

November 18, 1939

RPK:DC

MEMORANDUM FOR MR. E. A. TAMM

Re: INDUSTRIAL SAFETY COMMITTEE
OF CLEVELAND SAFETY COUNCIL

The following is an outline of the information presently available in the Bureau relative to the organization of the above named committee under the leadership of Eliot Ness, Safety Director, Cleveland, Ohio.

The formation of this organization first came to the attention of the Cleveland Office on October 28, 1939, when Lieutenant J. R. Haskin, United States Hydrographic Office, Cleveland, who is a local representative of O. N. I., called at the Bureau office and advised that the Industrial Safety Committee was being set up. At that time Lieutenant Haskin stated that approximately 327 industrial plants in Cleveland had promised cooperation to the Safety Committee, the purpose of which was reported to be the establishment of a unified investigative force to conduct investigations relative to suspicious employees and other individuals believed to be engaged in sabotage or espionage activities.

According to information furnished by Lieutenant Haskin and by Eliot Ness, the plans for the formation of the Safety Committee originated a few days prior to October 27, 1939, at which time Haskin and Ness had discussed the organization of such a committee. No information is available as to which of these individuals initiated the idea. Both Haskin and Ness, however, have stated their approval of the plan, and Ness has pointed out his responsibility in protecting industrial plants in the city of Cleveland as a part of his official duties as Safety Director of that city.

Arising from the discussions between Haskin and Ness a meeting was called by Ness for October 27, 1939, in the Empire Room of the Hotel Cleveland, for the purpose of formulating plans for the organization of the Industrial Committee. There were invited

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to attend this meeting the ranking officials of a number of large industrial firms having contracts with the Navy Department. At this point it is pointed out that Lieutenant Haskin furnished to Mr. Ness the names of the industrial concerns in the city of Cleveland having contracts with the Navy Department, which information is supposedly highly confidential

At this meeting an Operating Committee was selected consisting of a Mr. Hopkins, a Mr. Grieve of the Pneumatic Tool Company, Mr. White of the Republic Steel Company, Mr. Crawford of the Thompson Products Company, and a few others. This committee is supposed to function in coordinating the activities of the Safety Committee.

According to Lieutenant Haskin the present plan provides that each concern which joins the Industrial Safety Committee shall pay to the committee twenty-five cents per employee for each three months that protection is afforded to that concern. In other words, each concern will pay one dollar per year for each person employed by it. The dues are to be paid to the secretary and treasurer of the Cleveland Safety Council, Mr. Carl Smith. All monies are to be expended only with the approval of Mr. Eliot Ness who is acting as adviser to the Industrial Safety Committee.

Mr. Thomas Louis Clothey who has previously been employed in the office of Mr. Ness as a special investigator has resigned that position and has been appointed the chief investigator for the Industrial Safety Committee.

On November 11, 1939, Mr. Ness and Mr. Clothey called at the Cleveland Bureau Office and discussed their plans with Special Agent in Charge Guinane. They made no mention of the financial arrangements set out above. They advised that each plant is to furnish a list of its employees to Mr. Clothey who with the advice of Mr. Ness will select two or more employees at each plant to act as undercover agents and will report directly to Mr. Clothey. When reports are received by Mr. Clothey indicating possible espionage or sabotage it is intended that the information will be referred to Mr. Robert W. Chamberlin who is Mr. Ness' assistant in the Cleveland Police Department. The investigation on the basis of the information reported will then be conducted by members of a picked squad which is being organized in the Cleveland Police Department.

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It is pointed out that with respect to the financial setup of the Industrial Safety Committee, it is estimated there are approximately 1200 plants in the Cleveland area which are potential members of the committee, which plants employ at least 150,000 men. On the basis of these conservative figures the committee would receive \$150,000 a year. Inasmuch as it is intended that the actual investigations be conducted by members of the Cleveland Police Department, it appears that the only expense to be incurred by the committee is the salary of Mr. Clothey, certain clerical and administrative expenses, and perhaps a small payment to the undercover employees at each plant. It would appear, therefore, that the industrial concerns in the Cleveland area are to be assessed \$150,000 a year merely to provide an agency to which information will be reported and then referred by that agency to the Cleveland Police Department which is already being maintained at public expense.

The plans for the organization and operation of the Industrial Safety Committee are still in a preliminary stage but operations are already beginning according to the most recent information received from the Bureau office in Cleveland.

The objections to the operation of this Industrial Safety Committee are perhaps obvious but it is pointed out that in the first place they are in direct contradiction to the Presidential Proclamation issued on September 6, 1939, which requested all police organizations to refer matters relating to espionage and sabotage directly to this Bureau. Any individual investigations conducted by this committee or any similar organization will naturally present the hazard of interfering with espionage and sabotage investigations being conducted by this Bureau on a nationwide scale. It is not difficult to imagine a situation where the Industrial Safety Committee through the Cleveland Police Department might conduct an investigation at an industrial plant in Cleveland which would seriously interfere with a widespread investigation being conducted by the Bureau and would result in undue publicity. It is also pointed out that the only actual function of the Industrial Committee, as such, is to receive and correlate reports as to sabotage and espionage. This is strictly the function of the Federal Bureau of Investigation and is handled by the Bureau without cost to the industrial plants, whereas the Industrial Safety Committee is charging these plants a large amount of money for the same service.

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Attention is also directed to the activities of Lieutenant J. R. Haskin in connection with the Industrial Safety Committee. Lieutenant Haskin was actively interested in the formation of the committee and there is some doubt as to whether he did not actually conceive the idea for the committee himself. He has furnished to Mr. Ness a confidential list of industrial plants in Cleveland having contracts with the Navy Department and has also expressed his opinion that the Army and Navy inspectors in local plants manufacturing materials for the national defense have expressed their willingness to cooperate with the program of the Industrial Safety Committee.

