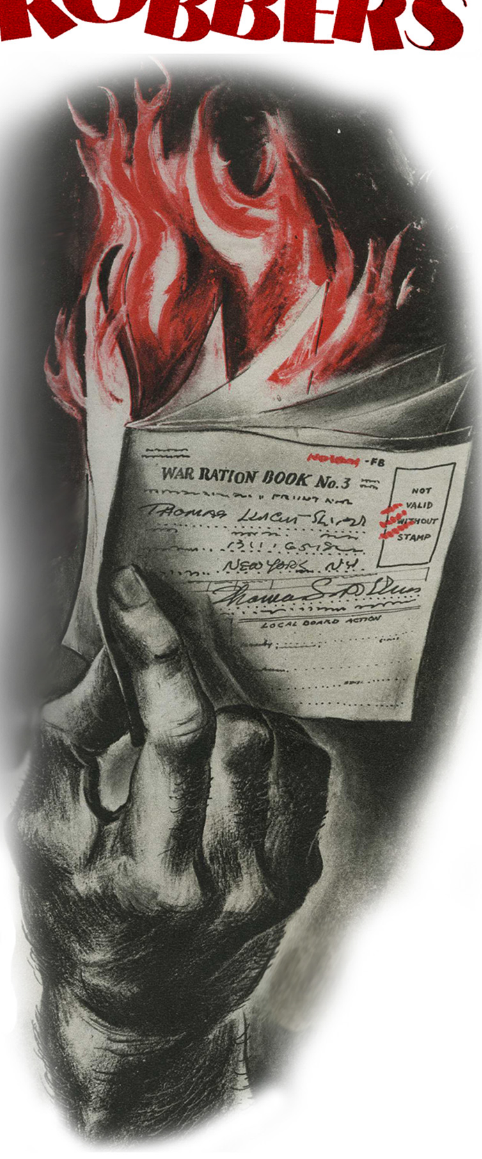
RATION ROBBERS



by Thomas I. Emerson

DIRECTOR, ENFORCEMENT DIVISION,
OFFICE OF PRICE ADMINISTRATION

BLACK MARKETS are robbing American consumers of millions of dollars a month.

They not only steal money, they endanger health and menace the right to normal living after the war is over.

The pressure toward Black Markets is steadily increasing—Black Markets in gasoline, meats, poultry, vegetables, fruit, shoes, tires, virtually every commodity we must control if we are to win the war and emerge a sound nation afterward.

These Black Markets are being operated for personal profit, sometimes by professional criminals, but more often—much more often—by unscrupulous, unthinking businessmen. They are being supported by thousands of good, loyal, everyday American citizens who patronize them.

I happen to be chief of the staff of attorneys and investigators assigned to enforce the laws of rationing and price control.

I tell you now, in all earnestness, that no police force can wipe out Black Markets in America unless the individual American stops thinking up methods to evade the laws and begins thinking up means to help us enforce them. . . .

Either we smash the Black Markets, or the Black Markets will smash us. . . .

Take gas, as an example. Some people wonder why it was necessary to issue new-type gasoline ration books for trucks a few weeks ago.

One reason is that stolen coupons of the old type worth about 20,000,000 gallons of gasoline were in the hands of Black Marketeers and their customers. Those are in addition to coupons for another 12,500,000 gallons that were stolen from the offices of a ration board on Long Island, N. Y., and recovered when the principal thief was arrested and sent to federal prison for nine years.

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The gasoline represented by these coupons is enough to run every car in every city and village in the Northeastern shortage area for several days.

For a while it looked as though a flood of counterfeit coupons would be turned loose in the country, the output of a ring with headquarters in New York and New Jersey. Let me tell you that story.

One night last fall, a group of men met around a table in a New York restaurant and decided that it would be easy to duplicate T coupons—T, because they were worth more gallons. They found an agreeable printer, and the coupons were duly turned out. Then, widening their organization, they set up a distribution system for selling books of coupons to gas-station operators who bought them to cover up sales to motorists who wanted to get extra gas but had no coupons of their own.

They forgot to remember that every coupon is audited. The filling-station operator pastes them on sheets, known as "bingo" sheets, and turns them over to his wholesale distributor. The wholesaler, in turn, deposits them in a bank. And every so often, a trained investigator from the OPA comes along and audits them.

Something about these coupons caught the auditor's eye. They were vaguely off-color, off-type. He called in the Secret Service, which works with us on such cases. The coupons were subjected to chemical tests and found to be counterfeits.

Quickly the back-tracking started and within a few days the filling-station operators, to cover up their illegal sales of gas, were confessing that they thought they had bought "legitimate" coupons. Next some of the coupon salesmen were netted. They talked, too, and that counterfeit racket was over.

