

“Jake the Barber”

The Story of a Successful Conman By: John Touhy

With apologies to Joseph “the Yellow Kid” Weil, John Jacob Factor ranks as one of the most successful swindlers of all time. In his heyday, which spanned the era of the Roaring Twenties through the 1960s, Factor engineered frauds on both sides of the Atlantic, consorted with the Chicago mob, and charmed President John F. Kennedy and his “Rat Pack” pals during the golden age of JFK's self-styled “Camelot” regime.

He was a rabbi's son, born Lakow Factrowitz, the youngest of ten children. Jake, as he preferred to be called, was born in England but was taken to Lodz, Poland before his first birthday where he lived until he was 11 years old.

At the turn of the last century, the family emigrated to St. Louis, Missouri and then on to Chicago. Although not illiterate, Factor could barely read or write. “I have,” he said, “a hazy recollection of several months of schooling in Poland.”

The family was desperately poor and it was Factor's mother who supported the family in hard times through various menial jobs, mostly as a street peddler.

Jake's half brother, Max Factor, eventually made his way out to California and settled in West Los Angeles where he found work as a makeup artist with the major studios. Max Factor helped invent pancake make-up.

Jake Factor took the low road to success. While still a teenager in the early years of the century, he went to work as a barber in his brother's West Side shop, using the money he earned to support his parents. Then later, he took a job at Chicago's elegant Morrison Hotel, trimming the sideburns of the rich and well born while making important contacts that would prove useful to him later in life.

From these humble beginnings, Factor acquired a nickname that would haunt him for the rest of his life, a name he hated so much he sometimes paid reporters not to call him “Jake the Barber” Jake abandoned the shop in order to peddle securities in the stock market but he was indicted under a federal warrant for stock fraud in 1919. The case was closed after he agreed to return the funds, but Factor was indicted again in Florida in 1922 and 1923, this time for land fraud.

In the next few years there were additional indictments for mail fraud and larceny. He participated in a gold mine stock swindle in Canada and another in Rhodesia, but the government was never able to seal a conviction in these cases. Jake the Barber returned to Chicago, rich enough to live in a 14 room Gold Coast apartment, but still he wanted more.

In late 1923, Factor convinced New York's master criminal, Arnold "the Brain" Rothstein (the gambling boss who fixed the 1919 World Series), to put up an initial cash investment of \$50,000 that Factor needed to pull off the largest stock swindle in European history.

Handsome, relaxed and a pleasant sort of man, Factor arrived in London, England in early 1924 and began selling worthless penny stocks to gullible British investors with great success. He advertised his operation in a publishing venture known as the Broad Street Press, which were edited and distributed by Factor's henchmen.

In any successful scam, greed is always the hook. Factor assured the investors a guaranteed return of between seven and 12 percent on their initial investments, an enormous sum of money in those days compared to the one and two percent normally paid out by banks and brokerage houses.

Factor was careful to pay each dividend on demand, but only because he knew his trusting investors would generate additional business by spreading the news among their friends.

Factor accumulated \$1.5 million and skipped town secure in the certain knowledge that the bilked victims would not dare file a formal complaint. To do so would reveal their stupidity and avarice. Not a single charge was filed against Factor.

Bankrolled by Rothstein, Factor returned to England in early 1925, to pull a second deadly scam. At the heart of the swindle was the Tyler Wilson and Company stock brokerage firm Factor had invented. After presenting his client list a legitimate stock offering called Triplex which sold at \$4.00 a share, Factor offered to buy the stock back at \$6.00 a share, thus earning his victims a quick 50% profit. A month later, Factor, operating through Tyler Wilson, offered another stock called Edison-Bell at \$3 a share. He quickly bought it back at \$6 a share, always careful never to actually deliver the stocks certificates to the buyers, because he knew it was a worthless paper transaction. If the transactions had been real, Factor stood to lose \$750,000.

