

Speech by Robert Morgan, Attorney General
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The President, Congress, the United States Chamber of Commerce, and all but the naive or uninformed have recognized the existence and the great dangers of organized crime in this country. I am particularly concerned about the problem for two reasons.

First, I am aware of the effects and the influence of organized crime in other areas of our country. I know that where crime and vice have been allowed to organize and continue on an organized basis, legitimate business is crippled, labor unions do not represent workers, political and law enforcement corruption runs rampant, our impressionable youth are given new heroes to emulate, and the burden of the honest taxpayer is greatly increased. Most of you are familiar with the organized crime problem disclosed in Newark, New Jersey, which ran all the way up to the mayor of the city. You may also be familiar with the recent disclosures by the McClellan Senate Investigating Committee concerning mass infiltration of Wall Street by organized crime, or the recent hearings in New York disclosing wide-spread graft and corruption of the police force.

I do not want this State, or any city in this State, to be controlled by organized crime. I want to prevent the influx of this element into North Carolina.

Secondly, I am concerned about the reports I get that indicate the existence of some organized crime already operating in this State. In many states such as New York and Florida, combination Federal and State organized crime strike forces have been established. As these strike forces become more effective, they tend to drive the racketeers into new areas that are not as knowledgeable about the activities of organized crime. We are seeing some indications of this in North Carolina. I want to do everything that I can to rid the State of any organized criminal activity it now has. I want Organized Crime to know that they are not welcome in this State, and that our people will not tolerate their existence.

When we talk about organized crime, the first question that we must always ask is: What is organized crime? If two people get together and plan to steal a chicken and they carry out this theft, this in a sense is organized crime. But it is not the organized crime that we speak of as posing a great threat to the people of our State.

At the other extreme, we most often think of organized crime in terms of the Mafia or La Cosa Nostra, or the National Crime Syndicate. This is the group that we have all heard about and that most of us have read about. Movies, television programs, and best-selling books, such as The Godfather, constantly use the crime syndicates as subject matter for a story. Other books and documentaries are written and produced about the real members of the crime syndicates. The mass of evidence clearly indicates

that there is such a thing as La Cosa Nostra or the National Crime Syndicate.

This is a rather loose coalition of the largest and most powerful criminal gangs in the country. It is also an alliance composed of powerful Cosa Nostra families and local crime czars. I think it is easier to understand how this group operates by thinking of them in terms of a large industry whose most powerful manufacturers periodically get together to violate the anti-trust laws, by doing such things as fixing prices, dividing up territories, and imposing sanctions on members of the group that don't cooperate. The members of gangs in the National Crime Syndicate are all primarily in the same business or industry and that is supplying illegal goods and services.

These gangs or families began to form in this country during the Prohibition Era. At first the gangs fought among themselves to gain more power and greater territories. It was only a matter of time, however, before the gangs stopped the fighting and decided to cooperate and work with each other for greater mutual power and profit.

There has been a strong tendency to define organized crime as only these powerful criminal gangs that make up the National Crime Syndicate. As a result, many people including some law enforcement officers, will conclude that if no known members

of the Cosa Nostra or Syndicate are operating in their community, then they have no organized crime. This I feel is a serious mistake that causes us to look backward instead of forward.

The powerful families and gangs of the National Crime Syndicate did not start out with great power and enormous wealth. This was gradually acquired over the years. There are many groups and gangs operating in this country and in this State that are not members of the National Crime Syndicate, nor are their individual members called before Senate investigating committees.

Yet they are organized criminals and the activity they engage in is organized crime. The organization and power of these groups today is at various levels, but there is every indication that their organization is becoming more sophisticated and their power much greater. It is only logical that these smaller groups, whose members are dedicated to lives of crime, will eventually try to band together for greater mutual profit and power.

Thus, when we ask the question "What is organized crime?", we are talking about a group of people banding together in a continuing criminal conspiracy to gain enormous profits and power through unlawful activities, usually the supplying of illegal goods and services. Most of the time organized criminal groups are self-perpetuating - the successful prosecution of one or two members will not destroy the operation. As the President's Commission on Law Enforcement and Administration of Justice said,

"Organized Crime is a society that seeks to operate outside control of the American people and their government." Through apathy or corruption, its leadership attempts to gain immunity from the law and often does.

It is perhaps easier to understand Organized Crime by looking at the activities it engages in. Organized crime is primarily involved in activities labeled consensual or victimless crimes. These are activities such as gambling, loansharking, narcotics, illegal liquor traffic, labor racketeering, and the fencing of stolen property.

It is because the gambler does not report his bookie, the addict does not report his pusher, the borrower does not report his loanshark, the buyer of stolen goods does not report his seller, and the businessman does not report the labor racketeers, that Organized Crime has been able to operate over long periods of time in almost total secrecy. There are also plenty of unwilling victims, but because of fear, they are usually unwilling to step forward and press charges. Many police officials conclude that the absence of complaints means the absence of organized crime. Nothing could be further from the truth.

