

ON ORGANIZED CRIME AND BUSINESS
Speech by JIM BLACKBURN, Staff Attorney
Henderson Jaycees and Businessmen
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I am honored by your invitation to come before this group here tonight. It is a rare occasion when I can address such a distinguished audience of businessmen and community leaders, and I would like to thank you for the opportunity of doing so.

Tonight I would like to talk briefly about a problem that is becoming of increasing importance to every concerned citizen in our nation, especially to businessmen like yourselves: that of organized crime.

We hear a great deal about increasing crime in our country today. One can hardly pick up a newspaper without reading of some incomprehensible act of violence. And yet, though crime is a matter of tremendous proportions, there exists a grave misconception about crime among the people of America. Partly the result of extensive press coverage, the relationship of campus disorders and mass civil disobedience to the total increase in crime has been exaggerated by many.

Oddly enough, the increase in crime in recent years has no real relation to the increase in campus and minority group demonstrations; rather, the increase has been in the traditional areas of criminal activity. Let us look at a few of the facts.

According to FBI reports, crimes of violence in the United States are rising ten times faster than the population. During the nine-year period from 1960 to 1969--murders in the United States have increased from 9,000 to 14,900, a 66 percent increase; forcible rapes increased from 16,860 to 36,300, a 115 percent increase; robberies increased from 107,390 to 301,000, up 180 percent; and aggravated assaults recorded a 103 percent increase, from 152,000 to 307,800.

Over this period all crimes of violence increased from 215,200 to 660,000 for a total increase of 131 percent; but you must bear in mind that this 131 percent crime increase occurred during a period when the population increased by only .13 percent .

But let me bring this discussion down home to North Carolina. According to official SBI reports, from fiscal year 1967-68 to fiscal year 1968-69, homicide investigations in North Carolina increased over 12 percent,

larceny cases were up over 25 percent, and forgeries increased 15 percent, just to name a few. And total cases investigated by the SBI increased from 3,800 in 1968 to 4,500 in 1969, an increase of almost 20 percent. And of all these cases, 450, or 10 percent, were drug cases.

Be sure to keep in mind that these figures represent only cases investigated by the SBI. I have made no mention of the thousands of crimes that go unreported to law enforcement officials; therefore these statistics can be at best a very conservative estimate of criminal activity in our State. Clearly North Carolina has not been left untouched by the crime wave.

So far I have made no statistical reference to organized crime; and I am sure you may be asking yourselves just what do aggravated assaults, homicides, and robberies have to do with large-scale illegal activity. The answer is simple: A substantial amount of the apparently sporadic crimes in this country are either the direct or the indirect result of organized criminal activity.

The examples are almost too numerous to mention. Consider the drug addict who is forced to commit robberies,

burglaries, shopliftings, purse-snatchings, all to support a \$50-a-day habit. Some estimates attribute 50-80 percent of the nation's robberies and other street crimes to being drug related. And where do the addicts sell their stolen merchandise and buy their illegal drugs? From organized racketeers on the black market.

Or consider the poor working man who gets into financial trouble, and borrows money on easy credit from a Mafia-backed loan shark, only to find that he has to pay it back at over 100 percent interest per week. Where does he get that kind of money? He steals.

Or consider this actual case. In Los Angeles, a Mexican-American father of seven takes a job with a Mafia-owned trucking firm--at half the prevailing pay scale. He and the other drivers for the firm, all in poor financial shape, are told that their small wage payments reflect deductions credited toward purchase of their trucks--falsely, of course. And when this father asks for documentation of this truck-payment agreement, he gets a smashed face and lies in a hospital bed for six months. Needless to say, none of the other drivers complained. And I could go on and on.

While many people realize that organized criminal activity does exist in our nation today, few realize its true proportions. One study estimates such illegal activity as consuming 2-5 percent of our GNP annually, or some 20-50 billion dollars. At \$50 billion, this exceeds the total 1968 sales of General Motors, Ford and Chrysler. At \$20 billion, the gross income of crime is greater than that of the American Telephone & Telegraph and all the other phone companies combined.

And if illegal gross national product totals \$50 billion a year, then it may account for the sole income of from one to 2.5 million people--an alarming figure.

The strong arm of organized crime strikes most brutally at two groups of people in our society: first, the working man, the man in the street, and his family--especially the urban poor; and second, the business community itself, small independent businessmen like you gentlemen here tonight.

The laborer, the poor man in the city, is preyed upon by racketeers in five principal ways. The first of these is drugs. As reported in this month's Readers' Digest, Justice Department officials declare that Mafia figures

dominate the international heroin traffic, as well as traffic in lighter drugs, like marijuana. For the estimated three tons of heroin smuggled annually into the United States, addicts must pay a "street price" of over \$2 billion. To raise the cash, they must produce more than three times that amount in stolen property, hence the staggering robbery statistics from all over the country: an estimated annual \$5 billion in stolen goods in New York, \$846 million in Chicago, and \$324 million in Los Angeles.