It is, of course, impossible at the present time to determine what effect, if any, the operations of the Industrial Safety Committee will have upon the plant protection program of the Bureau. It is believed, however, that a definite understanding should be reached with the Navy Department so that there can be no erroneous impression formed on the part of the management of industrial plants in Cleveland through Lieutenant Haskin. In view of his contacts with the operating officials of these industrial plants there is a possibility that his connection with the Industrial Safety Committee might be construed as an official endorsement of that committee and in order that there be no interference with the Bureau's program, it is suggested that steps be taken to prevent any such misconception on the part of the industrial plants which will be contacted by Bureau representatives.

Respectfully,

/ s /

R. P. Kramer

~~99-0-98~~

EAT:HA

December 4, 1939

MEMORANDUM FOR THE ATTORNEY GENERAL

According to press dispatches appearing in the Cleveland newspapers during the past weekend, Mr. A. E. Stevenson, Secretary of the CIO Cleveland Industrial Union Council, will proceed to Washington during the current week for the purpose of determining from you what part the FBI is taking in a "rumored spy hunt." According to the press dispatches, the Cleveland Industrial Union Council has issued demands that Mayor Burton of Cleveland confirm or deny "disturbing and sinister reports" that the city administration is seeking to prevent wartime sabotage in industry by spying on union officers and members. It is further indicated that Director of Public Safety Eliot Ness has cooperated with the Pinkerton Detective Agency, the Associated Industries and the FBI in formulating a "prevent sabotage" program, and that Mr. A. E. Stevenson has censured the Mayor for not consulting labor concerning the menace. Newspaper dispatches further refer to the fact that Director of Public Safety Ness has held meetings with several industrialists in Cleveland recently to outline a program of the type described heretofore.

For your information, the FBI has not participated in any manner or degree in the organization of the Industrial Safety Committee in Cleveland. The Bureau has observed that during the past several weeks Eliot Ness, Director of Public Safety, has formed a Safety Committee and has held meetings in connection with the organization of this group. The present plan provides that each industrial concern in the Cleveland metropolitan area pay to the Safety Committee twenty-five cents per employee each three months. The Committee will collect these dues and in return will select two or more employees at each plant to act as undercover agents who will report to the Committee activities within the plant which may indicate espionage or sabotage. The Committee in turn will refer this information to the Cleveland Police Department which will handle it through a special squad of that Department. Obviously, this plan is most repugnant to the Bureau. It is estimated that there are 1200 industrial plants in the Cleveland area employing at least 150,000 men.

/ s / EAT

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Attorney General

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If all of these plants enter into the operations of this Committee, the Committee's income will be \$150,000 a year. It follows consequently that the industrial concerns in the Cleveland area will be paying \$150,000 a year for the maintenance of an agency whose sole function will be to refer to the Cleveland Police Department, which is already being maintained at public expense, information relative to matters which should be reported in the first instance by the various plants to the FBI.

I am bringing this situation to your attention in anticipation of the fact that Mr. A. E. Stevenson will call upon you. I have heretofore instructed the Special Agent in Charge of the Cleveland Bureau Office to emphasize wherever and whenever possible the fact that the Bureau is not participating in or endorsing in any manner the operations of the Industrial Safety Committee of Cleveland.

Respectfully,

John Edgar Hoover
Director

Federal Bureau of Investigation
United States Department of Justice

EAT:LCJ

Washington, D. C.

9:20 PM

December 19, 1939

MEMORANDUM FOR THE FILE

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I called SAC Listerman at Cleveland and inquired as to what time his appointment with Elliot Ness tomorrow, to which he replied that his appointment was for 12:15 P.M. I advised Mr. Listerman that the Director wants him to take a firm and strong stand with Ness along the lines that he did not deal with the F.B.I. in organizing this Cleveland Safety Council; that he dealt with Naval Intelligence and he must continue to deal with them. I advised him that the Director wants him to point out to him very decisively that his group was formed without the knowledge, endorsement, sponsorship or any approval of the F.B.I.; that after the group was formed they talked to us about it, but they did not consult us as to forming it or anything of that kind; that if he wanted our participation and support he should have come to us first. Secondly, that he never asked our views about it at any time. Thirdly, he has never turned anything over to us, and if he says anything about Lieutenant Haskin having given us any information, we assumed that he was dealing with us as a representative of Naval Intelligence. Fourth, that the Director deprecates any private group which does law enforcement upon a paying basis, and that the action of the Safety Council in charging one dollar per employee per year and then having investigations conducted by the Police Department is certainly a very serious question; that the Director feels that law enforcement should be handled by officers who are paid for that purpose. If the Cleveland Police Department is functioning in that capacity there is no justification for their collecting money for that purpose, and if the Council is using these funds to pay investigators to act in a private capacity, they are doing a very unethical and undesirable thing by attempting to function as a law enforcement agency while sponsored by private funds. T

I advised Mr. Listerman to tell Ness that the Director takes the position that there is no need for any private groups to act as intermediaries between business or individuals and the F.B.I.; that anyone can report matters direct to us without having to go through any third agency, and the injection of a third party into any relationship of this kind merely complicates and makes more difficult the reporting of appropriate material by persons interested. 4

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I asked Mr. Listerman to inform Ness further that the Bureau can see absolutely no need for such an organization as the Cleveland Safety Council, since the Presidential order placed jurisdiction in Espionage, Sabotage and related cases, including Plant Protection, in the F.B.I. I advised him to take the position that Ness comes to us too late about this situation; that he formed the organization and then told us about it; that we did not endorse it and he did not ask for our endorsement; that if he wanted our views or opinion he should have asked us first. He dealt with Lieutenant Haskin believing him to be an accredited representative of Naval Intelligence, and consequently it is up to him to deal with Naval Intelligence in any matter that pertains to the Federal Government.

