

No. Enough! Basta! One more time, Al Capone Was Not A Money Launderer. And Anyone Who Says He Was, Doesn't Understand Money Laundering!!!

By Jeffrey Robinson

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First Washeteria (c) 1934

I keep hearing this, that the term money laundering derived from Al Capone who used a string a launderettes around Chicago to wash his money.

IT IS CATEGORICALLY NOT TRUE!!!

Even people who should know better come up with nonsense like, well, maybe he didn't use laundromats, but he still laundered loads of money.

No, he did not.

There's no denying that he had loads of cash coming in from his whiskey businesses, from prostitution, from gambling and from other criminal activities. But... news flash!... he didn't launder anything because he didn't have to.

And only an idiot would, even today, wash cash through a laundromat.

Consider this. One of the first lessons they teach you in Money Laundering School is to consolidate your dirty cash. If you pick up \$1 million from drug sales, you've got a sizeable bulk in paper you need to protect and move. \$1 million in brand new, fresh, clean \$100 bills stacks 9-10 feet high and weighs somewhere around 22-24 pounds. (Call it 3 meters and close to 10 kilos)

Even under those ideal conditions - I say ideal because, in the real world, drug cash is \$5s, \$10s and \$20s – James Bond misled movie fans when he suggested \$1 million could fit into a single attaché case. I tried it years ago on a BBC-TV version of The Laundrymen, and it took me three and a half attaché cases.

Bulk is such a problem that often, when the cops seize cash from the bad guys, they find piles of ashes where \$1 bills have been torched (sometimes \$5s, too) because low denominations add to the bulk and are just not worth the hassle.

So, what do you do? Money Laundering 101 dictates that you consolidate. You get out of those smaller bills and into larger ones. You reduce bulk. You get into \$100s in the US. £50s in the UK. And, thanks to the geniuses at the European Union, €500s in the Euro-union nations. (The absurdity of a €500 note has to have been the greatest Christmas present any money launderer could have ever asked for. And while the EU is trying to discontinue the €500 note, the way they're going about it is an exercise in futility. Anyway, they're still keeping the almost-equally ludicrous €200 note.)

Given the written-in-stone requirement to consolidate bulk, what sort of a grade do you think you'd get in Money Laundering School if you wrote a term paper suggesting, instead of reducing bulk, you're transferring all your cash into nickels, dimes and quarters so you can tell your bankers this deposit (which weighs, what, two tons?) is legal income from your coin operated laundromat?

Completely and totally stupid!

Next, consider this. Even if Capone had been that dumb – and he wasn't - but even if he had been, he couldn't possibly have used coin-operated laundromats to disguise his illicit income because, when he was running around Chicago in the 1920s, coin operated laundromats hadn't yet been invented.

They didn't exist.

Public laundries only came into being in 1934. The first one, called a Washeteria, appeared in Fort Worth, Texas where a man named J.F. Cantrell charged customers by the hour for the use of his machines. By that time, Capone had already been in jail three years.

Then, it was 15 years later when the Bendix company attached a coin slot to washing machines and laundromats as we know them were born. By that time, Capone had been dead two years.

But that's not all.

Why would Capone have ever worried about laundering his money? There was no reason to. There was no such concept as money laundering. There were no bank reporting requirements. No one cared how much cash you shoved into your account. There was no crime of money laundering.

Capone never even heard the words "money laundering."

It wasn't until April 1973 that the term was actually coined. And it wasn't until 1986 that money laundering was first criminalized.

None of this had anything to do with Al Capone. Nada. Rien. Niente. Nothing.

Which is why I insist that anyone who tells you Al Capone was a money launderer – or that he invented the term, or that he worked the concept - simply doesn't understand money laundering.

Seriously, reducing bulk by turning cash into coins?

According to the Oxford English Dictionary, the earliest sighting of the term was in Britain's Guardian newspaper, in a story about the Watergate scandal.

At the end of February 1972, Richard Nixon announced the creation of the Committee to Re-elect the President - abbreviated to CRP and, bizarrely, pronounced "creep" - and named his former law partner, Attorney General John Mitchell, to run it. But that was strictly for public consumption. The real campaign began a year before when Mitchell and Secretary of Commerce Maurice Stans, as chair of CRP's Finance Committee, secretly built their war chest. Among the earliest contributors was the recluse billionaire Howard Hughes, who handed \$100,000 directly to Nixon's closest friend, Florida banker Charles "Bebe" Rebozo.

Then there was the international financier Robert Vesco - under investigation at the time by Mitchell's Justice Department – who hoped to buy Oval Office sympathy with a \$200,000 donation.

