

JAKE THE BARBER'S GREATEST CON

An ambitious stock scam in the Roaring Twenties made John Factor a wanted man. What happened next was more audacious still. BY KEITH MOORE



N

orman Spencer told his readers what they already suspected – that the financial markets were rigged against people like them. But he was shaking things up. His magazine, *Finance*, gave individual investors advice in plain English. A bulging mailbox of letters from grateful readers was a testament to his success. That support, Spencer wrote, “has encouraged me more than you possibly recognise to do my best not only to try to make money for you but to save losses”.

Anyone entering *Finance*’s office near the London Stock Exchange could see Spencer knew how to make money – it practically reeked of wealth. Amid the clattering typewriters was the new technology that had changed everything: the telephone. It was the late 1920s, and its widespread use had made it easier for people outside London to invest in the stock market. At the same time as this investment boom, there was an explosion in printed media giving investment advice. It was hard to know who to trust, and readers clamoured for Spencer to set up a stocks and shares department to invest on their behalf.

Now the regular citizens of Bristol, Bolton and Preston could enter a world that had only seemed available to London elites. And Spencer was their man on the inside. As the magazine explained, “The Editor of *Finance* knows what you want to know before other people know.”

Doctors, retirees, aristocrats and members of the clergy relied on Spencer. The financial crash of 1929 might not have devastated the economy to the same extent as in the US, but there was still pain and many Britons were desperate to make a quick profit. When readers called the *Finance* office for investment advice, Spencer would answer, peppering his American twang with English idioms. If he was enthusiastic about a particular opportunity he would call a reader directly and urge them, “If you want to make some money, buy these shares now.” Inevitably, a cheque with the profits would arrive in the post a few weeks later.

Spencer predicted those profits would soon be small change compared with the big cash up for grabs in Rhodesia’s copper mines. He was so convinced that he sent his representatives across the UK. Soon, *Finance* subscribers opened their doors to a larger-than-life American in a pinstripe suit who had arrived in a gleaming, chauffeur-driven Rolls-Royce. This was the era in which Charlie Chaplin had made the US a dominant cultural force, and it seemed as if some Hollywood glamour had descended on their drab town to sprinkle some stardust.

The salesmen advised subscribers to sell their existing shares and invest in mines that were full of copper ore. Copper would soon usurp gold, they advised, and investors were certain to double or quadruple their money within 60 days. An 80-year-old who lived in a castle in Ireland took one of Spencer’s spellbinding salesmen to his bank and, against the exhortations of the manager, invested £1,000 (£57,000 today) on the spot.

This time, the cheque didn’t come in the post. A letter soon did, with the terrible news that Norman Spencer was sick and had resigned. Some readers sent get-well-soon letters. Others headed to Spencer’s office and found the doors locked and the blinds shut.

Around this time, a man named Harry Wise strolled into a branch of Midland Bank and emptied the account of the Broad Street Press, the

company that had published *Finance*. He was in his late thirties, short and jowly, with wavy dark hair. He looked like the man who had introduced himself to visitors as Norman Spencer. He spoke with the same American accent, too.

But he wasn’t Norman Spencer. Spencer didn’t exist. Neither did Harry Wise. To others, the same man presented himself as Mr Davis, Mr Walker and Mr Guest. But he wasn’t any of those either. He was actually John Jacob Factor, known in the press as “Jake the Barber”, a renowned “arch swindler”, “silver-tongued thief” and the “original white-collar bandit”.

It was just a few years since the *Daily Mail* had revelled in its role in hounding Factor out of the country in 1926 after he had used his slick “jazz salesmen” to defraud the British public. Yet he had returned to pull off his biggest scam yet and one of the biggest in British history. Thousands of victims pumped £1.6mn into the Broad Street Press’s accounts (the equivalent of £92mn or \$120mn in today’s money).

Factor wasn’t the first person to sell worthless shares for profit, but his ability to win the confidence of a bamboozled public using new technology and slick packaging combined with an anti-establishment message is still a recognisable template today.

In what would be considered today a combined “pump and dump” and “zombie share” scam, Factor first gained investors’ confidence by sending them the profits of shares he recommended. In reality, there had not been any trades. It was Factor’s own money. Those profits hooked his targets. When he’d won their trust he could sell them the shares of defunct mining companies based on the other side of the world.