We know that gambling provides the largest source of funds for Organized Crime. The most conservative estimate, which

was made by the President's Crime Commission, was that illegal gambling provides a gross profit to organized crime of twenty billion dollars a year and a net profit of six billion. Other groups have estimated the take as two or three times this amount. All of this money goes untaxed.

The local bookie who will take a large bet is a member of Organized Crime. He has to be in order to get fast and accurate odds information, as well as results of sporting events and horse races. Also the bookie must be able to "lay off his bets." Let me illustrate. The bookie will normally take around 10 percent of any bet as his cut or vigorish as it is sometimes called. A bookie will have, for instance, five thousand dollars bet on Carolina and one thousand dollars bet on State in a Carolina-State basketball game. In order to avoid the possibility of a big loss, the bookie will bet two thousand dollars on State with a "lay-off" man. This way the bookie keeps his books balanced and cannot lose. The lay-off man is a more powerful member of Organized Crime. Thus, the territory of the local bookie is usually allocated and protected by higher-ups, and a percentage of bets placed with the bookie ends up in the treasure chest of Organized Crime.

I believe that there are only two honest alternatives to the gambling problem. One is to enforce the gambling laws

strictly and the other is to legalize and control gambling. In this State we are doing neither. The result of our policy is that we are not only allowing large amounts of money to be accumulated by criminals, but also that we are undermining the entire criminal justice system. We are telling people that we must obey and respect the law and yet we are really saying that even though we must have law and order that there are certain laws that you don't have to obey.

Think of the effect that this double standard must have on our young people when their parents preach them law and order and then go out and place a bet on a local football game or play the slot machines at some local country club.

Think of the effect it must have on the black people of this State when they are arrested for drinking bootleg whiskey or loitering in the streets, and on their way to the police station they drive by large country clubs where gambling and slot machines have operated for years untouched.

Loansharking is another activity from which Organized Crime derives a great amount of profit and power. Frequently, when the borrower is unable to pay the interest, he is allowed to settle by stealing securities, providing information for a burglary or hijacking, or becoming involved in business with racketeers.

Many authorities feel that labor unions are Organized Crime's prime target in the future. One major attraction is the billions of dollars in union pension and welfare funds that organized criminals seek to use for their own purposes. Also control of labor unions provides the Syndicate with a powerful club to coerce employers into paying union protection or doing business with mob controlled companies. Dishonest employers will seek and accept "sweetheart contracts", which are agreements with racketeer union heads, to pay workers less than union wage in exchange for a fee paid to the union head. We know that many members of organized crime are hiring themselves out as labor consultants to help businessmen overcome labor trouble initiated by these same consultants in the first place.

One of the most frightening aspects of Organized Crime is its infiltration into legitimate business. The President's Commission reported that "racketeers control nationwide manufacturing and serve industries with known and respected brand names." Well educated lawyers and accountants are actively recruited by organized crime.

One criminal syndicate reportedly owns real estate valued at three hundred million dollars. Recent disclosures by a Senate investigating committee show that Organized Crime now controls large banks and has infiltrated Wall Street where it steals and manipulates stocks and bonds. It has also been revealed that

Organized Crime owns hotels, motels, restaurants, garbage collection companies, and many other businesses. Many of the syndicates have recently been forming shell corporations and selling stock in this corporation based on a fraudulent balance sheet.

When we look at the infiltration of legitimate business by Organized Crime, we are looking at the logical results of the accumulation of mass untaxed profits. Legitimate business provides many things to Organized Crime.

It provides a place for Organized Crime to invest its illegal money in order to turn dirty money into clean money. Thus, money from a narcotics operation may be invested in a legitimate business. Legitimate business provides a source of income within itself, because the business might be very profitable. It provides a source of reportable income for income tax purposes. It provides a cover for illegal operations, and it also provides a certain respectability and social standing from which organized criminals can infiltrate and corrupt public officials.

Organized Crime often uses its money to purchase the critical weapon of political power and generally, where Organized Crime flourishes, so does public corruption. Through pay-offs to legislators, mayors, police, and other officials, the organized underworld is sometimes able to operate under a political umbrella

of official inaction or even encouragement. Many local governments and even some state governments have been dominated by racketeers.

Finally, Organized Crime is also in the business of serious crime. These are crimes such as extortion, arson for hire, murder and physical violence, theft and burglary operations, fencing stolen property, hijacking, and the distribution of narcotics. These are crimes that American society is angry about and fearful of today.

Many of you may be asking what effect does Organized Crime have on you and what effect can it have if allowed to go unchecked. It provides a model of success for impressionable youth in our ghettos and poor areas. It has a direct relationship to street crime through encouraging narcotics addicts to steal, providing fencing operations for burglars and shoplifters, and by engaging directly in burglaries and hijackings.