I advised Mr. Listerman that Ness will probably take someone with him to the interview, and suggested that he also have someone sit in at that time. I requested that he call me immediately after the interview and let me know what Ness' attitude is, because the Director may desire to have him issue a press release.

Mr. Listerman advised that Ness will probably say that before they made any definite plans, they took the matter up with the Cleveland Office. I advised him, however, that they did not take it up with us, but they advised us as to what they had done; that Mr. Guinane did not express any opinion about the matter, as he was not being asked but was being told. If Ness makes any statement about furnishing this data to us confidentially about the membership, I advised Mr. Listerman to tell him that most of the business men in town know about this and have been talking about it; that if he says we gave out the names of the members or anything of that kind, he should tell him that this is an untruth, that we have never had the names of all the people who attended these meetings.

I advised Mr. Listerman confidentially that if the Navy Department is approached about this they will deny that Haskin is a Naval Intelligence representative. He is just a reserve officer attached to a hydrographic office or something of that kind, and no one by the name of Haskin represents Naval Intelligence out there. Mr. Listerman stated that he located a copy of a letter from the Chicago Office to the Bureau indicating that Commander Gregory called the Chicago Office and wanted to be interviewed by an agent, saying that Lieutenant Haskin communicated with him about this project and he informed Haskin that he thought it would be all right but suggested that he go into it as a private individual and not as a representative of the Naval Intelligence.

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I advised Mr. Listerman that Commander Gregory has sent two or three letters to O.N.I. about this matter; that he apparently was completely fooled by the list of people the organization had on their letterhead. I advised him that all the information that Haskin claims to have reported to us was never reported. I advised Mr. Listerman to take a very firm stand in the matter and to show no quarter, and to advise me at the completion of the interview.

I stated that another matter about which we are concerned is the statement made by Haskin that we sabotaged G-2, and suggested to Mr. Listerman that he contact him and find out just what he meant by that statement. Mr. Listerman stated that he questioned Haskin about that this morning, but Haskin would not say anything further about it. Haskin stated that G-2 withdrew from the Cleveland area, and that is the reason he went in.

I advised Mr. Listerman to tell Lieutenant Haskin that he will report this to the Director in Washington with the request that the Navy Department be notified of the statements that he is making. I asked Mr. Listerman for a description of Lieutenant Haskin. He replied that Haskin is about thirty-eight years of age, rather well built, wears a Navy ring so apparently attended the Naval Academy, has light-chestnut hair, is very impetuous and quite emotional. He stated that while talking, Haskin jumps from one subject to another and is very difficult to pin down.

I asked Mr. Listerman to contact Lieutenant Haskin and tell him that he would like to know what he had in mind when he made that statement because he is reporting the matter to Washington with the request that his statements be taken up with the Navy Department.

E. A. TAMM

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

December 19, 1939

EAT:TEB

Time 11:05 a. m.

MEMORANDUM FOR THE DIRECTOR

SAC Listerman called from Cleveland and advised that after he spoke to me this morning Mr. Clothey, investigator for Safety Director Elliott Ness, called him and said that he had talked to Ness who is in New York attending a safety council meeting and that Ness is considerably concerned about Mr. Hoover's alleged statement to the effect that the plan was very repugnant to him. Mr. Clothey stated that the information relative to the committee set-up, assessments, etc. was discussed in confidence with SAC Guinane and now it appears, according to the newspapers, that the information was given to Mr. Stevenson, Secretary of the Cleveland Industrial Union Council. Clothey stated an attempt was made to contact you in Washington yesterday at which time they were informed that you had been out of the city for two weeks.

As for the matter being treated confidentially, I told Mr. Listerman that they have told everyone they approached about it and we have heard about it from numerous different sources. I told Mr. Listerman to tell them he has checked and found that half the business people in Cleveland have talked about this matter.

Mr. Listerman stated he has arranged an appointment with Mr. Ness for 12:15 p. m. tomorrow.

Mr. Listerman advised further that a short time before this call Lieutenant J. R. Haskin, U. S. Naval Intelligence Officer, called on him. Mr. Listerman said Haskin had in his possession the newspaper clippings which Mr. Listerman mentioned this morning. Haskin stated the information was turned over in confidence. Haskin wanted to know whether the information was actually turned over to Stevenson and if not then he wanted Stevenson investigated by the FBI to determine why he made such statements to the press.

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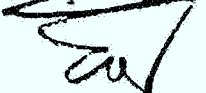
Haskin stated he would pay for the 'phone call to Washington. He further said that unless he received an answer within twelve or twenty-four hours he would call Commander Gregory at Chicago and then he, Haskin, would leave for Washington tonight. Haskin stated that Stevenson apparently got a complete list of all the persons involved in this matter including the individuals who attended the meetings, etc. Haskin said that he, Ness and Guinane were the only ones who knew about the meetings and the identity of the individuals who attended the meetings. Haskin stated that the only possible source where Stevenson could have obtained the information was from the FBI. I told Mr. Listerman Stevenson didn't get the information from us because we didn't have it.

