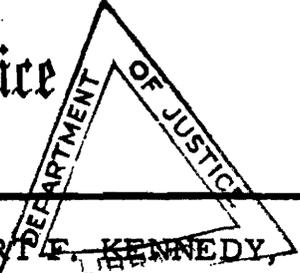


PS  
668  
.K36



# Department of Justice



STATEMENT OF THE HONORABLE ROBERT F. KENNEDY,  
ATTORNEY GENERAL OF THE UNITED STATES, BEFORE  
SUBCOMMITTEE NO. 5 OF THE HOUSE COMMITTEE ON  
THE JUDICIARY, IN SUPPORT OF LEGISLATION TO CURB  
ORGANIZED CRIME AND RACKETEERING, MAY 17, 1961

Mr. Chairman:

I am here today supporting proposed legislation which we, in the Department of Justice believe can be extremely effective in combating organized crime and racketeering. These proposals have been developed in the Department over a period of time to aid and assist local law enforcement officers in controlling hoodlums and racketeers, who in many instances have become so rich and so powerful that they have outgrown local authorities.

Some of these proposals are new. Others are revisions of proposals submitted by the prior administration. Still others were submitted by my predecessor and I have endorsed them.

There have been large scale investigations into this problem on both the national scene and at the state level. You are all familiar with the Kefauver investigation and its disclosures which shocked the nation. In the Senate Rackets Committee's investigations into improper conduct in the Labor-Management field, we found organized crime and racketeering moving into that field. Both investigations highlighted problems existing in the larger cities.

Sometimes we get the impression that the general public believes that organized crime is a problem for the big cities, alone. If any one is under that misapprehension he can be corrected very quickly by reading the report of the New York State Commission on Investigation issued in February of this year. It deals with organized crime in Central New York State. Then there is a report by the General Investigating Committee to the House of Representatives of the 57th Legislature of Texas. The latter report details what I can describe only as the rape of the city of Beaumont by organized crime. What the Texas committee found to be the results of organized crime having gained control of the town, will be of interest to you.

The investigation found houses of prostitution, gambling clubs, punchboards, pinball machines, slot machines, numbers, and book-making widely distributed throughout the city. Liquor was sold to teenagers and 45 pounds of raw opium worth \$500,000 was seized. As has been pointed out so often, gambling, liquor violations, narcotics, bribery and corruption of local officials and labor racketeering and extortion go hand in hand.

The Texas report details the effects of organized crime as follows: The crime rate of the city rose 22% in 1960; desirable citizens left town; the city is in the red by \$1,125,833; \$350,000 in current checks were issued with no covering funds in the bank; within

three years two water improvement projects ran out of money; the city is deficient in neighborhood parks and supervised recreation facilities; municipal bonds are difficult to sell; the city records were in such bad shape that independent auditors refused to certify an accounting rendered by them; and finally the efforts to attract industry to the city were sabotaged by the corrupting influence.

This appalling story has not had its ending recorded yet. An aroused citizenry currently is conducting a clean-up of what they rightly consider to be a local problem. However, we in the Federal government can be of great assistance to them and other honest citizens.

The opium seized in Beaumont was not grown locally in Texas. The pinball machines and other gambling devices were not manufactured there. The profits from the activities did not remain in Texas. The information so necessary to the conduct of gambling operations did not originate locally. All the information and implements flowed into Beaumont through the medium of interstate commerce. Our package of bills is designed to prohibit the use of interstate facilities for the conduct of the many unlawful enterprises which make up organized crime today.

I now would like to discuss these bills in some general terms.

I will turn first to H. R. 6572, which would prohibit travel

---

in aid of racketeering enterprises.

Organized crime is nourished by a number of activities, but the primary source of its growth is illicit gambling. From huge gambling profits flow the funds to bankroll the other illegal activities I have mentioned including the bribery of local officials.

