezvous Club. With some reason Schmidt was concerned about further retaliation. So, in order to keep the Glenn rendezvous out of the hands of the Cleveland Four, he sold it to the Levinson Brothers and Arthur Dennert (Messick, 1968: 41).

Whether it was just happenstance or whether the Cleveland Four was genuinely miffed at the sale of the Glenn Rendezvous will never be known. Nonetheless, Art Dennert was killed in an automobile accident. Oral tradition in Newport has it that this was an "accident" arranged by the Cleveland Four. Logic would mitigate against this conclusion because it is highly unlikely that the Cleveland Four would compound their difficulties with Schmidt and Lester by taking on the vastly more powerful, Lansky-backed, Levinson brothers. However, upon Dennert's death the Cleveland Four claimed his share of the Flamingo and put one their operatives in the Flamingo to co-manage the casino with Levinson employees (Messick, 1968: 41-42).

Taylor and Rip Farley

Unfortunately, however, Lester and Schmidt were not the only sources of trouble in Newport during the 1940s. The Farley brothers posed an even more delicate dilemma. Rip and Taylor Farley were brothers who had come out of Clay County in the hills of Eastern Kentucky to work in the bootlegging syndicate of the prohibition era. After the end of Prohibition, Taylor opened a small brothel

in Newport which was not faring as well as he had expected. He went looking for ancillary employment in the casinos and ended up working for "Sleepout" Louis Levinson at the Flamingo. Brother Rip either seriously overestimated his brothers role, or misunderstood the close connections between the Levinsons's and Berman's through Meyer Lansky's syndicate, because on February 18, 1946 he walked into the Berman's Yorkshire Club and robbed a dealer of \$2500 at pistol point. Robbing a syndicate casino was obviously not something that would be tolerated in 1940s Newport and Taylor's association with "Sleepout" Louis was not going to help either of the brothers. On February 22, as Rip and Taylor were leaving the Flamingo a man in a large black car shot them both with a sawed-off shotgun. Rip died almost immediately, but Taylor who had been shot in the chest refused to cooperate and survived the shooting (Messick, 1968: 35-37).

Organized crime always prefers to avoid violence because of the attention it brings to their day-to-day business. The Farley shootings were no exception. An investigation was initiated and the Flamingo lost its liquor license. "Sleepout" Louis reopened serving milk from the bar, at least when state alcohol agents were in town. The license revocation actually saved the syndicate some money in that they simply stopped paying their monthly bribes to the State Liquor Board inspectors. Taylor Farley fared pretty well too considering the situation. He absented himself from Newport for a few years and then returned to work for his fellow Eastern Kentuckians, the Bridewells at the 345 Club. Apparently Meyer Lansky's associates were willing to bygones be bygones (Messick, 1968: 35-37).

Bookmaking and Layoff Banking

Casino gambling wasn't the only source of gambling profits for organized in 1940s Newport. Bookmaking was a major organized crime enterprise nationwide, and Newport became a center for organized crime "layoff" banks. A layoff bank operates as a kind of insurance company for illegal bookmakers. Bookies, who are getting too much betting action on a particular fight, or horse race or sporting events, sell some of their betting action to larger, better financed "layoff" banks. The layoff bank divides the risk with the bookie and also, of course, divides the profits with the bookies, all for a fee or handling charge.

An important layoff bank, which covered much of the betting action in the Midwest was located at Fourth and York Streets. The "Bobben Realty Company" was run by the Lasoff brothers, Bob and Ben, or as they were known locally "Big Porky" and "Little Porky," and their partner Nig Devine. Devine was also a major caterer in Newport, who provided casinos and restaurants with food. Layoff banks are inevitably connected with larger syndicates and form the primary basis for profit-taking in bookmaking for organized crime syndicates. In the case of the Lasoff brothers and Nig Devine, their layoff book was a creation of the Lansky's New York syndicate (Messick, 1968: 37-38).

In the late 1940s, Gil "the Brain" Beckley would take over the Bobben Realty layoff bank in partnership with Eddie Levinson. Under Beckley's leadership, federal law enforcement officials would later allege, Bobben Realty grew into the

largest layoff bank in the country (Associated Press, 1961c; Messick, 1961e; 1968: 52-53).

Buck Brady

Another old bootlegger, Buck Brady, was beginning to cause some concern for Sam Tucker representing Cleveland interests in Newport. Buck Brady, yet another of Remus' bootlegging crew, had been operating the Primrose on the road out of Newport toward the Beverly Hills Club for a decade. Brady's management of the Primrose had been more than competent. In fact, it was too competent. Brady's club was actually competing with the Cleveland Four's Beverly Hills. Red Masterson, who had helped move Pete Schmidt out of the Beverly Hills, was apparently tasked to try to move Brady out of the Primrose. Whether that was to be accomplished by persuasion, after all Masterson and Brady started their criminal careers together; or through a financial offer; or through violence has never been made clear. What is clear is that Buck got wind of the syndicate's unhappiness. He struck first. On August 5, 1946, Brady lay in wait for Masterson outside the Merchant's Club. As Red was getting into his car Brady fired a shotgun (apparently Newport's weapon of choice) at him, wounding but not killing Masterson. During his attempt at escape Brady ran his car into several parked cars and had to flee on foot. The police found Brady hiding in a outhouse and promptly arrested him for disturbing the peace (Messick, 1968; 39-40).