Established in a luxury suite of rooms in Grosvenor Square, London, Factor sent his investors information about two worthless stock certificates, Vulcan Mines and Rhodesian Border Minerals, reputed to be lucrative South African gold mining companies, which Factor hinted, were on the verge of a big hit.

The Barber sold shares in the companies for as low as 25 cents each, allowing thousands of new investors to enter the scam. He then pumped up the earnings up to \$2.50 a share.

Tens of thousands of money hungry buyers flooded in, and Jake made sure that each one received an unspecified plot of land in Africa, making fraud difficult to detect and prove.

In 1930, English newspapers took note of Factor and his "Ponzi" schemes. There were persistent rumors that members of the royal family had invested hundreds of thousands of dollars in his phony stocks.

Then, without warning, Jake the Barber closed Tyler Wilson & Co and fled England with an estimated 1,619,726 pounds, or about \$8,000,000 U.S. dollars, an incredible sum of money in the Depression. Jake made one big mistake that would come back to haunt him in later years. He returned to the United States by way of Mexico through El Paso, Texas, in December of 1930. Factor was admitted back into the United States as a visiting immigrant. He swore out a statement that he was born in Hull, England on October 8, 1892.

The United States Immigration Department already had papers on Jake, sworn out by his parents upon their arrival to the States in 1905, that Jake the Barber was a Russian national, born in Lodz, Poland on January 10, 1889.

Immigration officials opened a "Factor file," which they later used to deport him from the country. Meanwhile, the notorious New York beer runner and gangster Jack "Legs" Diamond followed Factor's adventures in England with interest, and decided he wanted every penny the scam had earned for his narcotics business.<?P>

Arnold Rothstein taught Legs Diamond everything there was to know about the narcotics racket, molding him into an expert heroin importer.

The drug money made Rothstein careless and lazy, and that was a dangerous position to be in, in the volatile world of narcotics smuggling.

Soon others began following the dope trail that Rothstein had blazed. They started to hedge in on his territory. What Rothstein refused to surrender to rivals, they took by force. One of those takers was Legs Diamond, alleged to have participated in the murder of Rothstein at a New York card game in 1928.

With Rothstein disposed, the remnants of his once vast criminal empire were up for grabs. Legs Diamond laid claim to Rothstein's European drug smuggling operation, import routes and contacts. But laying claim to the routes and controlling them were two different issues. Control of the U.S. side of the narcotics market hinged on the money-earning European hoods that needed to export their dope into the lucrative and insatiable American markets.<?P>

They wanted to do business with someone who had the cash flow to saturate the states with low cost, high quality dope on a continuous basis.

Legs Diamond had the money, in theory, at least. Prohibition had made him rich, but all of his cash was tied up in a street war for control of the Manhattan bootleg beer outlets. He tried to raise the seed money to enter the narcotics market from different sources, including the Mafia. The underworld also knew and understood that Diamond lacked real organizational ability and that he drank to excess, and was violent and mentally unstable to effectively deal in the sedate and shadowy world of international narcotics trafficking.

With no where else to turn, Diamond sent word to John Factor over in England that he was assuming control of all of Rothstein's rackets and demanded his share of the take from the stock swindles. Factor never responded, assuming that once Arnold Rothstein, his original financier in the scheme was dead and buried, that the proceeds from the swindle were his and his alone. Diamond disagreed, and took a luxury liner to England to meet with the Barber, but Factor avoided his own execution by simply returning to the United States and hiding out in Chicago, enjoying the hospitality of Murray "the Camel" Humphreys whom he cut in for a percentage of the take. Factor knew that a killer like Legs Diamond didn't give up that easily, especially when millions were at stake. Never a violent man, Jake the Barber had enough sense to partner with those who had no aversion to violence.

Legs Diamond gave up the chase to attend to his own trial in New York State for attempted murder of a competitor. The jury found him not guilty, and that night Diamond went out with friends to celebrate. Returning to his room in an Albany, New York boarding house in the early morning hours of December 17, 1931, Legs fell into a drunken stupor. A half an hour later, two well-dressed men entered Diamond's room and pumped three .38 slugs into his head at point-blank range, instantly killing him.