The main target of our bill is interstate travel to promote gambling. It also is aimed at the huge profits in the traffic in liquor, narcotics, prostitution, as well as the use of these funds for corrupting local officials and for their use in racketeering in labor and management. Thus, when we speak of unlawful business it is business engaged in the aforementioned improper activities.

A brief explanation of the method by which the funds are obtained by the bigtime gambling operator may be useful at this time.

Many persons think of the corner handbook operator or the neighborhood merchant, who sells a numbers ticket to him, as the person to whom we refer when we talk of the gambling racketeer. This is about as accurate as describing an iceberg as a section of ice floating on top of the water. As with the iceberg the danger and the size of the problem can only be fully appreciated if we go below the surface.

On the surface is the handbook operator. He makes a profit

from the persons who place bets with him because he has an edge on every bet. He pays track odds but usually not in excess of 20 to 1. The odds at the track are calculated after deducting the 15% to 18% of the total betting pool which goes to pay taxes and other expenses. The bookmaker pockets that amount. However, he is not a man of unlimited resources. He must balance his books so that he will lose no more on the winner than has been bet on the other horses in a race, after his percentage has been deducted. He cannot control the choices of his customers and very often he will find that one horse is the favorite choice of his clientele. His "action", as he calls it, may not reflect the "action" of the track. Therefore, he must reinsure himself on the race in much the same fashion that casualty insurance companies reinsure a risk that is too great for it to assume alone. To do this the bookmaker uses the "lay off" man, who for a commission, accepts the excess wager.

The local lay-off bettor also will have limited funds and his lay-off bets may be out of balance. When this occurs he calls the large lay-off bettors, who because of their funds, can spread the larger risk. These persons are gamblers who comprise a nationwide syndicate or combine. They are in close touch with each other all the time and they distribute the bets among themselves so that an overall balance is reached on any horse race.

With a balanced book at the handbook, lay-off or syndicate level the edge is divided and no one loses except the man who placed the original bet. As an indication of the volume of business I am talking about, one of the largest operators in the combine does a lay-off business of \$18,000,000 a year. His net profit is \$720,000 a year. This is a 4% return on volume with relatively no risk as a result of the balancing of his books on each event.

The term "gambler" is a misnomer for these persons. They accept money that the small gamblers wager but they do not gamble at all. This is further illustrated graphically by what we know as the numbers racket.

A man purchases a ticket with three numbers on it, paying a dollar for the ticket. Since there are 999 such numbers he should reasonably expect the odds be 999 to 1. The numbers bank usually pays 600 to 1 on such a wager -- or less -- so you can see that the only gambler in this situation is the man making the bet. The operator pockets 40 cents on every dollar bet. That is if the game is run honestly. That, however, is too much to expect from this group. If the play is too high on any one number they manage through devious means to insure that a number on which the play has been small will be the winner.

With that background on the type of business done by these

persons, let me now move to their interstate travel activities to show how we hope to be of aid and assistance to local law authorities.

The examples I am going to give have a factual basis, but I will speak mainly in generalities in open session for obvious reasons.

Our first example is as follows: Some notorious individuals, whose names you would immediately recognize, had interests in a numbers bank but lived in a resort town far from the scene of operation. Every month a messenger carried the profits of the numbers racket from the scene of operations to the resort town. One of the payments was in excess of \$250,000. Thus, the persons reaping the profit from the illegal activity remained beyond the reach of the law enforcement officials at the place of operation and committed no crime in the state where they lived. Only the Federal government can curtail the flow of funds which permit the kingpins to live far from the scene, preventing the local officials, burdened by the gambling activity, from punishing him.

If our bill is enacted we will be able to prosecute the courier who carries the funds across state lines and in conjunction with the aiding and abetting statute (18 USC 2) we will be able to prosecute the person who caused the courier to travel - the kingpin. This

example illustrates what we have found to be a pattern around the country where the apparently innocuous 10-cent numbers bet in a large city turns into tremendous profits in the hands of big time hoodlums.