In the spirit of true organized crime camaraderie, Masterson refused to identify Brady as the shooter at his trial, and George Remus showed up as a character witness for Buck. The disturbing the peace charge was quickly dropped. The Cleveland Four saw no reason to prolong the incident with another public act of violence. They told Brady to leave Newport or be killed. Wisely, Brady retired to Florida after giving the Primrose to the Cleveland Four as peace offering. The Cleveland Four renamed the club the Latin Quarter, remodeled and expanded it. Dave Whitfield, one of the arsonists from the Beverly Hills Club fire was given the job of manager after his release from prison (Messick, 1968: 39-40).

Screw Andrews

Screw Andrews (born Frank Andriola) started his criminal career as a moonshiner in the suburbs of Cincinnati. Later, he moved on to the numbers rackets, primarily in African-American neighborhoods. By the mid-1940s, along with his brother, "Spider," and his nephew, "Junior," Screw owned several liquor stores and newspaper stands across the river in Newport. Through those otherwise legitimate businesses, Screw was able to expand his numbers syndicate into Newport. In the late 1940's, Andrews decided to move against African-American owned casinos in Newport. Making use of a well-placed bribe, Andrews was able to convince Newport police to raid Steve Payne's Sportsman's Club on May 14, 1947. In 1948, Payne was murdered, and Andrews purchased the Sportsman's Club from the Newport redevelopment authority. The Sportsman's Club was now the headquarters of Andrews' numbers racket and casino operations (Messick, 1968: 54).

In 1952 Screw acquired ownership of the Alibi Club, another African-American gambling venue. On January 13, 1952 a shoot-out occurred at the Alibi club, Melvin Clark, the major remaining African-American competitor of Andrews in the numbers racket, shot and killed Andrews' casino manager who had pulled a gun on Clark. Andrews sensed an opportunity to move on Clark's rackets , especially if Clark was convicted of murder in the shooting. But Newport, being Newport, dealt with shootings in a more benevolent manner. Clark was found guilty not of assault or murder, but of carrying a concealed weapon. He was sentenced to 18-month probation and told to stay out of Newport for that period. Screw Andrews had a very limited window of opportunity to make his move on Clark's rackets (Messick, 1968: 61-64).

Clark returned to Newport in 1954 and immediately opened a new casino, the Coconut Grove, a club that would directly compete with Screw Andrews' interests. Screw ended the threat by shooting Clark and killing him. He was charged with murder, but was assisted by the fact that police didn't even investigate the crime. He pled self-defense and was acquitted (Messick, 1968: 61-64).

Screw Andrews may have been successful at avoiding murder charges, but unlike his syndicate counterparts who were very careful to always pay federal income taxes on their profits and meet the requirement of the Federal Wagering Stamp Act, Screw was a bit more cavalier in dealing with the Treasury Department. He was convicted on tax charges and sent to federal prison for six years in 1956. Screw sold his Sportsman's Club to the Newport Housing Commission for \$475,000 in 1959. In 1961 Screw opened a New Sportsman's Club at the corner of 2nd and York streets (Messick, 1968: 145-148).

The 1950s: Reform Syndicate Style

Attempts at reform came slowly in Newport. But in the early 1950s a group of clergymen in neighboring Kenton County hired Assist Attorney General Jesse Lewis to investigate political corruption in Covington and Kenton County. Lewis fled suit against the Kenton County Commonwealth's Attorney alleging that he was engaged in nonfeasance with regard to the gambling laws. The judge hearing the lawsuit agreed and began disbarment proceedings against the Commonwealth's Attorney (Hinton, 1951b; Messick, 1968: 42; United Press International, 1952; United States District Court, 1953).

On March 7, 1952, the State Police raided the Lookout House. They seized \$20,000 in gambling equipment and arrested casino employees and patrons alike. The Cleveland Four made a quick decision. The Lookout House would not reopen. It was better to sacrifice one establishment to protect the others across the river in Newport where State Police interference was not likely to be tolerated. Jimmy Brink had not been present during the raid so he had not been arrested. But his lucky streak was at an end. Brink, an accomplished pilot, died on August 6, 1952, while flying himself to Miami (Kentucky State Police, 1952; Messick, 1968: 43-47).

In Newport the reform movement actually was better organized and more powerful. There was a good reason for that. Reform came to Newport courtesy of the Cleveland Four. Red Masterson, fully recovered from the Brady shooting, started meeting with local businessmen. Out of these consultations came the Newport Civic Association who would raise the issue of gambling and prostitution, and field candidates for office, under the slogan of "Clean Up, Not Close Up." With the syndicate's bankroll funding the campaign the reformers swept the elections (Messick, 1968: 55-56; Police chief hunted, 1951).