When Mitchell and Stans squeezed American Airlines for \$100,000, chairman and CEO George Spater was faced with how to divert corporate funds that were otherwise accountable. He arranged for a Lebanese company called Amarco to submit a fraudulent invoice as commission on parts sold to Middle East Airlines. American paid the invoice, Amarco deposited the money in Switzerland, then wired it to their bank account in New York. An Amarco agent withdrew \$100,000 in cash and handed it to Spater, who turned it over to Mitchell and Stans.

The now-defunct Braniff Airlines washed their beneficence through Panama. The airline's regional vice president for Latin America collected \$40,000 by instructing the company's man in Panama City to raise a false invoice from a local company for "goods and services." To cover the shortfall, they sold blank tickets for cash.

Next Stans turned to the oil industry. Ashland Oil's chairman, Orin Atkins, obliged with money funneled from a subsidiary in Gabon. Gulf Oil moved its \$100,000 contribution through a subsidiary in the Bahamas.

Vesco's donation was eventually returned, but under the statutes then in force, CRP was not technically under any obligation to report these contributions. However, Congress had just passed a law that was to come into effect on April 7, prohibiting anonymous campaign donations. So Mitchell and Stans decided to pull in as much as they could before the deadline. They dusted off an old Mexican connection to guarantee that donations could not be traced.

Among the contributions Stans raked in from private citizens and public corporations were four cashier's checks in sums of \$15,000, \$18,000, \$24,000 and \$32,000. Totaling \$89,000, each was drawn on a different bank in the United States but all were made payable to a Mexico City lawyer named Manuel Ogarrio Daguerre. Just after the new law went into force, Ogarrio forwarded the checks to Miami where, on April 20, they were deposited into the bank account of a local real estate salesman named Bernard Barker. Should anyone question him about this money, Barker was instructed to say it was his share of a land deal he'd made with an anonymous Chilean businessman. Were anyone to ask why he subsequently withdrew the \$89,000 in cash, Barker was to answer that the deal had fallen through and he needed to repay the commission.

Had Mitchell and Stans then gone on a binge, blowing the money on wine, women, and song - or even on campaign advertising – it's likely no one would have found out about it.

Instead, they financed a crime.

On the evening of June 17, 1972, five burglars broke into the Democratic National Committee headquarters at the Watergate office building in Washington. Arrested immediately, the most interesting of the group appeared to be security coordinator for the CRP, James W. McCord, Jr, a former employee of both the FBI and the CIA. Then came the arrest of G. Gordon Liddy and E. Howard Hunt, the brains behind the break-in, both of whom had direct links to the CIA, the CRP and, shockingly, the White House.

The thread that would unravel the conspiracy turned out to be the Miami real estate guy, Barker. He'd been one of the five arrested and that's when it was revealed he'd also worked for the CIA and had been involved in the 1962 Bay of Pigs invasion.

Mitchell and Stans had been betting that no one would ever find those four checks or somehow trace them back through the Mexican lawyer to the CRP. But once Bob Woodward and Carl Bernstein of the Washington Post broke the story, it gained enough momentum that every other investigative reporter in America rushed to get in on the act. It was the New York Times that headlined the Mexican money connection.

Subpoenas flew and investigators opened Barker's bank account. A fifth suspicious check was uncovered, this one for \$25,000 and dated April 10. Drawn on the First Bank and Trust Company of Boca Raton, Florida, it was made payable to Kenneth Dahlberg, a Nixon fund-raiser. When a reporter asked him about it, Dahlberg admitted he'd turned it over to Stans. Shortly after that, it was revealed that Stans maintained a \$750,000 illegal slush fund at the CRP.

By March 21, 1973 Nixon was so entangled in his own lies that his fate was sealed. In desperation, he tried to convince his legal adviser John Dean that he might be able to buy his way out of the crisis with more laundered money.

Dean warned him, "People around here are not pros at this sort of thing... This is the sort of thing Mafia people can do, washing money, getting clean money and things like that. We just don't know about those things..."

Neither did Al Capone!

It was only a matter of time before the President's meager lines of defense were split so wide open that no one, least of all Richard Nixon, could have halted the process that brought him down.

Like any great thriller, the story is filled with ironies. One is that Nixon had been so far ahead in the polls, and his opponent, George McGovern, politically so far out in space, the CRP didn't need to solicit illegal funds. Nixon could have stayed in the Oval Office, never made a speech, never kissed a baby, and still have won in a landslide.

A second is that in the wake of Watergate, Congress took action to prohibit government intrusion into the lives of ordinary citizens. One law virtually enjoined financial investigators from comparing notes, which has turned out to be a boon for the laundrymen.

A third is that money laundering was – a quarter of a century after Capone's death - still not yet a crime anywhere in the world.

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