Murray Humphreys was suspected of engineering the murder, if not committing it himself, on behalf of his new business partner, Jake Factor, but the suspicions were never proven, nor was there an investigation into the murder. No one seemed to care.

With Diamond out of the way, Jake the Barber emerged from hiding, only to be arrested in Chicago on demand of the English government for receiving property known to be fraudulently obtained. Factor was freed on a \$50,000 bond.

On December 28 1931, the United States Commissioner in Chicago ruled that Factor should be extradited to England, where he had already been tried, convicted, and sentenced to eight years at hard labor (in absentia).

Factor's lawyers argued unconvincingly that each of his victims had received a small plot of land in South Africa, or at least the deed to one, and therefore, no one was swindled.

A federal judge agreed with Factor and over-ruled the Commissioner. The Justice Department appealed and the case was on its way for review to the Supreme Court in Washington.<?P>

It was generally agreed in legal circles that Factor had a weak case and would be extradited before the spring. Armed with several million in cash and the best lawyers money could buy, the Barber managed to delay his hearing until April of 1933.

Two days before Factor was due to appear before the Supreme Court Jake the Barber's son Jerome, was kidnapped in Chicago. A ransom note arrived asking for \$50,000.

Murray Humphreys, the syndicate labor plunderer and Jake the Barber's close friend, led the negotiations with the kidnapers from a suite adjoining Factor's room.

Humphreys' role in the kidnapping would have gone unnoticed but the messenger who delivered the ransom note was hauled into detective headquarters for questioning and was grilled for 45 minutes. When he was released, the young man was swarmed by news reporters "I can't talk to you guys," he said "Murray Humphreys told me to keep my mouth shut"

Chicago police raided a suite at the Congress Hotel, which the press dubbed "the Hoodlum detective agency," and arrested the heirs to the Capone syndicate; Murray Humphreys, "Machine Gun" Jack McGurn, Sam "Golf Bag" Hunt, Tony Accardo, Frankie Rio, Phil D'Andrea, Rocco Di Grazio and a half dozen other mob hangers-on, all of whom told the police the same thing: they were there because they had been brought in by Murray Humphreys to secure Jerome Factor's safe returned.

The cops locked them up on vagrancy charges, but within an hour Factor posted their bail and all were released. While Police were in the apartment they found a ransom note from Jerome's kidnapers. When questioned, Factor claimed that he had written the note "to confuse the kidnapers" After eight days in captivity, Jerome Factor was released on a Chicago street unharmed. Many people in Chicago simply assumed that Jerome, the good son, had agreed to a kidnapping rigged by his father and Murray Humphreys to delay the Supreme Court hearing.

With Jerome Factor returned home safely, Jake's appointment to appear before the United States Supreme Court was put back on the docket.

Factor was an exceptionally smart and practical man, he knew no matter how many shrewd lawyers he could buy, he was going to lose his case before the court and would soon be deported.

While discussing his limited options with the attorneys, Factor mentioned the delay in the hearing brought about by Jerome's kidnapping.

They reasoned that if Jake were to be kidnapped, and then returned safely to his custody, following capture of the kidnapers, then the ensuing trial would be delayed long enough for the statute of limitations against him to run out. It wasn't a sure thing, but Jake's deportation to a jail cell in England appeared certain.

Factor presented the idea to Murray Humphreys. Frank Nitti signed off on the plan to help out his pal, Jake. Humphreys and Nitti, and Paul "the Waiter" Ricca, Nitti's lead counsel in the mob, may have already had information that Jerome's kidnapping had been pulled off by independents who were employed by Roger "the Terrible" Touhy, a bootlegger who was operating out in the Northwest suburbs of Cook County. The Touhy gang was small but persistent, and had waged a sporadic war of attrition against the Outfit since 1927.