Peter Schmidt was still trying to build a gambling empire. Despite the election results which put syndicate-backed reformers in office, Schmidt went ahead with a new project. Schmidt probably misread some events and thought there was an ongoing Cleveland syndicate disengagement from Newport. Sam Tucker had moved to Miami in 1949 to oversee gambling interests in Broward County and Havana. Moe Dalitz had purchased the Desert Inn in Las Vegas from Wilbur Clark and seemed to be devoting his entire attention to that project. So Schmidt built yet another casino at 18 E. 5th street called the Glenn Schmidt Playtorium. The Playtorium was a one story building with a restaurant, cocktail lounge, bowling alley, and a basement casino. The Cleveland Syndicate that there newly elected reform government though Schmidt's opening of the Playtorium was just another act of defiance on his part. The Newport Civic Association members ordered a raid on Schmidt (Messick, 1968: 56-60).

Schmidt's ally, Charles Lester, retaliated by arranging a raid on the Cleveland Four's Merchants Club. Lester had found a detective named Jack Theim who was willing to take charge of the raid. Theim's exact role in the Newport drama is unclear. Some sources believe him to be a corrupt cop, simply on Lester's payroll. Others believe he was an impeccably honest officer simply doing his duty. In any event, following the Farley shootings, Theim had been selected to head up a gangster unit in the police department. In that role he had been gathering evidence and compiling dossiers for years waiting for any sign of reform to show its face in Newport. With the success of the NCA Theim apparently believed his day had come. He was not entirely correct in that assessment (Messick, 1968: 56-60).

On occasion even the cleverest organized crime scheme can overreach. The NCA had come to power with the direct assistance of the Cleveland Syndicate. With the attack on Schmidt apparently someone felt the reformers work was done. In the 1951 election the word was put out that the NCA slate of candidates was to be defeated. Whoever made that call was not counting well, because in the November election the Lester-Schmidt candidate for Mayor, Robert Siddell, the street minstrel won. But, once again Peter Schmidt would over-reach his opportunity. Schmidt approached Jack Theim and made him an offer. He suggested that Theim serve as official police "enforcer" for the "new" regime. Schmidt was proposing, in a straight forward manner, that he and Lester, with Theim's assistance would take over organized crime in Newport. Whether out of a sense of duty and impeccable honesty, or because of conflicting underworld loyalties, or because he didn't think Schmidt and Lester could pull it off, Theim did precisely the opposite. He launched a major raid on Peter Schmidt's Playtorium. The logistics of this raid are interesting and the potential

implications to understanding organized in Newport are compelling (Messick, 1968: 56-60).

First, this was a very expensive raid. Them chose not to use Newport police, but rather hired a bus load of detectives from Louisville to conduct the raid. The detectives were deputized on the bus while traveling to Newport, because they obviously had no jurisdiction in Newport. Someone had to fund the raid. Second, this was a logistically complex action that required careful planning and information about individuals in Louisville and their level of trustworthiness that seems, at least on its face, beyond Jack Them. But such an expensive and complex operation was not beyond the Cleveland syndicate or the individuals associated with Meyer Lansky. It may be that Them approached either of this syndicates for help. It may be that the Cleveland Four were annoyed with however had made the decisions to dump the NCA candidates in the election, probably Red Masterson, and were simply taking corrective measures. It may be that individuals associated with the Levinsons and Berman representing Lansky's interests were less than impressed with the deterioration in the political climate of Newport and acted on their own. Whatever happened, and why it happened, the end result was not good for anyone (Messick, 1968: 56-60).

Them's deputized raiders arrived at the Playtorium and were met on the sidewalk by Peter Schmidt and Newport's police chief who promptly arrested the raiders. Them was arrested on a wide-range of charges and taken into custody. Scxrew Andrews approached Them and offered to make the charges go away if Them would leave Newport. But Them, either believing he had some form of protection or still believing in the credibility of Newport's criminal justice system, chose to stand trial. That was another poor choice. The trial was a legal lynching. Charles Lester who had no standing in front of the court was allowed to participate in the trial, making motions, questioning witnesses and addressing the jury. The judge was clearly hostile to Them and a string of witnesses perjured themselves. Them avoided serving time in prison by finally leaving Newport. Perhaps a clue to the mystery of what had actually happened during this confusing and complex series of events can be found in Them's exit. He went to Las Vegas and took a security job with Ed Levinson at the Sands Casino (Messick, 1968: 56-60).

Despite the miscalculations and the diverted attention of the Cleveland Four to their other projects, organized crime was still percolating along quite nicely in Newport. Clergy in Newport, somewhat encouraged by the successes of their brethren in Covington, started to organized against gambling in the middle 1950s. But the Newport clergy couldn't even annoy casino operators. They gathered "evidence," which after all was not very hard to come by, or illegal gambling; they picketed in front of the casinos; and a few of the more adventurous actually entered the casinos for a little table-side preaching. No one was paying much attention, and most of the ministerial efforts were sources of derision. By 1958 the clergy had helped to organized the Social Action Committee (SAC). In October 1958 SAC would go to the Campbell County grand jury with evidence of gambling and testimony from observers, but the Grand Jury refused to indict. In February 1959, SAC tried again, presenting still more evidence to the Grand Jury. The jurors were openly hostile to the clergy

and other SAC members and issued a report that they could find no gambling or other vice anywhere in Newport. But as the 1950s were ending the management of vice was less efficient than before, as the major syndicate operatives went elsewhere, and the declining profits were weakening community resolve to preserve vice. He SAC raised sufficient funds to hire an attorney and prepared for yet another attack on organized vice (Messick, 1967).

