

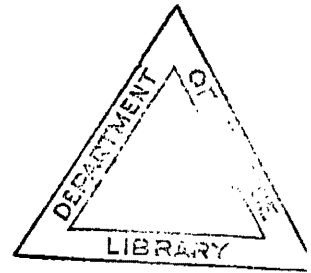
FOR RELEASE ON DELIVERY

ETHICS IN GOVERNMENT

ADDRESS

BY

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When any of you visit Washington, probably the only part of our building that you visit is the F.B.I. That Bureau, under the able leadership of J. Edgar Hoover, is one of the most respected arms of our Government. Every family in the United States is safer because of the courage and devotion to duty of the carefully trained and incorruptible men who comprise the Agents of this unit of Government.

When kidnappings occur, for example, the Federal Bureau of Investigation moves with its customary rapidity. It has such a special knowledge and experience in handling kidnapping cases that it has piled up a record of 457 cases fully solved out of 459 kidnappings since the enactment of the Federal Kidnapping Act.

The promptness and vigor of the FBI in apprehending kidnappers virtually has stamped out this foulest of all crimes. In fact, until the kidnapping of little Bobby Greenlease in Kansas City, the last kidnapping for ransom occurred in 1950 in New Mexico and the last one prior to that was in Florida in 1938.

In the Greenlease case, several hundred agents were called into action in various sections of the country. Hundreds of thousands of dollars of emergency funds were expended in tracking down the myriad clues and facets of this one miserable crime. Our Department's top criminal lawyers, under the expert guidance of Warren Olney, used their skills untiringly to expedite the case and obtain pleas of guilty.

I wish that I could report that all law enforcement agencies were as well organized and efficient as the FBI. But the truth is that law enforcement methods have not been modernized and developed to meet successfully the challenge to decency from criminal syndicates of today.

Many of us have too long pictured criminals as bleary-eyed, unshaven, seedy-looking characters, with caps pulled over their eyes, sneaking along the streets at night, furtively glancing behind them as though constantly in fear of being caught. We have thought of them as operating alone, as uneducated social outcasts, not fully responsible for their crimes because they are the unfortunate product of the environment in which they were raised. There are many such misfits, and there always will be, but by and large, our enforcement agencies are able to cope with them. While they contribute to the total crime picture, they do not represent the real menace of today.

What we have failed to appreciate is that the really dangerous criminals, those directly and indirectly responsible for the major share of our crimes, are of quite a different description. They are educated, well dressed, prosperous, and more often than not, distinguished looking individuals who circulate freely with the best company, and regularly turn up at our most fashionable resorts. They look and act like ordinary men, ordinary in every sense except that their business is that of buying and selling the tools of crime.

These professional criminals do not work alone, nor do they come directly in contact with the sordid products they sell. They escape detection and prosecution by becoming members of powerful syndicates, the lower echelons of which trade in illegal business on a wholesale basis. Dealing in narcotics, prostitution, gambling, numbers, book-making, and extortion, leading racketeers and professional criminals working together on a national and international scale have established monopolies, which flourish in all of these activities and from which they reap huge profits. By

means of rapid transportation and communication, they direct and control criminal activities throughout the United States without ever committing any of the crimes themselves. They maintain discipline within their ranks and of subordinates by threats of violence, which more often than not are sufficient without actual violence. However, they do not hesitate before ordering the liquidation of a non-cooperating competitor or informant. Just as they hire subordinates to do their dirty work, they hire experts to search for loopholes in the criminal laws and the tax statutes. To them tax evasion is the key to success. Through bribery they buy protection and by unscrupulous use of force and money they infiltrate government at all levels and businesses of all types. In short, the criminals of today are organized into a conspiracy which is better coordinated, more powerful, more wealthy, and more efficient than many of the law enforcement agencies established to control them.

We have pledged that the Department of Justice will provide active leadership in a drive against syndicated racketeers. We do not mean by this that we want a Federal police force or to expand the jurisdiction of the Federal Government to include responsibility for hitting at local crime.