Factor hired professional journalists, a solicitor and clerks. The magazine looked high quality. If he was unhappy, he sent it back to the printers. The share certificates he sent to his dupes were lavishly presented on quality paper. By the time Factor’s victims discovered their shares were worthless, he had fled to the glamorous town of Le Touquet in northern France. There, rather than keeping a low profile, reports of his extraordinary gambling exploits in the casinos alongside his wife, Rella, made it into the news on both sides of the Atlantic.

Rella cut an elegant figure, albeit with a steely side. “She was a Chicago broad,” according to family member Steven Firestein. “She was an in-your-face kind of person.” She and Factor once won £130,000 (£7.5mn today) in just two hours during a game of cards. On another occasion, Factor played beside the then-Prince of Wales, who later went on to become King Edward VIII. “I won and won. He lost and lost,” Factor later boasted to *Time* magazine.

JOHN FACTOR WASN’T BORN INTO A LIFE OF wealth and privilege. His Polish-born father was a travelling rabbi scraping by in Hull at the time of his birth. When he was still a child the family sailed to the US, where young John grew up in borderline poverty. He spent only a few months in school and got his education shining shoes on the streets of St Louis.

His older half-brother, Max Factor, the founder of the famous cosmetics company who went on to earn millions honestly, and who owned a barbershop, offered to teach John the trade. He learnt

quickly and – showing the audacity for which he later became renowned – soon opened his own barbershop within walking distance of his furious brother’s. He became “Jake the Barber” after opening a three-chair barbershop on Chicago’s pulsing Halsted Street. There he was known as a mediocre hairdresser but a legendary salesman. Customers who entered wanting only a trim left with a “shampoo, a tonic, a singe, and a bottle of hair restorer guaranteed to grow curls on a billiard ball”.

Even those who despised Factor said his natural gifts meant he could have been successful at anything. He chose to use his talents to con people out of money – and he was good at it. He inspired loyalty in the people around him. But he also needed those people for his scams.

He was barely literate and relied on others to read his letters and write the magazines. One teenage lift boy recalled being paid a pound each time he signed company documents. It gave Factor a good excuse to keep his name off documents.

Whether it was through bribery or intuition, Factor always seemed one step ahead of the law. By the time news broke of his Broad Street Press swindle, he and his two main accomplices had fled Europe for the US. However, the size of the fraud caused such outrage that the British government wanted him extradited to face justice in the UK. It sent his photo to the British consuls in New York and Los Angeles and employed a private detective agency to hunt him down.

It wouldn’t have taken a trained sleuth to set eyes on Factor if London’s inquiries had led to Chicago, where he was living in a 14-room apartment. Heads turned wherever he went in his chauffeur-driven Duesenberg, a car he bought for \$20,000 at a time when a typical vehicle was \$500. He and Rella left a trail of \$100 bills in their wake. During Prohibition, when gambling was illegal in the city, Factor had a reputation for being the biggest spender in Al Capone’s illicit gambling dens.

The sense that Factor was above the law came to an abrupt end when his two accomplices were arrested in Philadelphia and New York. The papers began to publish stories of how Factor was being hunted in Chicago by the federal agents, the British government and a New York gangster named Jack “Legs” Diamond, who had put a price on Factor’s head after being cut out of his English scams.

Surprisingly, the pressure got to Factor and in May 1931 he surrendered to the authorities. According to *The New York Times*, he was “dressed in the height of fashion” as he was escorted to the grand-domed Federal Building in Chicago by his three lawyers and the chief deputy marshal. Far from being humbled by the experience, he blamed “a lot of disgruntled London brokers who crashed when the stock market collapsed and now hold me responsible”.

Factor had hired the best lawyers money could buy, including two US senators and a former secretary of war. They made sure the British knew they were dealing with someone with connections. One of the lawyers swaggered into the British embassy in Washington DC and – according to a dispatch from an official to the Home Office – “gave an exhibition of what I imagine to be the habitual methods of the legal profession in Chicago – that combination of humanitarian appeal and genial blackmail that has so long and successfully been



His extraordinary exploits in the casino alongside his wife, Rella, made news on both sides of the Atlantic

Opening pages: John Factor, aka Jake the Barber, in 1936. Above: Factor and his wife, Rella, c1933



Police mugshots of Roger Touhy, 1933.