It is not at all surprising that little public support for closing down organized crime could be found in Newport. Restaurant, gas station, tavern and hotel owners all believed that without gambling prostitution no one would come to Newport and they would be driven out of business. Most local merchants did the majority of their business at night when the casinos and brothels were flourishing. In fact, Newport was one of the few cities outside of Las Vegas that was open all night. While merchants' concerns were no doubt valid, they were also overstated. Time and progress had passed Newport by. First, in the 1930s and 1940s travel was limited to the automobiles and trains which brought the casino and brothel patrons to Newport. By the mid-1950s planes were more common and travel across larger distances more convenient. In the 1930s and 1940s Las Vegas was still an undeveloped gambling Mecca and Havana had not yet been refurbished with New York mob money. Second, the demography of America was changing. In the 1930s and 1940s population was situated in such a way that Newport was within eight hours travel time of about two-thirds of every adult living in the United States. By the mid-1950s strange and exotic locales like Florida, Arizona and California were attracting more people. The population base was shifting and that shift made Newport a far less attractive organized crime venue. Finally, the syndicates had moved and they were paying less attention to Newport, even to their own properties in Newport. The Cleveland Four was no longer in Cleveland, but in Miami, Havana and Las Vegas. Moe Dalitz was supervising the construction of the brand new Stardust in Las Vegas and Louis Rothkopf committed suicide in 1956, mourning the death of his wife in 1955. Lansky and his New York City partners were in Florida, Cuba, Nevada, Arizona, and getting ready to enter the Bahamas. Ed Levinson and the Bermans were in Las Vegas and Sleepout Louis was trying to figure out where Nassau was, his next management assignment. To continue to flourish organized crime in Newport needed to change. It did, but not for the better.

But at least for the moment illegal casino gambling was still the only game in town. The Stork Club became the Silver Slipper and then the Stardust, probably as a result of a Cleveland Four takeover from Jim Harris when the latter went to prison for pandering. Two Monmouth Street casinos changed names. The Kid Able Club became Monmouth Cigar, a tobacco shop with gambling in the back. The new small casino called the Spotted Calf, which was actually more of a lunch counter than a gambling location, opened at 5th and York Streets. A small club that was primarily a nightclub with some gambling actions, The Congo, opened up on Central Avenue. The Congo was primarily a club frequented by African-America patrons. The Glenn Schmidt Playtorium was still operating, but was no longer a casino. The bowling and restaurant parts of the business were doing so well that Schmidt didn't want the business closed down because of gambling. So he moved the casino operation next door to 12 East 5th Street into a business he called the Snax Bar. His old compatriot Robert Siddell, turned out of the

Mayor's office by a syndicate backed candidate, was the manager at the Snax Bar. Peter Schmidt died of natural causes in 1958 and attorney Charles Lester took-over the Playtorium and the Snax Bar. The old Glenn Rendezvous had been taken over by a local operative, Tito Carinici. Carinici's Glenn Rendezvous was frequented by Frank Sinatra and Dean Martin. Carinici, a small time scam operator for the most part, was not up the task of managing a major gambling operation, as his later mistakes would make clear (Messick, 1968: 89).

Table 2: Known Illegal Casinos in Kentucky, 1920-1968

Casino	City	Years of Operation	Proprietor(s)
222 Club	Covington	1940s-1952	Melvin Clark and Steve Payne
316 Club	Newport	1940s-1955	Taylor Farley
345 Club	Newport	1930s-1950s	The Bridewells
633 Club	Newport	1930s-1961	Arthur Dennert/Levinson Brothers
Alibi Club	Newport	1940s-1955	Melvin Clark/Screw Andrews
Avenue Club	Newport	1930s-1961	Unknown
Beacon Inn	Wilder	1930s-1940s	Buck Brady
Belmont Club	Newport	1940s-1954	Unknown
Beverly Hills County Club	Southgate	1930s-1962	Pete Schmidt/Cleveland Four
Bluegrass Inn	Newport	1940s-1961	Unknown
Club 314	Newport	1940s-1960s	Unknown
Club Alexandria	Southgate	1940s-1961	Unknown
Club Keeneland	Covington	1940s-1952	Unknown
Club Kenton	Covington	1940s-1952	Unknown
Coconut Grove	Newport	1954-1961	Melvin Clark/Screw Andrews
Congo Club	Newport	1950s-1961	Melvin Clark and Steve Payne
Copa Club	Newport	1940s-1961	Melvin Clark and Steve Payne
Dogpatch	Covington	1940s-1952	Unknown
Flamingo Club	Newport	1930s-1961	Art Dennert/Levinson Brothers
Glenn Hotel	Newport	1940s-1960	Pete Schmidt