Another effect of Organized Crime is the loss to business and consumers. Legitimate businesses lose by such things as theft and direct assaults on the business, increased insurance costs as a result of these thefts, inequitable tax burdens, consumer anger at having to raise prices to compensate for losses caused

by Organized Crime, loss attributed to racketeer-controlled labor unions and increasing regulations as a result of Organized Crime activities. The public tax burden is increased when Organized Crime drains billions of untaxed dollars from our economy - dollars that could be used for education, housing, research, and social services.

The millions of dollars Organized Crime can throw into the legitimate economic system gives it the power to manipulate the price of shares on the stockmarket, to raise or lower the price of retail merchandise, to determine whether entire industries are union or non-union, and to make it easier or harder for businessmen to continue in business. The millions of dollars it is willing to spend on corrupting public officials can give it the power to steal and murder with impunity, to extort money from businessmen, to conduct business without regard to administrative regulations, to avoid payment of income taxes, and to secure public works contracts without competitive bidding.

What are some of the things that you as businessmen can do to help cope with this problem? This is an area where an ounce of prevention is worth a ton of cure. Once the Organized Crime Syndicate is allowed to get its foot in the door of your business or industry, it is very difficult to remove them. There is a normal human reaction among businessmen that it can never happen to me. Few companies take any active steps to protect

themselves against exploitation.

Specifically organized crime exploits legitimate business in several ways. One is by using unfair competitive practices such as below-cost pricing to drive out competitors or selling stolen goods. The bankruptcy fraud is an especially attractive and frequent ploy of organized crime groups. Large amounts of merchandise or goods are bought on credit by the syndicate-controlled company, then the goods are unloaded for cash or placed in syndicate-controlled outlets, and the company goes into bankruptcy leaving the creditors holding the bag. Loan sharks are always ready to loan money to the corporate executive who lives a little over his head, or the corporation itself that has exhausted legitimate lenders and finds itself in a financial squeeze. Organized crime groups are always ready to take over and exploit labor unions.

You must remember that salesmen that are members of organized crime do not operate like legitimate salesmen. Whereas you must sell your customers based on quality of product, the friendships, and trust you are able to build up, and good hard work; the organized crime salesman sells his usually inferior product based on fear. This may be a fear of unwanted labor troubles, of business sabotage, or of personal injury. Many of you may be familiar with the attempt by an organized crime group several years ago to force an inferior detergent on the shelves of

the largest supermarket chain in the country. When the chain refused to buy, stores were burned down and store managers were murdered.

The United States Chamber of Commerce has put out a booklet entitled Desk Book on Organized Crime. This is an easily readable booklet prepared to warn the businessman of signs that would increase the vulnerability of his business to an organized crime infiltration. Some of these signs include a key member of your staff having a gambling problem, a union you must deal with being involved with mobsters, offers of loans from persons or companies of unchecked background, or a marked increase in a customer's orders unrelated to a seasonal increase in business. These are just a few examples. I would urge your organization to purchase copies of this book for all the members.

Those of us connected with the criminal justice system must do many things to control and prevent Organized Crime in our State. We must increase and expand intelligence efforts. We must successfully arrest and prosecute organized criminals. We must fight for new legislation and greater appropriations to fight Organized Crime. And we must educate the public to the dangers of Organized Crime and inform the public of what Organized Crime is doing in our State.

Several months ago, at my request, Governor Scott signed an Executive Order creating the North Carolina Organized Crime Prevention Council. The Council is composed of seven men. I serve as Chairman and members of the Attorney General's Office serve as staff. The Council will try to determine the extent and scope of Organized Crime in North Carolina. We will develop strategy to control Organized Crime and prevent its future encroachment in this State. The State Bureau of Investigation has set up an Organized Crime Intelligence Division and has assigned agents to work fulltime on Organized Crime. Several of the largest cities in our State have set up intelligence units to concentrate primarily on Organized Crime.

But what can you as businessmen, do to fight this problem? You must seek out and recognize the signs of Organized Crime in your midst. You should encourage your business and trade associations to establish working relationships with law enforcement agencies and to help you keep informed of criminal trends and associates in your industry. You should determine as best you can through your trade association or law enforcement agency, who you are dealing with in a business transaction that you suspect is less than honest. You must come forward and initiate complaints against those you suspect are involved in Organized Crime. Call your local police department or call my office or the State Bureau of Investigation. You can call anonymously if you want. You must take an active and helpful stand on legislation

and increased appropriations designed to fight Organized Crime.

The services of my office are available to the public to help solve the problem of Organized Crime. I hope the people of North Carolina will not hesitate to provide us with information and call upon us for advice. We can stop Organized Crime, but to do so, we must develop a concern and sustain this concern. As Edmond Burke is reported to have said, "The only thing necessary for the triumph of evil is for good men to do nothing."