A year after the son of aviator Charles Lindbergh was abducted, the drama played out amid a national hysteria

practised on behalf of the gangsters and criminals of the city". The lawyer made it clear he had personally spoken to President Herbert Hoover and the lawyer implied the president would try to obstruct the extradition.

Factor's hotshot lawyers were as tenacious as they were expensive. They sparred for two years in the Chicago courts, before the case made it all the way to the US Supreme Court. Both sides had already made their first arguments before the justices when Factor and Rella celebrated a friend's birthday on June 30 1933. They went to one of Capone's roadside establishments in the Chicago suburbs, a restaurant called the Dells, where they could mingle with gangsters feasting on lobster and frog's legs and captains of industry shooting craps.

Gambling was still illegal in Illinois but it was done openly at the Dells, and Factor had lost \$30,000 there a couple of weeks earlier. On this night he'd had an uncomfortable feeling he couldn't shake. It wasn't helped when he spotted Captain Thomas Callahan of the Secret Service at a table of businessmen. "You should not be out in a place like this," Callahan told him over a drink.

Shortly after midnight, as Factor's Duesenberg ambled along the dark road back to the city, there was a roaring of engines that grew louder, until three cars screeched alongside his, and Rella's chauffeur-driven Lincoln behind, forcing both to stop. A dozen men in shirtsleeves, carrying machine guns and shotguns, leapt out and one screamed, "Where are you, Jack?"

Factor, along with his friend Al Epstein, was bundled into a vehicle and blindfolded. As the car tore off in the dark, Factor whispered to Epstein, "For God's sake, do as they tell you, or they'll bump you off."

"Jake Factor is kidnapped by shotgun gang" blared The Chicago Tribune's headline the next day.

TWENTY-FOUR HOURS AFTER THE KIDNAPING, someone phoned Factor's 19-year-old son, Jerome, at home. "Have \$75,000 in small bills ready first thing in the morning," the voice said. The man sounded more educated and cultured than the roughnecks who had fought their way up in the streets to rule Chicago.

The lawyer representing the UK in its extradition case had dismissed the kidnapping as a hoax. But British ambassador Ronald Lindsay told the Home Secretary back in London that he suspected the kidnapping was the work of Factor's underworld enemies.

Captain Daniel Gilbert, the Chicago police's chief investigator, agreed. Within 48 hours he told the newspapers who had taken Factor: the Touhy Gang. They were considered rivals to Capone's syndicate, said Gilbert, and he wanted them in cuffs.

Thousands of tips came in and the manhunt covered half the country. There were wild rumours that Factor was in Mexico, or on a boat moored off the English coast where kidnappers were negotiating directly with the British government. Rella Factor feared her husband had been murdered. Then, 12 days after he went missing, a man emerged from the shadows late at night in a small Chicago suburb and approached a motorcycle police officer. "I'm Jake Factor," he said. "Please notify my wife I'm safe."

The bearded Factor, hair untamed and tie askew, recounted some of the details of his ordeal to reporters at the police station. He'd been blindfolded nearly the entire time, threatened with torture and had machine guns pointed at him. Rella had paid a ransom of \$70,000 to have her husband released.

The drama played out amid a national hysteria about kidnapping, a year after the baby son of famous aviator Charles Lindbergh was abducted from his crib and murdered. A special FBI task

force joined hundreds of police officers pursuing Factor's captors. When the main suspect, Roger Touhy, was snared a few weeks later, it wasn't due to any great detective work: his car slid off a wet road in Wisconsin during a fishing trip and slammed into a telephone pole.

Touhy, who was in his mid-thirties, was the youngest of six boys raised in Chicago alone by a cop father. During Prohibition he brewed quality beer and disguised the deliveries by painting "Texaco Oil" on the side of his delivery trucks. He sold 1,000 barrels a week and became rich. Al Capone tried to muscle in on his business and had Touhy's partner murdered.