Glenn Rendezvous	Newport	1940s-1960	Pete Schmidt/Levinson Brothers
Golden Horseshoe	Wilder	1920s-1930s	Unknown
Grandview Gardens	Wilder	1940s	Unknown
Guys and Dolls	Cold Springs	1940s	Unknown
Hi-De-Ho Club	Wilder	1940s-1955	James Harris
Iroquois Club	Lexington	1940s-1960s	Unknown
Kentucky Club	Covington	1940s	Unknown
Kid Able Club	Newport	1940s-1956	The Bridewells
Latin Quarter	Wilder	1947-1961	Cleveland Four
Lookout House	Covington	1930s-1952	Jimmy Brink/Cleveland Four
Mecca Club	Newport	1940s-1950s	The Bridewells
Melbourne Country Club	Melbourne	1940s-1950s	Cleveland Four
Merchants Club	Newport	1940s-1961	Cleveland Four
Monmouth Cigar	Newport	1956-1961	Unknown
New Concept I	Louisville	1940s-1952	Unknown
New Sportsman's Club	Newport	1961-1968	Screw Andrews
Nineteen Hole	Newport	1940s-1950s	James Harris
Old Sprtsman's Club	Newport	1940s-1960	Screw Andrews
Playtorium	Newport	1951-1955	Pete and Glenn Schmidt
Primrose Club	Wilder	1940s-1947	Buck Brady/Cleveland Four
Rocket Club	Newport	1940s	Melvin Clark and Steve Payne
Silver Slipper	Newport	1952-1956	James Harris/Cleveland Four
Snax Bar	Newport	1955-1961	Glenn Schmidt
Sportmans Club	Newport	1940s-1961	Steve Payne/Screw Andrews
Spotted Calf	Newport	1950s-1961	Unknown
Stardust	Newport	1956-1961	Unknown
Stork Club	Newport	1940s-1952	James Harris
Sycamore Club	Louisville	1930s-1960s	Unknown
Teddy Bear Lounge	Covington	1940s-1952	Unknown
Tin Shack	Covington	1940s-1952	Unknown
Tropicana	Newport	1960-1961	Cleveland Four/ Tito Carinci
Turf Club	Covington	1940s-1952	Unknown

Varga Club	Newport	1940s	Melvin Clark and Steve Payne
Yorkshire Club	Newport	1940s-1961	The Bermans/Cleveland Four

SOURCES: J. Laudeman, Newport, The Real Sin City; Messick, Razzle Dazzle; Messick, Letter to Mr. Pope; Mesick, Syndicate Wife.

The 1960s: The Gangland Gong Show and Reform

As Newport entered the 1960s there were clear signs that the three decade long gambling boom was coming to a close. While the major syndicates still had holdings in Newport, the leadership was gone. The talent for political manipulation, attracting high rollers, and maintaining then uninterrupted, predictable, daily operation of vice was now in Las Vegas, the Bahamas and Florida. The local players were scrambling to maintain profitability (Maxwell, 1960; Morris, 1961).

The Glenn Rendezvous had been a successful gambling venue since the 1940s. But under the management of Tito Carinci gambling revenue was falling markedly. Tito reacted by changing the primary product of the club, while still retaining gambling action. He added a strip show downstairs and replaced the bookmaking operation on the third floor, the most profitable, but, also the most complex of the gambling enterprises, with prostitutes. He renamed the Glen Rendezvous the Tropicana, in deference to "Doc" Stacher's Las Vegas casino, and put a large neon sign featuring nude women in the window. What was happening to the Glenn Rendezvous was symptomatic of what was happening to Newport.

The SAC was still actively seeking indictments against the gamblers. Their run of bad luck came to end when the Campbell County Judge who was supposed to preside over the fall session of the grand jury fell ill and was replaced by a judge from another county. The new judge dissolved the old grand jury and convenes a special grand jury on November 10, 1960. In a desperate move to stop the investigation the original judge, still ill, returned to take charge of the new grand jury. But the composition of the grand jury had changed and the judge could not stop the investigation. The SAC put on its witnesses and in an unheard of development for Newport, the grand jury indicted the Campbell County sheriff for nonfeasance. The trial was to begin on December 6, 1960 and with local prosecutors and judges now in charge Newport would return to its normal way of doing business. The prosecutor barely went through the motions of presenting evidence against the sheriff. The sheriff claimed he knew of no gambling and could not make arrests for things he didn't know. It took the jury 10 minutes to acquit. But, where a year earlier such a decision would be met with laughter and jokes in the community, this time more and more residents were becoming

convinced that their city and county was a corrupt anachronism, out of step with the times (Committee of 500, 1961; Messick, 1968: 172-182).

The SAC and the clergy were particularly outraged. They declared February 12, 1961 United Sunday and set out to raise enough in contributions that day to continue the investigation. Their first step was present affidavits asking for the removal of Campbell County officials, including the Circuit Judge, County Judge, Mayor and Police Chief to the Governor. The governor demurred and declined to act at that time (Messick, 1968: 172-182).