Too many people have shirked their responsibility for giving active support of their state and local police and adopted the attitude that the Federal Government should clean up their areas.

Only about 10 per cent of all crimes are violations of Federal laws. And those Federal laws are designed primarily to complement state statutes.

Where then can the Federal Government take the leadership? There are several ways and I will outline a few of these to you.

There are laws prohibiting interstate transportation of stolen goods. Here we hit at the racketeers who terrorize the businessmen of one city with their hijackings and burglaries and then try to take the "hot" cargoes to other areas of the country to dispose of them through channels of commerce. The more successful we are in enforcing these laws, the less profitable the operations of the gang of robbers and thieves and the less the activity of the hoodlums in this field.

Federal law also prohibits interstate transportation of "one-arm bandits" and other gambling machines between states, except to those few areas of the Nation where they are legalized by local law. Our enforcement of this law already has had recognizable successes. For instance, manufacturers of such devices are going out of business.

We are doing our part, but the real responsibility still rests with the states. If the states would make manufacture, possession and use of them illegal -- and strictly enforce such laws -- this great source of income of the hoodlums would be wiped out for good.

Perhaps a bigger problem facing us in drying up another source of illegal incomes of our racketeers is the interstate transmission of gambling information. This flow of information so vital to the operation of the "bookies" is not presently prohibited by Federal law.

We are supporting legislation to prohibit use of teletypes, telegraph and telephones for transmission of such information. It would require the companies owning such facilities to deny service for such uses.

We intend also to use our Federal laws to take the profit out of all illegal operations. We will do this in the field of taxation.

We have adopted a new policy. It prohibits deductions for expenses incurred in illegal enterprises. No longer will the "bookie" be allowed to deduct the costs of long distance telephone calls to conduct his illegal operations. Nor will there be any deductions allowed for purchase and operation of automobiles and rental of houses for carrying out the activities in gambling, narcotics peddling and other vices.

I just cannot understand why our predecessors permitted such deductions just because a person engaged in an illegal activity admitted it.

Part of these illegally gotten and illegally retained funds found their way into the hands of some law enforcement officers who were so corrupt that they would take money and then wink at the violations. Effective use of our tax laws will not only take the profit out of crime, but also eliminate a factor which led to corruption of such law officers.

We intend to continue a vigorous drive against the alien and the naturalized citizen who engages in criminal or subversive activities. Wherever we find these persons violating our Immigration and Nationality Act, either by procuring entry or naturalization through fraud, or by failing to live up to the law after entry or becoming citizens, we will move against them.

This program affects, fortunately, only a small percentage of the foreign born. The great numbers who came to our shores, I am proud to say, are loyal and law abiding; and they detest, as we do, those who make use of their presence here to commit crimes.

We daily issue warrants for deportation and file petitions for denaturalization. Among those under deportation proceedings are such

racketeers as Joe Adonis of New York, and Nick Circella of Chicago. And among those whom we seek to denaturalize is Frank Costello.

The second basic failure contributing to the ever-increasing crime statistics has been the failure to keep politics out of law enforcement and failure to obtain first-rate personnel whose ability and integrity are beyond question. I view law enforcement as wholly non-political; it is a self-defeating process to appoint a person to enforce the laws, not because he is able, but because he knows the right people and made the right contributions at the right time.

A person who buys a job can be bought.

An illustration of this is the practice, too frequently observed in recent times, of Government employees leaving public service to engage in defending or prosecuting the very claims or cases they worked on while in Government. The reason for their switching sides is no secret. Knowledge of the Government's evidence and files can be of tremendous advantage to parties litigating with the Government and it is information for which they are willing to pay well. The temptation to "cash in" is all too obvious, particularly if the employee knows that others have done it and nobody seemed to mind.

Employees in the Justice Department, we found when we got to Washington in January, were accepting favors from those against whom they were supposed to be defending the Government's interest, because no effort had been made to prescribe or enforce standards of propriety in the relationships of its employees and the public. Condoning this practice is exactly the sort of thing which led to bribery, influence peddling and corruption on a wide scale.