Haskin stated, just before leaving, that if this matter was released by the Bureau that we are apparently cutting the throat of the Naval Intelligence by releasing confidential information and, Haskin stated, what assurance does he have that any information subsequently turned over to the Bureau will not be similarly released. Haskin went on to say that he understands the military intelligence was sabotaged by the FBI. Mr. Listerman states he asked Haskin what he was talking about and inquired where he got such information. Haskin replied to the effect that he would rather not discuss the matter but that that was the reason the military intelligence withdrew from that area and the reason he, a member of the Naval Intelligence, was sent into the area.

I told Mr. Listerman that Haskin is nothing but a liar and it is my hope that he comes to Washington as I would like to talk to him. I told Mr. Listerman not to waste any time with Haskin.

I told Mr. Listerman to call me following his conference with Ness tomorrow.

~~Respectfully,~~


E. A. TAMM

Federal Bureau of Investigation
United States Department of Justice

EAT:LCJ

Washington, D. C.

4:00 PM

December 20, 1939

MEMORANDUM FOR THE FILE

SAC Listerman called from Cleveland with reference to his interview today with Safety Director Elliott Ness. The meeting was held in a public dining room, and with Mr. Ness was Thomas Clothey, who was formerly his chief investigator and who resigned to go into the safety committee work. Special Agent [REDACTED] was also present at the conference. Mr. Listerman stated that first of all he gave Ness the message as discussed in our calls and brought to his attention the four points and collateral issues which I discussed with Mr. Listerman last night. Mr. Ness expressed the opinion that he could see no necessity of getting in touch with Washington now, in view of today's conference. b7c

Mr. Listerman stated that Ness first outlined the proposition in considerable detail. Somewhat later, Carl Smith, Secretary of the Cleveland Industrial Safety Council, appeared on the scene and explained the work and the success of the Council. During the latter part of the conference, Robert Chamberlain, assistant to Elliott Ness, came in assertedly to see Mr. Ness and sat in on the remainder of the conference. Mr. Listerman stated that he outlined in considerable detail the information about which we spoke last night.

Mr. Listerman stated that they explained that the plan was still in a formative stage; that they had not developed any information at the present time, and that they felt that they had discussed the plan with former SAC Guinane at about the time it was being organized. They admitted, however, that they had a meeting in October and discussed the plan before they talked to Guinane about it, but said that they felt that they had discussed it with Mr. Guinane and that he would pass the information along; that as long as Guinane made no objection to it they supposed that it met with his approval. I inquired whether he pointed out that they did not ask for any views; that they told us what they were doing instead of asking about it. He replied that he pointed these facts out.

RECORDED & INDEXED

Mr. Ness said that originally Lieutenant Haskin came to him and discussed his problems. He stated that this was before the presidential proclamation, and that he told Haskin that he did have quite a problem on plant protection, sabotage, espionage, etc., and suggested that they get together with the industrialists.

62-56169-13
Haskin

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Mr. Listerman explained that the Cleveland Industrial Safety Council is made up of manufacturers and industrialists of Cleveland, who pay all the bills. He stated that after Ness' discussion with Haskin, Ness got Carl Smith, who is now the Executive Secretary of the Council and who has been in that line of work for a number of years, to help with the formation of the Council. They then held a meeting and asked the industrialists what they thought about such a plan, and according to Ness the industrialists said that they needed some such plan in Cleveland. Ness went on to explain the importance of Cleveland in that a great many vital parts for airplanes and various other strategic implements.

The final plan was that a committee of about five would be formed, and that Clothey would resign from Ness' office to take charge, which was done. Ness and Clothey said that the figures which appeared in the newspaper as alleged by Stevenson are grossly exaggerated; that they are planning to operate on a budget of about \$12,500 per quarter, which is approximately eight cents a month for each employee. I pointed out that the only difference between eight cents a month and twenty-five cents a quarter is a difference of one cent.

Mr. Listerman stated that Mr. Ness explained his stand as follows: "I'm in charge of the city, and I'm worried about blowing up the down-town section or blowing up some Standard oil tanks, which are all along the river, and the protection of the City, principally. If anything happens, I'll collect the blame." Mr. Listerman said that these people think that their system will prevent many difficulties. This is the system: They plan to call upon the personnel managers or the industrialists themselves to furnish a list of employees who might be used as informants. Those individuals will be on the watch for any sign of sabotage or similar activities. Those individuals will be instructed to report any such activities to an intelligence officer of the plant, which intelligence officer will report the facts to Clothey. Clothey will then turn over those reports and all information about espionage or contemplated sabotage, etc., to the F.B.I. They contend that the Industrial Safety Committee is an organization of the industrialists, and that the employees in the plants are sub-agents of this organization.

I inquired as to what the \$50,000 is to be used for. Mr. Listerman stated that this is to be used for the organization of the industrialists. He stated that, according to Ness, the officials of the plant will furnish a list of trusted

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employees to Clothey, whose investigators will investigate all of that list to determine whether they would be reliable and would turn over any information to the organization, after which the necessary number of "stooges" would be selected. He stated that all of these informants would work without any pay besides their regular wages.

Clothey said that no work has been done by the organization, but that they are still engaged in the work of organization; that they anticipate that it will take about three months before they get started. He said that as soon as any reports are received they contemplate turning them over to the F.B.I. Mr. Listerman said that these people told him definitely that it is not their intention to investigate any complaint of espionage or sabotage.

I asked Mr. Listerman whether these people understand our attitude in this matter, that nothing they have said alters our views one degree. Mr. Listerman stated that he made his stand clear; that he told them that we have no official connection with it.