At the time Factor was kidnapped, Prohibition was still in force, but its repeal was imminent under Franklin D Roosevelt's new administration. The FBI hypothesised that, for the criminal gangs, ransom money was replacing some of the millions of dollars that would soon no longer be flowing in from illegal booze. Factor was considered an easy target because he wouldn't go to the police, due to his own legal problems.

When the case went to trial in early 1934, scores of "kidnap fans" lined up outside the court for hours. In San Jose, California, a 5,000-strong mob had recently fought their way into a county jail and lynched two kidnapping suspects, and there was a hunger to see the man the newspapers called "Terrible Touhy" face justice.

Meanwhile, the papers started referring to Factor as a "wealthy speculator" rather than "Jake the Barber" and he was considered a hero for standing up to these ruthless gangsters. "I am going through with it no matter what threats are made against me," he told The Chicago Tribune.

There was such an appetite to see kidnappers locked up that Roosevelt himself determined it was more important for Factor to stay in the US to testify against Touhy than be detained and sent back to the UK. The British government opted not to push back, due to the danger of "making a martyr" of Factor in the eyes of the American public.

Eighty police officers guarded the courtroom when Factor took the stand. As a soberly dressed Rella watched on, his eyes welled as he recalled being told his ear would be sliced off and sent to her if he didn't submit to his captors. When they ripped off the adhesive tape covering his eyes so he could write a ransom letter to Rella, he had finally seen one of the kidnappers' faces. As Factor's hand shook with fear, he now pointed him out to the jury: it was Roger Touhy. Factor said Touhy had warned him if there was any "monkey business" he would blowtorch the soles of his feet.

That first trial ended in a hung jury. But a bombshell witness in the retrial tipped the balance. Isaac Costner was a hot-headed moonshiner and gunman with a southern drawl that left the jury of Chicagoans straining to understand him. He was caught trying to get more money from Factor after he was freed and had been arrested. Costner told the court that he, Touhy and the two other defendants in the courtroom had dragged Factor from his car and held him hostage in two locations.

Touhy denied any involvement, but neither he nor the other defendants bothered to defend themselves from the witness box and the prosecution demanded the death penalty. In the end, they were sentenced to 99 years. There were cheers from the court when the verdict was read out.



"Jake the Barber" Factor, swindler, for whom police and U. S. agents are pressing search. His attorneys have offered to surrender him if bail is permitted.



WIFE AND SON SEE FACTOR KIDNAPED AFTER ROADHOUSE PARTY. John (Jake the Barber) Factor, who was kidnaped early yesterday after a party at the Delta restaurant, west of Evanston, is shown with his son, Jerome. Mrs. John Factor, second wife of the victim, who was in the party, was a witness. She is shown at right. (Story on page 1.)



RELEASED FROM PRISON: Roger (The Terrible) Touhy, left, as he walked along street in Chicago yesterday after being freed from penitentiary. He had served twenty years of sentences totaling 295 years when Federal judge upheld his appeal. With him is his lawyer, Robert E. Johnstone.

Left, from top: John Factor (Chicago Tribune, 1931); news of Factor's kidnapping (Chicago Tribune, 1933); Touhy with lawyer Robert Johnstone (The New York Times, 1954)

"PRISON, OR THE ELECTRIC CHAIR, IS THE only place for such criminals," Factor later said, adding that his health had been "broken" by his 12 days in captivity. "One thing I give myself credit for is that I fought the gang to the last and did more to stop kidnapping than any other person in America."

This self-aggrandisement didn't stop the Supreme Court approving Factor's extradition back to England to face trial for his Broad Street Press swindle. He was made to wait in DeKalb County Jail, 100km west of Chicago. He wasn't charged with a crime in America and the newspapers delighted in rumours of him leaving jail for nights on the town with the sheriff and "whoopie visits". Then his extradition warrant was allowed to expire, supposedly at the suggestion of a "very prominent person" in Washington. A smiling Factor strutted out of prison a free man.

It meant that, apart from being ordered to repay £360,000 to some of his victims in a civil suit, he wouldn't face justice back in the UK for his enormous fraud. The British government was furious but chose not to make a formal complaint for fear of upsetting their more powerful ally. Ambassador Lindsay fumed in a memo to the Home Secretary: "Here he was. Posturing as a hero before the American public... It was enough to make any man's blood boil." His mood would not have been helped by reports that Factor might star in a Hollywood movie about the kidnapping.