Lawyers who switch sides not only violate the Canons of Professional Ethics and may be disbarred, but clearly commit a crime. A Section of the Federal Criminal Code makes it a felony for any employee within two years after leaving Government service, to act as counsel, attorney, or agent in prosecuting any claim against the United States involving any subject matter with which he was directly connected when employed. This statute had never been enforced.

We have changed the old practice and instructed all United States Attorneys to prosecute all violations of this law. By pursuing these prosecutions vigorously, we will help bring this practice of influence peddling to an end.

To eliminate these evils, we have now staffed the top positions in the Department of Justice with men of highest professional standards -- able lawyers from successful private practice, coming from all sections of the country. Our predecessors left us a list of lawyers in the Department they admitted were unqualified, but for various reasons, including politics, hadn't been removed. Most of them are gone today, despite the delays required by Civil Service laws and regulations. Altogether, since January, we have weeded out 30 percent of the lawyers in the Department of Justice and replaced them with attorneys of our own choice who have speeded up prosecutions and undertaken with skill and impartiality the direction of the 1600 lawyers who make up the professional staff of the world's largest law office.



In addition to demanding that Department employees maintain high ethical standards, and that they be capable of doing a workman-like job, I ask also that they be fully loyal to the United States. Communists cannot overthrow our government by force and violence as long as the country has faith and confidence in its public servants. The communists know this, too, and their strategy is to infiltrate positions of responsibility and to undermine our system of government from within. Every place the communist movement has been successful it has been preceded by a period devoted to breaking down the faith of the people in their government so that it was weak and helpless in the face of a coup.

It is a source of humiliation to every American that during the period of the Truman Administration the communists were so strikingly successful in infiltrating the government of the United States. The failure of our predecessors to defend the government from communist infiltration left the new Administration a necessary but very difficult task.

We are now confronted with this problem, not because there was any real lack of information available to our predecessors as to the identity of communists in government, but because of the unwillingness of the non-communists in responsible positions to face the facts and a persistent delusion that communism in the Government of the United States was only a "red herring". As an illustration I will give you the case of Harry Dexter White.

Harry Dexter White, a graduate of certain of our leading institutions of learning, with A.B., M.A. and Ph.D. degrees, entered government

service in 1934. Thereafter he progressed upward holding government positions of increasing honor and trust until by 1945 he was one of the most important men in the United States Government. He was originally employed in the Office of the Secretary of the Treasury as an economic analyst engaged in special studies. Then he served as the Chief Economic Expert of the United States Tariff Commission, and then as Principal Economic Analyst of the Treasury Department's Division of Research and Statistics. During this period he was sent to England by the Treasury to make special studies on economic and monetary questions. Then he became Assistant Director and later Director of Monetary Research, a position which he held until 1941, when he became Assistant Secretary of the Treasury in charge of the Division of Monetary Research. White was entrusted by the Treasury with the management of the two billion dollar stabilization fund. He represented the United States Treasury on the Economic Defense Board. He was a trustee of the Export-Import Bank. He was a member of the Government Committee for Reciprocity Information, which was active in connection with the reciprocal trade agreements with foreign countries. He was taken by former Secretary Morgenthau of the Treasury on a trip to Italy and North Africa during the war. White was the Chief Technical Expert for the United States Government at the Bretton Woods Monetary Conference in 1944. He drafted the Morgenthau Plan for the treatment of Germany following World War II.