Mr. Listerman stated that these people are engaged in a prevention proposition, but that they could not say how they could guarantee that any such system would prevent any acts of espionage or sabotage. He stated that they feel that we are engaged in the investigation of these matters, and that they are primarily interested in the prevention of any such occurrences.

I inquired how they account for the contention that the industrialists can be saved \$50,000 by reporting these matters direct by the plant management to us. Mr. Listerman said that their contention is that the plant management would never know about these things. They think that the employees would not report these matters to the plant management because of the union proposition; that they are trying to get around this difficulty.

Mr. Smith said that there is a possibility, although it might be disputed, that some of the facts, particularly of sabotage, may not be within the Federal jurisdiction, giving for an example the Standard Oil tanks which are used for storage. He said that they intend to include all such matters so they can protect the city, in addition to protecting the plants wherein they have their "stooges".

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Mr. Listerman said that they asked him whether we would investigate the personnel of a plant if a manufacturer asked for it; that of course he told them that we would not do that, as such work is the duty of the officials of the plant. He stated that these people told him that they do not intend to undertake any protection of the plants other than to have the "stooges" to report any information.

I asked Mr. Listerman what this group expects of us. He stated that they apparently do not want anything from us, except that probably when they contact the industrialists they will say that the facts of the organization have been reported to the F.B.I., and any information which they obtain will be turned over to the F.B.I. I stated, however, that they undoubtedly will not add that we are not in sympathy with the organization and that we prefer to deal direct with the employers. Mr. Listerman agreed that they probably would not say that. I asked Mr. Listerman whether he expressed to them very emphatically that those are our views. Mr. Listerman advised that he tried to get this across to them, but that they contended that there is no conflict at all and that the employers feel that there is a definite need for such an organization.

I inquired whether he pointed out that the Director believes that anything that superimposes an expensive third agency is undesirable, and he stated that he pointed this out. He stated that they still expressed the opinion, however, that their organization was a good thing, stating that they were purely an organization of the manufacturers and that they would conduct no investigations whatsoever; that their purpose was to turn over information which they felt might not be obtained otherwise.

Mr. Listerman stated that both Hess and Smith said that if we positively wanted them to discontinue, and could assure them that there would not be any of the acts which they claim to be able to prevent, they would call a meeting of the Council, which they would be glad to have Mr. Listerman talk before, for the purpose of winding up the organization. Mr. Listerman stated that he told them that we will not tell them whether they should continue the organization or not. I advised Mr. Listerman that it will be up to them to make that decision; that our views have been expressed to them, and we will not say that they should or should not discontinue, but that we will not be used as the justification or explanation for any action. I advised, however, that it does not seem that we should go so far as to say that we will not accept information from them.

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I advised Mr. Listerman that I see no necessity for our making a press release on this matter, and inquired as to his opinion. Mr. Listerman agreed with this decision.

Mr. Listerman stated that both Smith and Ness were very pleasant. He stated that he pointed out to them our various arguments, including the fact that they are trying to usurp the powers of law enforcement bodies. He stated that he also pointed out to them that he just received information that Chamberlain, the assistant to Ness, is possibly trying to enlist some students at Western Reserve University for making sabotage investigations; that he pointed out to them emphatically that these boys would know nothing about it and that they were not duly constituted law enforcement officers. He stated that these men took the position that they do not want to do anything to disturb any harmony whatsoever, but that they feel that there is feeling on the part of the manufacturers that there is a need for such an organization.

These men asked Mr. Listerman whether he thought we could prevent all sabotage by our organization. He stated that his reply to that was an inquiry whether they could prevent it with theirs. They said that they could not answer that, but they felt that if they did not take some action, and there was some act of sabotage, they would receive the blame for not taking proper precaution. He stated that they believe in using "stooges" in preference to using guards or other methods of protection.

I advised Mr. Listerman that I would talk to the Director about this and let him know what the Director wants to do.

Mr. Listerman advised that these men appeared to be very friendly about the whole matter; that they did not bring up much about the publicity. They said that there would be no need for calling Washington.

I asked Mr. Listerman whether he was certain that he said nothing that they could construe as our "blessing" or "benediction". He stated that he was sure he did not, but that they might now say that they have consulted with the F.B.I. I suggested that we wait and see what their next move will be, and in the meantime I would talk to the Director and obtain his opinion.

E. A. PALM

DAF:DM

62-56169-13

December 26, 1939

Brigadier General Edwin M. Watson
Secretary to the President
The White House
Washington, D. C.

Personal and
Confidential

Dear General Watson:

I am attaching hereto a brief memorandum outlining the salient features in connection with the Industrial Safety Committee of the Cleveland Safety Council. I have noticed several press stories indicating that the President at a recent press conference was asked concerning this organization and consequently thought you might like to have its background. I cannot express too vigorously my complete disapproval of organizations of this kind which are designed to place the functions of law enforcement in the hands of untrained civilians functioning through vigilante groups.

In this particular situation there is a mercurial background which causes me to doubt even the sincerity of purpose of the organizers of this group. The situation in Cleveland is but one of several manifestations of the desire of promoters to capitalize upon the present emergency situation to their own advantage by attempting to usurp the functions of accredited law enforcement agencies. In several cities in various parts of the country private detective agencies have contacted industrial and business organizations in an effort to sell their services for the handling of matters involving espionage, sabotage and plant protection. There is, of course, no necessity for business to burden itself financially with the services of agencies claiming to perform law enforcement work on a compensatory basis when the facilities of the Federal Bureau of Investigation and its associates in state,

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Coffey
Mr. Hendon
Mr. Jones
Mr. Quinn
Mr. Nease
Miss Gandy

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municipal and local law enforcement agencies are unable to properly carry on these functions at no additional cost to the operator of an industrial institution or organization.