The reform movement got a major assist when some local businessmen, suffering from the decline in vice business which had been supporting them, formed the Committee of 500. The committee eventually had 2500 members. More importantly it developed some dynamic and charismatic leadership in the person of George Ratterman. Ratterman was a retired professional football player who lived outside of Newport in Fort Thomas, fairly well off suburb. The Committee of 500 had some advantages over past reform efforts. First, it was secular and therefore would not be beset by religious divisions. Second, it was nonpartisan, thus avoiding political divisions. And third, it was well financed. The reformers decided the best and easiest way to deal with the situation was to support an independent candidate for sheriff. That candidate would be Ratterman (Messick, 1968: 198-203).

The local gamblers had tried to control the Committee of 500 in much the same way the Cleveland Four had controlled the Newport Civic Association in the early 1950s. Red Masterson was among the charter members of the reform group. But with Ratterman's ascension to leadership, Red had to report that the Committee was beyond control. The ability to forge common ground which Sam Tucker and Moe Dalitz had used to blunt earlier reform efforts was beyond Red Masterson's more limited talents. Charles Lester stepped forward to try to organize the opposition to Ratterman. He and Tito Carinci came up with what turned out to be a very bad idea. They would blackmail or smear Ratterman before the election, thereby either turning him or assuring his defeat (Messick, 1961b; Messick, 1961c; Messick, 1968: 198-203).

On May 8, 1961, Ratterman got a message from Tito Carinci. It seemed that Tito wanted to quick organized crime and join the "good guys." Ratterman met with Carinci in a hotel bar, where Ratterman's drinks were spiked with chloral hydrate. Carinci took the drugged Ratterman to the Tropicana where he was stripped of his clothing and placed in a bed with one of Carinci's dancers, "April Flowers" (born Juanita Hodges). The Newport police were called and promptly arrested Ratterman. The story broke in the newspapers the next day. Carinci and other sources close to the gamblers told reporters that Ratterman was a frequent customer and a sexual degenerate who regularly made use of the services of prostitutes. But the set up was so crude it took only a matter of hours for it unravel. A report issued by a Cincinnati hospital on a blood sample taken from Ratterman proved he had been drugged. Public opinion swung decidedly in favor of the reformers (Newport Police Department, 1961; Messick, 1968: 198-203).

But Charles Lester and the Newport police were undeterred. Ratterman's trial on prostitution charges began on May 16. Carinci and April Flowers testified for the state. But Ratterman's attorney had a surprise witness. A local photographer testified that he had been approach by Lester prior to the incident about photographing it and had initially agreed. At the last minute he had second thoughts. The photographers story was corroborated by his grandmother who testified that she had received several frantic calls looking for the photographer from the Tropicana on the night of the incident. Ratterman was acquitted. More importantly, the national press coverage of the trial impelled the Governor to act on the affidavits with which he had previously been presented. The Governor ordered an investigation and initiated removal proceeding again elected officials in Campbell County and Newport (Combs, 1961a; 1961b; Messick, 1961f; 1961k; Messick, 1968: 198-203).

At the hearings into the Governor's removal petition, a Newport madam named Hattie Jackson testified that she had made weekly payoffs to the county judge, the police chief, and individual officers on the police force. A special grand jury was convened and indictments were finally issued. On August 22m 1961 Screw Andrews' Sportsman's Club was raided and shut down. The Governor declared a state of emergency in Campbell County and sent the sate police in to enforce the law. On September 13, 1961 the mayor of Newport, the city manager, the police chief, four city commissioners and many police officers were indicted (Messick, 1968: 104-106) (Associated Press, 1961b; Messick, 1961g; Messick, 1968: 198-203; United Press International, 1961b; 1961c).

Robert Kennedy's new organized crime squad at the Justice Department initiated a federal grand jury. Before that body "April Flowers" testified she had perjured herself at Ratterman's trial and implicated Charles Lester and Tito Carinci, who were promptly indicted (Associated Press, 1961a; Hodges, N.D.; Messick, 1968: 198-203).

To top things off, Ratterman was elected sheriff in November 1961. Screw, Spider and Junior Andrews were found guilty on legal gambling charges in June 1962 and each was sentenced to five years in prison. Charles Lester was found guilty of conspiracy in the Ratterman frame-up in 1963 and sentenced to prison. Tito Carinci, surprisingly was acquitted in that trial, and promptly tried to set things right by running for mayor of Newport. He lost and left town for Miami. In 1965, Carinci was finally convicted on income tax evasion charges related to gambling at the Tropicana and sentenced to three years in prison (Associated Press, 1961e; 1963a; 1963c; Former mayor and other fined, 1962; Messick, 1961d; Messick, 1968: 198-203; United Press International, 1961a).

Screw Andrews got out of prison in 1965 and promptly reopened the Sportsman's Club. After the gambling indictments of the early 1960s many of the casinos had reopened as illegal bingo halls under the leadership of Red Masterson and were continuing limited illegal gambling operations. Screw joined them. But in 1968 federal marshals raided the bingo halls and shut them down.

The syndicate leaders who had made Newport and then abandoned it were still in business and still doing well. Ed Levinson owned the Fremont in Las Vegas.

"Sleepout" Louis was in the Bahamas and the Caribbean supervising the opening of new gambling venues. Moe Dalitz was "humanitarian of the year" in Las Vegas in 1976, finally dying of natural causes in 1989. Sam Tucker and Morris Kleinman were rich and retired residents of Miami.