Another example involves the frequent travel from a Middle Atlantic state to a New England state by the operator of a lottery - and or members of his family - to make payments to winners or pick up money wagered. Our information reveals that, in order to avoid the statute proscribing interstate transportation of lottery tickets (18 U.S.C. 1301), the individual carried the plates for printing the tickets to the various states. He did that so the tickets could be printed locally.

In another instance in a Mid-western state, the scene of illicit operations is close to the border of the state. One individual travels daily between the two states. He conducts his lay off business in the one state and lives in a \$200,000 house in the suburbs of a large city across the border in the other state.

Let me cite another example. The lay off men at the top of the bookmaking organization are in daily contact with each other to reinsure their bets and divide the action, thus assuring that all make a profit and no one takes an exorbitant risk.

These people can conduct their businesses by telephone. When local authorities get close to them, they merely pick up stakes and move to another jurisdiction. The best example of this moving to frustrate local police, is the case of a man who started operations as a lay off man in the mid west in 1946. He moved to another town in 1949 and then to Newport, Kentucky in 1950. In 1952, under pressure of the Kefauver investigations into organized crime, he moved to Montreal, Canada. When the Royal Canadian Mounted Police raided his establishment he moved back to Newport, Kentucky.

We can follow these people from state to state and prosecute them for the very activities which now make a mockery of local law enforcement if this travel bill is enacted.

The lay off men, who comprise the gambling syndicate, must settle their accounts periodically for they do not trust each other any more than they trust the average bettor. They settle the accounts by having a "bagman" travel throughout the country picking up and depositing funds to balance the books. He receives reports of balances due from each of the lay off men. He acts as a clearing house and accountant for the group -- settling the accounts in accordance with good accounting practice -- in much the same manner that our banking clearing houses operate. The only difference is that the banking houses are not afraid

of divulging their incomes through the use of banking channels.

The gamblers use cash and a messenger to clear the daily balances.

When a Braniff airplane crashed at Buffalo, Texas, on September 30, 1959, a collection man for a prime subject of the Kefauver investigation, was killed. The collection man was en route to New York with his boss's share of profits from gambling operations in Texas. With the enactment of this bill, prosecution may be undertaken in future situations against men like this and the persons who send them to collect the proceeds.

In summary, our information reveals numerous instances where the prime mover in a gambling or other illegal enterprise operates by remote control from the safety of another state -- sometimes half a continent away. He sends henchmen to the scene of operations or travels himself from time to time to supervise the activity and check on his underlings. As for the profits, he receives his share by messenger.

Another example of the type of situation which we are trying to curb in proscribing the interstate travel in furtherance of an unlawful activity is the situation which arose in Hot Springs, Arkansas in 1960. A printing company in Jefferson Parish, Louisiana receives race wire information from Chicago bookmakers and disseminates the data to gambling establishments in sections of the South and Southwest. The

company is owned by a racketeer, since deported, and his race service manager, of New Orleans. The manager, while in Hot Springs in March of 1960 got into a violent argument with the owner of the race wire service there. The Hot Springs man told the New Orleans man to stay in New Orleans as he could operate his business without help.

In May of 1960, the owner of the Hot Springs service traveled to Chicago and visited a Chicago rackets overlord. The Hot Springs man sought assistance in curtailing the activities of the New Orleans group in seeking to take over his race wire service. If we could show the existence of race wire services in New Orleans and Hot Springs and the travel on the part of the New Orleans man to expand the New Orleans service and the travel of the Hot Springs man to protect his interest in the Hot Springs service we could prosecute both of these top racketeers with the enactment of the proposed bill.

A race wire service has been provided in Wisconsin by Chicago hoodlums. In return for allowing the race wire service to prosper in Wisconsin, a person, who is now the subject of intensive investigations, has been allocated a portion of Antioch, Illinois for the conduct of gambling. This individual apparently has trained his housemen at Kenosha before they traveled to Antioch to run the gambling operations. Such travel as by the Chicago people to Kenosha and the Kenosha hoodlums

to Antioch would violate the bill as travel to promote an unlawful business, thus permitting the interruption if not the destruction of the gambling empires.