I feel further in this regard that it is highly undesirable to permit the establishment of any tri-party arrangements by which persons possessing information pertaining to espionage, sabotage, plant protection and related matters must pass his information through the hands of a third party in order that it will reach the Federal Bureau of Investigation. I believe that the Bureau should insist at all times upon maintaining direct contact with all persons in a position to furnish information of this kind, be those persons employers or employees, without the unnecessary and undesirable burden of a three-party arrangement through which data must pass. I know you will appreciate that delay, inaccuracy and inefficiency will undoubtedly result in situations where the Bureau does not deal direct with persons in a position to furnish appropriate data.

I anticipate that the President may receive future inquiries about matters of this kind and consequently wanted you to have my views upon the matter.

With assurances of my highest regards,

Sincerely yours,

Enclosure

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Jones
Mr. Quinn
Mr. Nease
Miss Gandy

December 26, 1939

MEMORANDUM

The Industrial Safety Committee of the Cleveland Safety Council was organized shortly after the outbreak of the (current) European War by Eliot Ness, Director of Public Safety at Cleveland, Ohio, Lieutenant Haskin, associated with the Navy Department, Robert Chamberlain, Assistant to Eliot Ness and several other individuals. The Safety Committee (has) designated itself to serve as a clearing house for information relating to espionage, sabotage and subversive activities. The method of operation of the Committee is to solicit memberships from business and industrial institutions in the Cleveland metropolitan area and to assess each member approximately \$1.00 per year per employee. The initial assessment was declared to be twenty-five cents per quarter per employee but it appears that the (current assessment) is eight cents per month per employee. It is estimated that there are 150,000 employees engaged by concerns to be approached for membership by the Committee, which means an income of approximately \$150,000.00 a year for the Industrial Safety Committee.

The Committee will function by designating in the various plants spies who will report through the plant managements to the Industrial Safety Committee all matters that transpire in the plant. It has been stated that the information obtained by the Industrial Safety Committee of Cleveland through these channels will be investigated by a specially selected detail of the Cleveland Police Department. On other occasions the promoters of the Industrial Safety Committee have denied that they will conduct any investigation directly or through the Cleveland Police Department of information obtained relating to the National Defense. The questions naturally arise, considering the functioning of this organization, as to what is to become of the \$150,000.00, whether the Cleveland Police Department investigates the cases or whether the cases are referred to the FBI.

Despite statements of the Cleveland Industrial Safety Committee promoters that they would not conduct investigation in cases involving espionage, sabotage and related matters but would refer all information received promptly to the Cleveland

office of the FBI, information (has been) received that representatives of the Committee (have been) approaching law students at Western Reserve Law School in Cleveland and offering them positions as investigators for the Industrial Safety Committee.

Representatives of organized labor have been vigorous in the attacks and criticisms they have made upon the Committee, its sponsors and its purposes, claiming that the Committee is actually attempting to install a system of labor spying within the industrial institutions.

The Federal Bureau of Investigation was not consulted at any time concerning the establishment of this organization, nor were the views, attitude or advice of the FBI sought in the situation. The FBI has not sponsored, endorsed, or approved this organization. The Cleveland Industrial Safety Committee has not at any time furnished any information whatsoever to the FBI concerning matters relating to the national defense, despite the fact that one of the major justifications used by the proponents of the Committee in soliciting membership is the claim that the Committee will furnish all data received immediately to the FBI in accord with the Presidential request of September 6, 1939. The Director of the Federal Bureau of Investigation (has) indicated through (his) Special Agent in Charge at Cleveland, Ohio, to Eliot Ness, Director of Public Safety, his opposition to any undertaking to perform duties of law enforcement by civilian groups functioning in the capacity or manner of a vigilante or civilian secret service group. In the present situation this condition is aggravated by the fact that the promoters of the organization have a mercenary motive because of the potential budget approximating \$150,000.00 per annum and virtually negative expenses.

Cleveland, Ohio,
December 10th, 1939.

The Federal Bureau of Investigation,
Washington, D. C.

Gentlemen:

RECORDED

INDEXED

62-43111-25

The greatest vice ring in the United States is operated by the Cleveland Police Force under the direction of Lt. Peter Allen and Lt. Earnest Molnar. The go-between man who does the collecting and furnishes the girls for these houses of prostitution is Max Fertle with offices in the Ulmer Bldg. on the Public Square. He can be found hanging around the Clerk's office in the police station on the 2nd floor most every morning.

You can easily tell which cases are doing the pay off by sitting in Lillian Westroop's Court Room. Max Fertle acts as attorney for those poor creatures and then splits his fee with Allen, Westroop and the arresting officer.

If Allen is afraid that the victim might squeal he will make it his business to frame that party and send him to the penitentiary so he cannot talk. Allen has no conscience and would stoop to murder to get money from the little individual who has to suffer to get it. If a woman does not want to go into that racket, Allen will hound her until she gives in and raids her home and puts an item in the paper so that she is so humiliated that she finally gives in because there is no way out. Then if she tells or even threatens to tell, then she is murdered by Allen's gang of Italians who is living at the Earl Hotel at E. 82nd St. and Euclid Ave.

Chuck Lazzaro is the handling man. He is your old friend and he has the right vi-1 and he does most of the thing. There is such a number of these Italian and the victim is pointed out to them by their boss (Sidney Arnold).