And Newport was still Newport. Many of the old casinos converted to "strip bars" featuring "bar-girl" prostitution (Associated Press, 1963b). In fact as the new millennium arrived local governments were still struggling with how to closedown the bar and massage parlor prostitution in Campbell and Kenton Counties (Schroeder, 1998a; 1998b). In the early 1980s the Herrera Family, Mexico's premier heroin syndicate of the time had moved into Newport and was running their drug operations through "Cactus Petes," Newport's only gay bar of the era. Cocaine trafficking had also taken hold in Northern Kentucky. The 1999 arrest of Antonio Burns for large-scale trafficking was a prime example (Prendergast, 1999). The glory years of organized crime may have ended, but the mobs always reappear in one form or another.

Conclusion

The history of gambling and organized crime in Newport is not appreciably different from similar histories of New York, Chicago, Atlantic City, Philadelphia, or Boston. It is that lack of difference that makes this a compelling story. What that seems to indicate is that organized crime operates in much the same way in very different places and under very different circumstances. The history of Newport is just one in a long line of case studies that have a high degree of congruence in describing the dynamics of organized crime. The mystery of organized crime's persistence and success is really no mystery at all. It revolves around seven primary propositions about organized crime, all of which are confirmed by events in Newport.

The Economics of Organized Crime

Organized crime is first and foremost a profit-making enterprise, a business. As such it must conform to the exigencies of the market in which it operates, both in terms of how it organizes itself and how it serves its customers.

1. Economic constraints on organized crime dictate small size and organizational segmentation. Even the largest syndicate operating in Newport segmented their operations by using local managers and keeping syndicate "leaders" away from the actual delivery of illicit goods and services. Moe Dalitz was in Las Vegas, Morris Kleinman was in Cleveland and then Miami, Louis Rothkopf was in Miami and Sam Tucker moved to Florida in the late 1940s. Ed Levinson left early on to go to Las Vegas. Meyer Lansky and his major associates never came anywhere near Newport. Day to day operations were in the hands of Ed Whitfield, Red Masterson, the Bermans, Louis Levinson and their employees.

In addition, despite the fact that casinos had large numbers of employees, the actual number of organized crime decision makers was very small. Dealers at the Beverly Hills Club could not implicate Moe Dalitz in that operation. The farthest up the organized crime hierarchy any actual criminality could be traced might

be to local managers. The the non-syndicated local operators also ran small casinos, with few employees.

There are very practical reasons for this. First, small size and segmentation reduce the chances of getting caught and prosecuted. Since employees in illicit industries are the greatest threat to those operations and make the best witnesses against them, it is an organizational necessity for organized crime groups to limit the number of people who have knowledge about the group's operations. This is achieved, in part, by employing persons who only know about their own jobs and their own level of activity in the enterprise (Reuter, 1983).

2. Economic constraints dictate that geographical scope also be limited. In Newport, casino operators were reluctant to even look across the river at their counterparts in Covington, less than a mile away in considering expansion. The Cleveland Four was the only inter-county syndicate, and that involved only one casino, the Lookout House, managed by a Kenton County local, which was regarded ultimately as an expendable property. It is true that Dalitz, Tucker Rothkopf, Kleinman, the Levinsons, and the Bermans had other organized crime-related businesses in far-flung corners of the country. But, those businesses involved different partners, different collaborators and different criminal syndicates than those which operated in Newport.

Limited geographic scope is vital because, the larger the geographic area the more tenuous communication becomes, requiring either the use of the telephone (and the threat of electronic surveillance) or long trips to pass on routine information in person, a most inefficient means of managing a business. This problem was manifest in Newport when syndicate leaders distanced themselves from local operations and those left in charge made very poor decisions, including the decision to frame Ratterman, the decision to distance themselves from the Committee of 500 and the decision to have Jack Theim raid the Playtorium. In addition, the larger the geographic area becomes, the greater the number of law enforcement agencies involved and the higher the costs of corruption (Reuter, 1983). In Newport, corrupting one county and city government was easy, efficient and successful, When the lid came off and other counties, the state, and the IRS became involved the situation could no longer be managed by corrupt influences.

Organizational Considerations

Organizational dynamics revolving around adaptability, flexibility, communications and timely responses also drive how organized crime structures itself.

1. Rather than being a tightly structured, clearly defined, stable entity, organized crime operates in a loosely structured, informal, open system. Organized crime is made up of a series of highly adaptive, flexible networks that readily take into account changes in the law and regulatory practices, the growth or decline of market demand for a particular good or service, and the availability of new sources of supply and new opportunities for distribution. It is this ability to adapt that allows organized crime to persist and flourish. Certainly this was true

in Newport where properties changed hands, individuals were assigned and reassigned, and modes of operation were adapted to meet specific problem exigencies. The Cleveland Four's practice of closing casinos during grand jury meetings is a case in point, as is Sleepout Louis Levinson's decision to drop his liquor license in favor of a non-regulated milk bar. When threats arose they were not handled by a corporate hierarchy, they were handled quickly and efficiently, and in person by the individuals involved.