As this is written, criminal informations have been filed against 40 to 50 members of the ring, and hundreds of other people, including ordinary citizens who foolishly bought the bootleg books, have been investigated and inconvenienced.

IT IS much the same with automobile tires. Ordinarily responsible citizens sometimes do unaccountably foolish things. In August, 1942, a prominent physician in New England applied to his rationing board for a set of new tires.

The board turned down the application on the ground that the doctor had another car at his command. Thereupon, the doctor transferred one of the cars to his wife and submitted a new application. This time the board authorized recapping of two of his old tires. The doctor was furious.

He took an appeal to the District office, which reminded him of the scarcity of rubber and referred him back to his local board. A few weeks later the townspeople noticed that the doctor's car was wearing a brand-new set of tires. Gossip reached the ration board. The doctor was summoned. He refused to answer questions.

Result: He was charged with violating the Second War Powers Act, pleaded nolo contendere and was fined $200. Those, I submit, proved to be expensive tires.

Men and women who are apprehended in connection with Black Market operations

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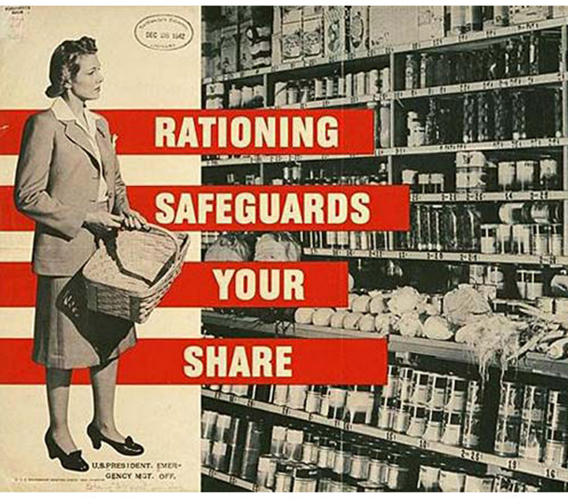

sometimes complain, "But there's no *law* against it."

That is untrue. There are laws, and there are phases of these laws that many people do not seem to comprehend.

When Congress enacted the Second War Powers Act, it gave the President power to ration commodities through federal agencies. This power was delegated to OPA. Regulations made by OPA have the stature of laws, and violations are punishable by fines of $10,000 or imprisonment for one year, or both. Under an older statute, false statements to the government are punishable up to 10 years imprisonment. You will find that fact printed in your ration books.

Your ration books do not belong to you. They are the property of the United States Government. You have the right to use them, but they can be taken away from you unless you use them properly.

In addition, many of the regulations of OPA overlap with the regular criminal statutes. When a Black Marketeer steals ration coupons, for example, he is stealing government property. When a consumer buys stolen coupons, he is trafficking in stolen government property. Those are offenses no sane citizen wants to risk.

Yet the fact remains that some of the sanest, most reputable men and women in America are allowing themselves to be drawn into Black Market operations by the lure of big money.

Some of the worst offenders are in the field of food. There have been more than 1,000 enforcement suits over meat violations alone in the past 10 weeks, and violations are being reported now at the rate of almost 1,000 a month.

The usual pattern in the meat Black Market, as in the food field generally, is fraud and evasion. There is little violence, little rustling, little blood-and-thunder stuff, when compared with the whole national picture. It is, instead, a pattern of slyness, of under-the-counter tactics that would have been abhorred by even second-rate business houses a few years ago.

The other night, in a metropolitan city a man walked into a hotel and asked the clerk to lock his brief case in the safe overnight.

"I'll have to ask you what's in it," the clerk apologized. "It's the rule."

"There's $57,000 in it," the man said, "in cash."

Later that night a city detective happened in and the clerk told him the story. The detective called one of our investigators. The man was found to be a sort of glorified salesman for meat packing houses. He insisted the money was legitimately collected from retailers for legitimate sales. There is no truth that it was not. But we wonder what is happening to the legitimate channels of trade, when an employee casually carries around $57,000 of his firm's money and checks it in a hotel safe.

We have proved time and again how the Black Market in meat is operating. We have unearthed the most juvenile subterfuges. Retailers, pressed by their customers, faced with the necessity of getting merchandise to hold their trade, become the outlets for the operation.

We are not particularly interested in sending them to jail. We want the men higher up, who manipulate the Black Market strings. But often we have to start with the retailers in order to locate the higher-ups.

THERE was the case of the soup bone. It is almost typical. A retailer we were questioning vehemently denied that he had paid over-ceiling prices to his wholesaler, and all his bills and invoices seemed to verify his statement.