The shrewd and calculating Ricca decided to blame Roger for the kidnapping. After all, the mob wasn't having any luck shooting Touhy to death, or blowing him up, which they had tried to do on several occasions in the past year. But framing Roger for a kidnapping might work, so Nitti gave his approval with the understanding that none of the syndicate people were to be involved. Kidnapping without a long-term goal wasn't what the Chicago outfit specialized in. They were racketeers by trade. Kidnapping was a dirty business, and a high profile crime sure to invite the headline-loving FBI.

In the latter part of August 1942, Roger Touhy, once an important Chicago bootlegger, was serving a life sentence for a crime he never committed. Touhy was framed by the Capone mob with the apparent connivance of a corrupt Cook County State's Attorney named Thomas Courtney, who made political hay out of this page-one conviction. At the end of his rope and out of aces, Touhy was desperate to take matters into his own hands.

In 1933, when the international con-man Jake "the Barber" Factor was on the verge of extradition back to Great Britain for a raft of stock swindles foisted on overseas investors in the 1920s, it was decided to arrange a bogus kidnapping with the help of Frank Nitti, boss of the Chicago mob, and heir to Al Capone's empire. Factor was "abducted" outside the Dells Roadhouse in suburban Morton Grove, taken to a safe house until a phony "ransom" was paid and his release assured.

With the connivance of the Nitti gang, Factor had "fingered" Touhy as his abductor. Factor was held by the government as a material witness, just long enough to ensure that he would be released under a writ of habeas corpus. U.S. laws required that a person who is not extradited within sixty days, be released. Factor's lawyers of course, played the percentages and were able to spring their client, who fled to Los Angeles where he invested his ill-gotten fortune in real estate.

Virtually every motion Touhy filed to have his case reopened was denied without a hearing, despite mounting evidence that proved his innocence.

"I stayed awake until dawn in my cell, thinking," Touhy wrote. "I was without hope. I was buried alive in prison and I would die there. I couldn't see a light ahead anywhere. Nothing but darkness, loneliness, and desperation. The world had forgotten me after eight years. I was a nothing. Well, there was one way I could focus public attention on my misery. I could escape. I would be caught of course but the break would show my terrible situation. What cockeyed thinking that was, my mental attitude was a mess, I later came to realize."

The convict who convinced Touhy to escape was Gene O'Connor, a.k.a "James O'Connor," which was another name he used in long criminal career. Actually, his real name was Eugene Lathorn, and he was serving a one to life sentence for a May 1932 robbery-slaying of a Chicago policeman. For O'Connor, prison escape was a way of life. By October of 1942 he had already scaled the walls twice.

Touhy and Banghart were released from prison in 1959 and 1960 respectively. Roger Touhy was murdered by vengeful mob assassins on the front porch of his sister's house in Chicago's Austin community just twenty-five days after walking through the prison gates. Jake Factor was in Chicago at the time, wining and dining his entourage on Rush Street when he heard the news. Factor expressed false sympathy when questioned by reporters.

Basil Banghart retired to Washington where he lived out the remainder of his life in relative comfort, after inheriting a small fortune from a widowed aunt.

As to the man most responsible for Roger Touhy's collective misfortunes, American justice finally played its hand in 1943, though it was probably a moot point to Touhy by this time. Jake "the Barber" Factor was sentenced to six years in prison for mail fraud. He served his time and was released in 1948. He returned to the West Coast where he made a fortune in questionable real estate deals.

In the 1950s, Chicago mob boss Tony Accardo installed Factor as Chicago's "front man" at the Stardust Hotel in Las Vegas, a "low roller" casino that was the place to go for sports betting. It was an ideal marriage. Factor hustled the celebrities and made his bones with the movers and shakers of the nation who passed through Las Vegas.

In 1960 Factor donated a considerable sum to John F. Kennedy's political war chest, which earned him a full presidential pardon in 1962 from the grateful Kennedys. Factor continued to curry the favor of national political leaders like Hubert Humphrey and Richard Nixon up until the moment of his death in 1984. He is buried in Hollywood not far from the show business celebrities he had entertained in real life.