Meanwhile, Touhy, who was spared the electric chair, was in a different kind of hell at a maximum-security prison outside Chicago. He had urged his loyal wife, Clara, and his two sons to leave him and his rotten reputation behind, and they moved halfway across the country to Florida and changed their last name to Turner. Touhy had nothing to lose now and in 1942, cheered on by other prisoners, he hijacked a truck collecting garbage at the prison and busted out using a smuggled gun.

It was the biggest news in the country, alongside the Allies' fight against the Nazis. Factor feared Touhy would come after him in California and was protected by the FBI. But Touhy was captured and had another 199 years added to his sentence. That, Touhy said, "didn't mean any more than kicking a dead dog".

The head of the FBI, J Edgar Hoover, once said that Touhy's insistence that he was innocent of Factor's kidnapping was "too funny to talk about". But in 1948, 14 years into Touhy's sentence, a burly young lawyer in an ill-fitting suit visited him in prison. Robert Johnstone listened to Touhy's version of events for four hours, probing him with questions. That afternoon he gave away all his other cases and thousands of dollars of future earnings to represent Touhy.

Johnstone got his chance in 1954 when Federal District Court Judge John Barnes agreed to hear the case. Touhy no longer looked like the man the newspapers portrayed as a ruthless gangster. He was a frail-looking 55-year-old. An amped-up Johnstone gave an uncomfortable-looking Factor

a brutal cross-examination in court. And, just like the trial two decades earlier, the southern moonshiner Isaac Costner dropped a bombshell - this time in Touhy's favour. In a signed affidavit, Costner confessed he had made up his entire story about taking part in the kidnapping. He hadn't even been in Chicago. The Chicago police chief investigator, Daniel Gilbert, along with Factor, had bribed him to take the fall by reducing a 30-year sentence he was facing for armed robbery down to five years, he said. They reneged on the deal after Touhy was sentenced.

In a stunning summary, Judge Barnes put it bluntly: "The court is of the opinion that the incident of June 30 and July 1, 1933 was a hoax planned by and executed under the direction of John Factor in order to avoid extradition to Great Britain."

Barnes continued: "Factor was eminently well qualified by character, ingenuity, mental resourcefulness and experience to devise and perpetrate a kidnapping hoax. Furthermore, he had money which he was willing to spend. Finally, he had a motive. He was in real trouble."

He explained in jaw-dropping detail that, during the 12 days he was missing, Factor wasn't tied up at all. There were no guards. He played cards and downed Johnnie Walker whisky. There were howls of laughter and drunken singing of the "Wabash Cannonball".

Factor, the State's Attorney's office and the Department of Justice "worked and acted in concert to convict Touhy of something regardless of his guilt or innocence", Barnes wrote.

Factor hadn't even recognised Touhy when he was first brought in by the FBI. But he was a "welcome scapegoat" because of his rivalry with Al Capone's syndicate, which had a corrupt relationship with the prosecutor's office and the police.

Touhy was trembling as Barnes ordered his release.

FORTY-EIGHT HOURS LATER, TOUHY WAS back in prison due to a technicality. It took another five years before he was finally paroled. After being locked up for 26 years, Touhy, by now 61, said, "I have no bitterness, no enmity toward anyone." Three weeks after his release, he stepped on to the porch of his sister's small house, half an hour before his court-mandated curfew. Out of the darkness came the deafening roar of six shotgun blasts. Two men had been stalking him since his release and were waiting in the shadows. Touhy died in hospital an hour later.

The killers were never found. Factor, who had continued to claim the kidnapping was real, was interviewed by police and released. The lawyer Johnstone said Touhy was killed because "he was the only man who could thumb his nose at the syndicate and tell Capone to go to hell".

The UK government gave up trying to extradite Factor after the warrant expired in 1934, but pledged to arrest him if he ever landed in Britain. He never did. He and Rella went on to become prominent members of well-heeled society in Beverly Hills, giving away millions of dollars and winning awards for their philanthropy. But Factor never escaped the shadow of "Jake the Barber".

It led him to lament, decades later: "Can't a man change?" **FT**