"The only thing I ever paid too much for," he said in an unguarded moment, "was a soup bone."

It developed that this was literally true. He had paid ceiling prices, no more, for his regular supplies. But every day or two the wholesaler would send him a soup bone. The bribe was wrapped up with the soup bone and picked up by the collector. It never appeared on the records. It was side graft for the wholesaler. That wholesaler is now in plenty of trouble.

Another common ruse is the "side bet" technique. A retailer, for example, says with forced joviality to his distributor, "I'll bet you $10 you haven't got a beef carcass for me today."

The distributor says with equal geniality, "I'll bet you $10 I have." He produces the carcass and the retailer pays off.

These transactions never show on the books —or hardly ever. One packer who was under investigation came to Washington to see why he was being "persecuted."

"Because," we told him, "you keep crooked books."

"That's a lie!" he exploded. "I keep a perfectly honest set of books."

And it developed that he did—only we had not seen them. He kept two sets of books. One, falsified, was for the OPA. The other, showing all his underhand transactions, was for income-tax purposes.

Some idea of the amount of money that may be involved if these Black Market operations are allowed to go unchecked was revealed by an indictment returned by a grand jury not long ago. The indicted man was a small-scale peddler of livers and hearts until just before rationing began. When we apprehended him a few months later he owned or controlled six meat-packing houses and a brokerage firm which served as his distributor. He seemed to have acquired them almost overnight.

His methods were simple. He bought and slaughtered meat at his packing houses, then sold it through his distributing firm. For bookkeeping purposes, all transactions were set down at ceiling prices. But the distributing firm collected cash on the side.

Most of his sales were in the East, where meat was scarce. Our information shows that he shipped 10,000,000 pounds of beef into New Jersey and New York City alone in 45 days, selling it at prices averaging 6½ cents above the ceiling. His illegal collections, then, amounted to $650,000 on his $3,000,000 worth of sales. And that was in a month and a half.

Just as in a movie, a man with a little black bag carried the illicit cash from New York to Chicago regularly by airplane. Sometimes he carried as much as $100,000.

And the point is that the customer is paying for it. It is your money these racketeers were taking. The retailers who paid the excess prices to the distributor charged them right back to the customer.

WE HAVE found Black Market operations in the canned-food industry, too. Black Market dealers are rolling up

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vast fortunes by gypping the consumer.

A New England housewife put us on the trail of one cannery that was operated illegally when she complained that she had been charged twice as much for a can of fruit as she paid before rationing. The retailer confessed that he had paid over-ceiling prices on the side, although he had a receipt showing an honest, legitimate purchase. He had to get the money back, so he took it from his customers.

We began looking into the methods of the cannery's distributors and found that every one of them, 14 in all, was consistently collecting under-the-counter excesses, in some cases amounting to a premium of $2.50 a case, or about 10 cents a can.

They were even resorting to old-time bootlegging methods to collect. A retailer would have to be in a certain public place at a certain moment, for instance. A stranger would approach, give a password, receive an envelope containing the money, and vanish.

To date we have unearthed evidence of overcharges amounting to approximately $100,000 in this one case.

Another subterfuge we have encountered in the food field is the simple expedient of reducing the size of the package. A very small reduction can make a very large illicit profit. A striking example is the popular 5-cent candy bar. A year ago in March, a candy firm reduced the size of one of its candy bars from 2.67970 ounces to 2.61389 ounces, a reduction of less than sixty-six one-thousandths of an ounce, so tiny you would need a druggist's scales to weigh it. The company claimed this reduction was caused by changes of ingredients necessitated by war shortages. We claimed it amounted to an increase in price. The United States Court of Appeals upheld us, and restrained the company from violating price regulations.

On its face, this seems too trivial to mention. Yet our investigation indicates that the company's excess income on that tiny fraction of an ounce reduction amounted to about $400,000. We are bringing suit to recover three times that amount, or about $1,200,000, as provided by the price control law.

AT THE other end of the scale is the Black Market in such items as potatoes and poultry. Here, we have run afoul of the "gypsy trucker," the small operator with the big bank roll who drives his interstate truck into rural areas and buys all he can get at any price he has to pay, dumping it as fast as he can into the nearest metropolitan markets at over-ceiling prices. Foolish retailers

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buy it, and pass the high prices along to customers.

We have just broken up widespread Black Market dealings in the Delmarva Peninsula region, where Delaware, Maryland, and Virginia come together. This is a poultry-raising area. Every night from one to fifty trucks were wheeling down the peninsula buying chickens hand over fist, and hurrying back to the cities to dispose of them before dawn.

Now it is against the law to transport chickens in a motor vehicle without a manifest (a bill of sale giving the names of sellers and buyers and the prices paid). Most of the gypsy truckers did not obey that requirement. So we were able to apprehend many violators by asking the state police to help us inspect the loads as they came along.