As a Cover, Chuck holds a job as automobile salesman with a concern on Sup Ave. I have forgotten the name of the concern, but you can find out where he formerly worked at the Nash Co. at 49th and Euclid Ave. You can get to his confidence by having an older woman who has the appearance of the motherly type and she can get him to tell her everything by telling him he is nice and that she is going to adopt him and give him a chance to have a different life. He really would like to get out of that racket but he is in it now, is forced to handle stolen property as that hotel is the fence and full of dope fiends. Ofcourse they pay protection to Allen and Molnar.

When Mayor Burton took office and Elliot Ness was appointed Safety Director the people thought that they were going to get some protection, but the job was too great for one man to handle. The police who cannot be bought never get anywhere on the police force and they stay on the outside as drivers of common beat men. There is one man in particular who is too honest and he passed the sergeant examination but could not be promoted because he did not have the thousand dollars to pay for the promotion. This man would lose his job and might be shot if they find out that he ever told this story. Another man who might be shot if they find out that he told about seeing two murders on Clifton Blvd. in a political man's home, is Harry Hinchliffe whose address is 9605 Clifton Blvd. He is now in Miami, Fla. but his wife is still at his address. A nice looking woman can handle Hinchliffe if she meets him as a prospective buyer of real estate in Miami.

I do want to tell who I am yet, until after I see that you are trying to clean up Cleveland and they cannot kill me. I will watch the papers and send you more information to work on.

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

C. J. C. G.

Date 1-11-40

MEMORANDUM FOR THE DIRECTOR

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Coffey _____
Mr. Hendon _____
Mr. Lester _____
Mr. Quinn Tamm _____
Mr. Nease _____
Mr. Gandy _____

[REDACTED] furnished me the attached copy of a memorandum in confidence. This memorandum deals with efforts made by the Cleveland Safety Council to interest the Cleveland factory of the Union Carbide Company in participating in the Safety Council plan pertaining to espionage and sabotage. You will note that this plan entails the assessment of factories cooperating in the plan on the basis of $8\frac{1}{3}\%$ per employee per month. [REDACTED] asked that we maintain IN CONFIDENCE the fact that he had furnished us with this information.

[REDACTED] a communication emanating from the Cleveland Safety Council with further reference to this matter with which letter was enclosed a copy of a press dispatch of December 22nd by Red Brooks appearing in a Cleveland paper indicating that the President had approved the "spy plan" of the Council. Apparently the Council is using this press interview as a method of getting commercial concerns in the Cleveland area to join in the project.

Respectfully 62-56169-314

Clyde Tolson

Enclosure

Here this racket is again
A bomb more & more
like either a labor bunting
move or a promotion racket
with a C. O. P. body. I think
C. O. P. is the key.

MEMORANDUM

In last Thursday, November 2nd, I received a telephone call from Lieutenant Haskins, in charge of the Cleveland section of the Navy Intelligence Division. He informed me that at noon time on both Monday, the 6th, and Tuesday, the 7th, meetings were being held at the Terminal Club to which representatives of outstanding industrial concerns in this district were being invited. He indicated that not only he as Head of the Intelligence Division, but also Mr. Elliott Ness, Safety Director, City of Cleveland, were vitally interested in this meeting and that he was certain that all Cleveland industry also would be vitally concerned. He indicated that the burden of the meeting was to be "The Prevention of Sabotage in the Cleveland District."

I attended the meeting on Tuesday, the 7th. There were about 70 or 80 individuals present and I understand that approximately the same number attended on Monday. They were representatives, for the most part officers of the better known and outstanding Cleveland concerns. Lt. Haskins opened the meeting by a general discussion of conditions as he knows them to exist in the Cleveland district and the vital interest which the Navy Department has in preventing any interruption to the proper prosecution of work either for the Navy or other Government Divisions, growing out of espionage, sabotage, etc. He reviewed the type of investigatory work which the Navy carries on at all times and for which in peace times sufficient funds are available. He pointed out, however, that with the advent of recent wartime conditions, the extent and burden of the work rapidly assumed such proportions that the meager budget on which they operate is entirely inadequate to support a program which would be at all adequate for the problems presented. He indicated that he, therefore, felt it his duty under the recent proclamation of the President of the United States, to call the situation to the attention of local authorities and he, therefore, has consulted with and advised with Director Ness. Director Ness became intensely interested in the proposition but felt that such suggestions as Lt. Haskins had made to him were entirely inadequate to cope with the situation and it was from the discussions of Ness and Lt. Haskins that the plan which was presented to the group was conceived. Lt. Haskins then turned the meeting over to Director Ness.

Ness opened his remarks by a review in generalized terms of the situation as he sees it in the Cleveland district from the standpoint of subversive activities and the extent to which organized forces exist in the City of Cleveland for the carrying on of espionage and sabotage work, if and when it becomes expedient for such organizations to begin functioning. He stressed the inadequacy of any Governmental funds for properly investigating and preventing such sabotage or running down information on those groups or individuals who might be potential agents of such activities. He also

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34- OCT 26 1964

indicated that he felt some sort of organization was required which would enable such work to be carried on outside the definite City Departments usually looked to to cope with such situations. This because of both the lack of funds and also, and more importantly, because their every expenditure and action is open to the scrutiny of the Cleveland City Council which in such matters is not particularly sympathetic. He conceived the idea that for carrying on such work, a special committee of the Cleveland Safety Council would be an appropriate means. He feels this is appropriate because the Safety Council is vitally interested in the safety of life and property of the City. Also, the Safety Council is a going concern, thus eliminating the necessity for the organization of a new group or body to carry on the work. He also feels it wise to utilize the Safety Council as a group in which to work because, should the experiment not prove satisfactory, it can be abandoned readily, and with little or no publicity.