Notwithstanding all this, Harry Dexter White was a Russian spy. He smuggled secret documents to Russian agents for transmission to Moscow. Harry Dexter White was known to be a Communist spy by the very people who

appointed him to the most sensitive and important position he ever held in government service. The F.B.I. became aware of White's espionage activities at an early point in his government career and from the beginning made reports on these activities to the appropriate officials in authority. But these reports did not impede White's advancement in the administration. A number of these facts have been made public before. But I can now announce officially, for the first time in public, that the records in my Department show that White's spying activities for the Soviet Government were reported in detail by the F.B.I. to the White House by means of a report delivered to President Truman through his Military Aide, Brigadier General Harry H. Vaughan, in December of 1945. In the face of this information, and incredible though it may seem, President Truman subsequently on January 23, 1946 nominated White, who was then Assistant Secretary of the Treasury, for the even more important position of Executive Director for the United States in the International Monetary Fund.

As soon as White's nomination for this sensitive post became public, the F.B.I. compiled a special and detailed report concerning Harry Dexter White and his espionage activities. As you know, the F.B.I. was not allowed to make these facts public, but merely to present its findings confidentially to higher authorities. With respect to the authenticity of the information, the F.B.I. had this to say, and I quote from the report:

"This information has been received from numerous confidential sources whose reliability has been established either by inquiry or long established observation and

evaluation. In no instance is any transaction or event related where the reliability of the source of information is questionable."

This new summary of White's activities as a spy was handed by the F.B.I. to Brigadier General Vaughan for delivery to the President on February 4, 1946, and, yet, the Senate Banking and Currency Committee was permitted to recommend White's appointment on February 5, in ignorance of the report. The Senate itself was allowed to confirm White on February 6, without the Senate being informed that White was a spy. It is true that the full text of the F.B.I. report could not be made public and, even now, could not be made public without compromising important sources of information and otherwise adversely affecting the public interest. But there certainly was no reason why the Senate could not be informed of the established fact that White was a spy.

The first F.B.I. report identifying White as a Russian spy had been in the White House for almost six months and the second report conclusively documenting his espionage activities had been in the White House nearly three months, when the President of the United States wrote White the following letter:

"April 30, 1946

"Dear Mr. White:

"I accept with regret your resignation as Assistant Secretary of the Treasury.

"My regret is lessened, however, in the knowledge that you leave the Treasury only to assume new duties for the Government in the field of

international economics as the United States Executive Director of the International Monetary Fund. In that position you will be able to carry forward the work you so ably began at Bretton Woods and you will have increased opportunity for the exercise of your wide knowledge and expertness in a field which is of utmost importance to world peace and security.

"I am confident that in your new position you will add distinction to your already distinguished career with the Treasury.

"Very Sincerely yours,

"Harry S. Truman."

The very next day, May 1, 1946, Harry Dexter White assumed his duties in the International Monetary Fund. White died without the prior administration ever having acted on the F.B.I. report.

The case of Harry Dexter White and the manner in which it was treated by the Truman Administration is illustrative of why the present Administration is faced with the problem of disloyalty in government. The manner in which the established facts concerning White's disloyalty were disregarded is typical of the blindness which inflicted the former Administration on this matter. When no attention was paid to so great a danger as the espionage activities of Harry Dexter White you can imagine how little notice was given to Communist Party members, communist propagandists, and communist fellow-travelers in government. That is the reason why the problem of weeding out from the ranks of government employees persons who are dangerous to the national security is so great a problem today.

To provide adequate security for our government and for our people against disloyal persons in government is difficult because of the necessity to safeguard at the same time those employees who are loyal, but there is no avoiding the necessity for action. That is why in January, as one of his first acts, President Eisenhower called upon the head of each governmental agency to be at pains to weed out from among the government employees all security risks and to investigate all applicants for government employment in order to prevent persons from obtaining government jobs who might constitute security risks. Included as security risks were not only those who were known members of disloyal organizations, but also those whose personal habits and activities made them prey for subversive elements.

The first progress report under the new employee security order has recently been made. Fourteen hundred fifty six persons have been ejected from government service because they were found to be security risks. More cases are still under examination. We are going to have no more communist infiltration in the government and we steadily are getting rid of those who are security risks. Americans are more secure in their homes tonight because the security program, under the vigorous leadership of President Eisenhower, is cleaning up the mess in Washington.