We are expecting a holiday Black Market to break out this fall, when turkeys will be scarce. Organized gangs raided turkey farms in some sections last holiday season, getting 5,000 prime birds from a ranch in California, in one case. We expect slier forms of lawbreaking this year.

The gypsy truckers have been active in the potato Black Market, too. We apprehended one in Texas who was hauling potatoes to Chicago and Cleveland. Again, in Iowa, we stopped a trucker with a load of Black Market potatoes destined for Detroit. Incidentally, we still have that truck and those potatoes, and the trucker would be a welcome sight. He jumped out and ran when we stopped him, and we have not seen him since.

Refinements have already begun to crop out in the potato market. A large potato grower has recently been sued for mislabeling. He shipped three carloads of ordinary potatoes to a distant city and sold them as a premium grade, making a neat excess income of about $2,000 in less than a week.

That is where the unthinking consumer's money goes when he allows himself to be cheated.

"Cussed and discussed" as I know it is, enforcement division of OPA is trying to accomplish only one thing—to protect the consumer and the whole scheme of national economy. It is trying to hold prices steady, to keep them from shooting skyward.

It cannot succeed without everyone's help, for its police force is woefully inadequate. We have about 2,600 investigators for the whole country. That is less than one per county. It is less than one eighth as many men as are on the police force in New York City alone. These men are paid from $2,000 to $5,600 a year, depending upon the importance of their jobs. We have only 450 enforcement attorneys, whose pay is the same.

Some notion of our task is apparent from the scope of our operations. We must enforce all price ceilings and rationing regulations in all branches of trade, wholesale and retail. We have received several hundred thousand complaints of such violations.

We must enforce rent controls applicable to 12,000,000 rental units. We have had about 300,000 complaints about rent ceilings.

We must enforce regulations on industrial materials, such as lumber and metals; industrial manufacturing, such as chemicals and

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paper; consumer goods, such as furniture and dishes; petroleum and allied products; all services, such as laundry and automotive repairing; and miscellaneous items, such as drugs, cosmetics, toiletries, and sundries.

We have sought and we have received very substantial help from other government agencies, federal, state and local. The Secret Service has been extremely co-operative. So have state and city police, weights and measures inspectors, and hundreds of other officials. Governor Osborn of Arizona recently called a conference of all state enforcement officials where the problems of OPA enforcement were thoroughly discussed.

In addition, we have received, and we count heavily upon, volunteer assistance from the 5,500 OPA War Price and Rationing Boards.

For some time now rationing panels of the local boards have been empowered to revoke rations for certain types of violation of the rationing regulations. Recently OPA has sponsored the establishment in each local board of a price panel. This price panel, supplemented by a small group of price panel assistants, has been given responsibility not only for educating and informing local retailers but for checking complaints of violation and making surveys of compliance.

Where a retailer is found to be in violation, he is called into conference with the price panel and the matter thrashed out on a basis of friendly persuasion. Only flagrant or repeated violations, or recalcitrant violators, are referred to the OPA District Office for enforcement action.

Through these price panels we count on the community to sift out and handle most of the retail complaints.

WHAT can you do to help?

First, you can refuse to take part in coupon-cheating. (You break the law, incidentally, when you take a coupon for a pair of shoes from someone outside your immediate family. Only swapping within the family is permitted.)

Second, you can refuse to pay over-ceiling prices.

If you are charged more than the ceiling price you should (a) take the matter up with the storekeeper and ask him to explain and (b) if it is a clear violation report it to your war price and rationing board. We do not normally call complaining citizens as witnesses, and we never use their names when questioning the retailer or making an investigation.

Third, where you are overcharged, you can bring your own private enforcement proceedings if you want to.

You have the right to sue any dealer who overcharges you for three times the amount of the overcharge or $50, whichever is the greater amount. You can bring suit in your local small-claims court. If you win, you are also entitled to collect attorney's fees and costs.

Those are specific, easy things you can do to help wipe out the Black Markets.

There is much more involved than a 10-cent excess charge for a can of food. It is a matter

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so great and so urgent that it can wreck all our lives unless it is controlled at once.

The basic reason for the existence of Black Markets is the fact that we have so much loose spending money. Unless we curb our impulses to spend that money, unless we abide by the rules of rationing and price control, not only for the sake of patriotism but for our own sakes now and in the future, I can see only one recourse open to our Government.

That is new and more stringent regulations, still further extension of controls, and a vastly enlarged police force.

The alternative is instant, wholehearted, patriotic public co-operation to make these measures unnecessary.

It is strictly up to you.

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