2. Corruption operates as an economic market with favors and services for sale to the highest bidder. There is probably no city that demonstrates better than Newport the fact that organized criminals, legitimate businessmen, and government officials are all equal players in a marketplace of corruption. Each brings to the market things wanted by the other, and a rather routine series of exchanges occur. The stability and longevity of corruption in Newport supports this market dynamic. In fact, it would be fair to argue, looking at the whole history of vice in Newport, that far more than gambling and prostitution, corruption was the most valuable commodity produced and supplied.

3. Organized crime is a business and has many similarities to businesses in the legal market. This scarcely needs to be pointed out for Newport where the underworld and the upper-world were one in the same. But, more than any other factor, it was the declining benefits to ostensibly legitimate businesses which brought to fruition Newport's version of reform.

Community Considerations

Obviously organized crime cannot be understood apart from the community in which operates. This is certainly true in Newport, where organized crime was in every way a community enterprise.

1. The production-distribution-consumption function of a community is the key determinant for organized crime's existence. The legitimate market's failure to serve sizable consumer populations is responsible for the existence of most vice operations. As a consequence, organized crime capitalizes on market voids and profits from services to these consumers. Organized crime in Newport existed because (1) there was a market and (2) there was a community need for productive, profit-making enterprises. In Newport, organized crime provided services that the legitimate world could not or would not supply. It supplied jobs for community residents. It provided supplemental income for persons on fixed low-income pensions or who had other economic problems. And it propped up legitimate sources of income and employment. Organized crime required waitresses, clerks, technicians, bartenders, and the like, not just in Newport's casinos and brothels, but in all the legitimate businesses which benefitted from the presence of vice. Clearly, gamblers supported local businesses. In fact, we can suggest strongly, that at least from 1930 to 1960, gambling profits assisted small shopkeepers in competing with chain stores or larger competitors.

2. Organized crime provides important modalities of social control in the communities where it operates. Since organized crime groups in Newport were conducting illegal businesses, continuous accommodations with the formal social control entities were necessary. Interfaces between social control agents and crime are more than just graft and corruption but involve a subtle interplay among many community forces. These arrangements not only permit accommodations with the criminal justice system, but allow organized crime to be used as a means of resolving contradictions inherent in the enforcement of pertinent laws.

Selective enforcement of laws prohibiting illicit services provided by organized crime is inevitable. Use of discretion is necessitated by the difficulty in enforcing these laws and results in selective and often discriminatory patterns of enforcement. This process affords opportunities for influencing the processes of justice and social control by organized crime. First, due to the cooperation between consumer and supplier, the legal proscriptions are essentially unenforceable. Those involved in transactions do not perceive themselves as victims and, consequently, are unlikely to initiate a complaint. In the absence of a complainant or victim, the police are faced with the difficulty of successfully uncovering offenders. Second, when enforcement occurs, its selective nature invariably serves to strengthen organized crime groups at the expense of individual entrepreneurs. In Newport, as other places, all of this inheres to the benefit of criminal syndicates outside any need for graft.

But there is also a flip-side to this arrangement. Selective enforcement serves a vital control function. The reduction of competition by the criminal justice system limits organizational strain and reduces the potential for violence, thereby strengthening the community's social control function. The small amount of violence over a three decade span in Newport, a city full of criminal actors (the Beverly Hills fire, the Brady and Farley shootings, and Screw Andrews' machinations) is testimony to this fact. In fact cities where corruption is maximized (examples include Newport, Kentucky, Messick, 1967; Seattle, Chambliss, 1978; "Morrisburg," Potter and Jenkins, 1984; and "Wincanton," Gardiner, 1970) experience very rare and brief occurrences of organized crime-related violence.

An equally important consideration is that such an accommodation serves to reduce tension emanating from the law itself. Social control agencies are confronted with the enforcement of morality legislation on which differential consensus levels exist. Moral entrepreneurs often begin the process of criminalizing vice, Most often they are assisted by law enforcement agencies pursuing their own organizational agenda. Likewise, criminalization efforts are often supported by community elites seeking an expansion of their base of support. As these groups converge, a powerful impetus is created resulting in legal proscription against this behavior. But this process is fraught with contradictions. Since powerful community forces who assisted in the criminalization processes often are involved in illegal activities, and, more

importantly, profit directly or indirectly from illicit activities, pressure is placed upon law enforcement to permit them to occur. "Tolerance policies" are adopted as an effort to accommodate these competing interests. Community members choosing to participate in illegal activities do so under restricted conditions. Those who are offended by these behaviors are given the impression that the law is being enforced, albeit selectively. Tolerance policies often facilitate control of illicit activities through ecological or geographical confinement.

Finally, persons involved in social control functions often benefit directly from the presence of organized crime. High demands for illicit services generate huge profits sufficient to offer substantial inducements capable of encouraging law enforcement or nonenforcement of these laws. Relationships between organized crime, politicians, and the police represent the ultimate example of the social organization of crime in the community. Antagonists, situated at polar ends of the criminal justice continuum, are engaged in functional and profitable collaborative efforts.

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