And always, in the background, lurks the Mafia. In Washington, D.C., when authorities charged 71 persons with involvement in a vast dope-selling ring, two New York Mafia figures were found to be at the heart of the conspiracy. Such rings represent one of the most vicious forms of slavery and piracy known to man.

The second area of Mafia influence is gambling. We all have read about the extensive numbers racket in our big cities, a racket that exploits the misery and hopelessness of ghetto minorities with false hopes of a quick fortune. A New York legislative study found that three out of four adults in the ghettos play the numbers, averaging a \$3-per-week outlay each, bringing a total income to Mafia dealers of more than \$105 million yearly.

Loansharking is the third arm of racketeering, and it is organized crime's second biggest money-maker after gambling. As I stated earlier, loan sharks offer easy money to poor people who can get no other credit, and then charge outrageous interest, often to the tune of over 100 percent per week. And a debtor to a loan shark is often forced into other areas of crime, for example dope-peddling, robbery, or prostitution, to repay the debt.

Fourth, the Mafia infiltration of the labor movements is increasing day by day. The immediate victims are usually the unskilled or semi-skilled workers, unaware of or afraid to use their legal rights, while the labor racketeers pocket the union dues to the benefit of their own private fortunes.

Finally as you are all aware, Mafia influence has been devastating in the corruption of public officials. I ask you simply to look at the recent investigation of Mafia penetration in the government of Newark, resulting in the indictment of the mayor and several other officials on charges of gambling, bribery, extortion, and kickbacks. And I am sure you can recognize the relationship between

civil disorders in the ghettos, like those in Newark, and the increasing anger of the ghetto resident toward a society that fails to protect him from the atrocities of organized crime.

In keeping with modern trends, racketeers have, in recent years, made increasing efforts to improve their image and to legitimize and better utilize their ill-gotten wealth. And it is this smooth business-like approach that poses such a tremendous threat to businessmen like yourselves.

The dangers to commerce and industry from the criminal syndicate come from two directions: the various means used by racketeers to infiltrate and seize control of legitimate business and the criminal tactics employed in doing business.

I recently read a report by the New York State Commission of Investigation entitled "Racketeer Infiltration into Legitimate Business." This report lists instance after instance in which Mafia affiliates, in an effort to acquire legitimate businesses both as money-makers and as fronts for illegal activity, used extortion, bribery, threats, and brute force to eliminate all legitimate competition.

The record of the Commission's public hearings indicated that organized crime in New York had extended its tentacles into the night club field, the cutlery grinding business, the meat, bagel, drugs, securities, and banking industries and unions. The methods used and the businesses penetrated were varied, but the ultimate goal of the syndicate in each case was the same: the penetration and control of a legitimate business.

I would urge each of you to read a copy of the Commission's report, because it discloses a real danger that threatens to destroy our economic and moral standards; and it is a sound warning to businessmen that their aid is essential in halting criminal incursions into established businesses.

As the Chairman of the Commission said in his statement, "For a long time, statements have been made by law enforcement groups and others that racketeers were infiltrating legitimate business. To most people, this seemed no more than general talk and did not appear to affect them in any way."

The Commission's report, and the examples it sets forth, clearly indicate that this is not just "general talk," and it affects every one of us. While we have no

statistics concerning organized crime in North Carolina, there is strong evidence that syndicate influence is strong in the illegal drug traffic and in the smuggling of cigarettes out of the State. And the influence is growing.

The greatest tool that these racketeers have is fear--a businessman's fear that he will be driven out of the market by underhanded competition, or that he will be subject to bodily harm, both of which were employed in the unsuccessful attempt by the Mafia to control A&P activities in New Jersey, as you may be aware. And it is this fear which keeps businessmen from reporting threats and extortions to law enforcement authorities that allows racketeers to have free rein to infiltrate and seize control of legitimate business.

But what can be done about the incursion of organized crime into the business field? What can you, as local businessmen, do? Clearly this alarming condition calls for public awareness and determined resistance together with new and effective law enforcement countermeasures.

We all recognize that fresh and new approaches must be developed to deal with the upsurge in criminal activity.

Law enforcement officials, such as those of us in the Justice Department, must formulate imaginative and vigorous programs which would include increased and painstaking field work to root out racketeer activities. Instead of waiting for complainants to come into law enforcement offices, officials will have to go out into the market place to seek out would-be complainants. Investigations should be intensified to seek out the citizen who is too frightened to talk.

However, this task cannot be accomplished by law enforcement officials alone. The citizen and businessman has a vital obligation to inform authorities of all racketeer approaches, even if he is fearful for the protection of his business and his life.

The time has come to shift the fear from the citizen to the racketeer; and the only way to reverse this fear is through a vigorous law enforcement program along with the cooperation of businessmen like yourselves.

You are all aware of the problem; and as concerned businessmen and citizens, I am sure those of us in the Justice Department can count on you to do your part to combat the growth of organized crime.

Thank you.