In general the plan of campaign would be to work through employees of the various individual establishments. It is proposed that industry furnish the special committee of the Safety Council with lists of employees who in the opinion of the industry involved are "trustworthy". I get the impression that not many names would be needed or wanted but they should be individuals who are strategically located in the plant and might be in position to pick up valuable information. These individuals would be thoroughly investigated by methods which apparently Ness has available and are effective, and which, we were assured would in no way disclose to anyone the fact that such lists of names were furnished by the employer. From that point on, industry would have no further part. The special committee would consist, at least of the following: Director Ness, Lt. Haskins of the Navy Intelligence Division, Carl Smith, Secretary of the Cleveland Safety Council, Commander Bond of the Navy Intelligence Reserves, and possibly one or two others. All of their contacts with their contact men in the various industrial plants would be held entirely off the premises, and no one contact man would know who any of the other contact men were.

It is felt that for carrying on the work for one year would require a budget of \$50,000, or it was estimated, on the basis of the number of employees in the concerns thus far considered, about \$1 1/3 per employee per month. It apparently has been decided by the committee that the number of employees in an industry should be the basis of the contribution toward the work by the industry. It is intended to cover the entire industrial area in the Cleveland district and not limit the work to the established Corporation limits of the city. They are proposing that the plan as outlined be carried on for a period of three months, at the end of which time it can be left to the consensus of opinion as to whether it is worth while and there is any need for continuing.

On the basis of the number of hourly employees now in the Cleveland district including Edgewater, Factory A. Works, Hammer's Department, Research Laboratory and Vinylite; viz., 2074, the charge for our Company would be \$172.23 per month. On the basis of all employees, both hourly and salary, viz; 2457 the charge would be \$206.42 per month. I am not certain which basis will be used.

I gained the feeling that the industries invited to attend these meetings are industries who do work on Navy contracts. While it certainly cannot be said that any indication of pressure existed in the meeting, I am of the opinion that the Navy Department will know of the firms who do and do not subscribe to the plan.

[REDACTED] /3 b7c
11/8/39

P.S. Lt. Haskins told the group he had discussed the outlined plan of procedure with his superiors in Washington and had their hearty approval of the plan. It had been indicated to him that it looked so good that they might recommend its adoption in other large cities of the country. He also stated he had discussed it casually with the F.B.I. and they felt also that it should be feasible and workable.

Dict. by [REDACTED] b7c

OFFICE OF DIRECTOR
FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

January 18, 1940

11:58 a.m.

Mr. Rosen states that at 2 o'clock
this afternoon Captain Nixon is
bringing in to see him Elliott Ness,
Safety Director, City of Cleveland,
and Commander Gregory, who is stationed
at Chicago in charge of the Naval
Intelligence Corps Area.

He states it is possible they are here
to talk about the Cleveland Safety Council,
and wonders if the Director has any instructions
for him.

hcb

*Tell them definitely who
no points in it.*

H.

62-56169-35

RECORDED
INDEXED
FEDERAL BUREAU OF INVESTIGATION
JAN 19 1940
U.S. DEPARTMENT OF JUSTICE
MAILED

Mr. Tolson _____
Mr. Nathan _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Ladd _____
Mr. Coffey _____
Mr. Egan _____
Mr. Glavin _____
Mr. Harbo _____
Mr. Lester _____
Mr. Hendon _____
Mr. McInnis _____
Mr. Nichols _____
Mr. Rosen ☒ _____
Mr. Quinn Tamm _____
Tour Room _____
Mr. Tracy _____
Mr. Schilder _____
Miss Beahm _____
Miss Gandy _____

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.
January 18, 1940

AK:TEB

Time 10:45 a. m.

MEMORANDUM FOR MR. E. A. TAMM

Captain Nixon of ONI called and stated that Safety Director Ness and Commander Gregory are in Washington from Cleveland and would like to make an appointment around 2 P. M. to discuss with a Bureau representative the plant protection situation around Cleveland. I told the Captain I would see them at 2 P. M. He stated he would come over with Mr. Ness and Commander Gregory.

Respectfully,

A. Rosen

A. ROSEN

62-56169-33

File

Federal Bureau of Investigation
United States Department of Justice

WLL:AM

Cleveland, Ohio.
November 23, 1940.

AIR MAIL SPECIAL DELIVERY

Director
Federal Bureau of Investigation
Washington, D. C.

RE: PRECAUTIONS AGAINST SABOTAGE
CLEVELAND POLICE AND FIRE
DEPARTMENTS

Dear Sir:

There is transmitted herewith a clipping which appeared in the Cleveland Plain Dealer on November 23, 1940, relative to an announcement of a program of protection against fire and sabotage in Cleveland industrial plants, the announcement being made by Director of Public Safety ELLIOT RESS.

It is noted that the program calls for the providing of the Cleveland Fire Department's ranking officers with blueprints of each important plant showing the complete layout of the plant, the location of fire hydrants, shut-off valves, and electrical wiring, they providing the officers of similar information consisting of full descriptive data of the construction of the building, materials used in manufacturing, especially explosives, the sections of the building where the material is stored, and what precautionary measures the plant now is taking. Furthermore the attendance of classes jointly sponsored by the Cleveland Safety Council and the City's Safety Department, for the instruction in fire fighting, etc., of watchmen and guards hired by the plants.

The Bureau has been previously advised of the procurement of blueprints and maps of various industrial concerns on the part of the ranking officers of the fire department; such maps and blueprints having been obtained from the various fire insurance companies.

With respect to the instructions contemplated it is noted that J. MARSHALL SCOTT, Chief Marshal of the Province of

98-0-437