There is wide open gambling in Newport, Kentucky adjacent to Cincinnati, Ohio and Covington, Kentucky. A review of the financial statements of four Newport gambling casinos in 1957 revealed that 11 persons, who reside outside of Kentucky, participated in the casino profits. With this bill we would be able to move against interstate travel to distribute the profits of these casinos to the out-of-state owners.

Edward Silver, the District Attorney of Kings County, testified before the New York State Commission of Investigation that there have been several unsolved gangland homicides connected with gambling in recent years in his jurisdiction. It would be in keeping with past practices of this element if the perpetrators of the crimes had come from out of state. This practice was amply illustrated by the disclosures in the trial of the members of the notorious "Murder Inc."

None of the activities of which I have just spoken, that is, interstate travel to carry on a racketeering enterprise, travel to deliver the profits of an illegal enterprise, or travel to commit a crime of violence in furtherance of the activities of an illegal business is now per se, a violation of state or federal law. The travel is performed by these persons with impunity, but because of that travel and the interstate aspects of the activities, the task of the local law enforcement officials is staggering.

I am not discussing isolated instances but what we have found to be a pattern of behavior in a number of geographic areas.

We have skirted the area of social gambling by limiting the proposed statute to gambling, as a business, which violates state or Federal law. In this limited aspect, the enactment of the bill will be a tremendous tool for stamping out the vicious and dangerous criminal combinations.

Mr. Chairman, this bill is vital. We need it. Local law enforcement officials need it. The country needs it.

The second bill I wish to discuss H. R. 7039 amends Chapter 50 of title 18, United States Code, with respect to the transmission of bets, wagers, and related information. Its purpose is to assist the various States in enforcement of their laws pertaining to gambling and bookmaking. It would prohibit the use of wire communication facilities for the transmission of certain gambling information in interstate and foreign commerce.

Gambling in the United States, we estimate involves about 70,000 persons and a gross volume of \$7,000,000,000, annually.

The most diligent efforts of local law enforcement officers are often frustrated by the ease with which information essential to gambling operations can be disseminated in interstate commerce.

Bookmaking bases its operations upon races at about 20 major race tracks throughout the country, and requires rapid transmission of the results on each race. Usually there are only a few tracks in operation at any given time and the average bet placed with a bookmaker is a small one.

In order to run a successful book that pays a good return, the bookmaker needs a volume of business. This volume is usually obtained by the fact that bettors can play their money and any winnings upon the whole card of daily races reported from one or more tracks, if they know their standing from race to race. Thus, information almost simultaneously transmitted prior to, during, and immediately after each race on such items as the starting horses, scratches of entries, probable winners, betting odds, results and the prices paid, is essential to both the bookmaker and his clientele in order to insure any sizable gambling.

Furthermore, let me emphasize that no matter by what means the bookmaker and his clients receive this in-bound information -- whether by telegraph ticker tape, by telephone, or even by radio or television broadcast -- the bookmaker needs a means of rapid out-bound communication. This usually is by telephone - with other bookmakers. The purpose is to balance his book and protect against a severe loss when the betting becomes heavy on any particular entry. I have explained

this hedging process, known as layoff betting, in my earlier testimony on the interstate travel bill.

The rapid gathering and dissemination of trackside information is a highly profitable and integral part of commercialized gambling on horse racing. This information can be obtained by stealth and use of various ingenious devices, such as the "pitch-catcher" type operation where a man at the track flashes the result of a race by a hand signal or other device, to a confederate at an open telephone line. The confederate then gives the result to a central point of dissemination. The information is placed upon leased telegraph circuits or long distance telephone lines running to the major cities of the country from which it is further fanned out on other leased circuits or telephone lines, or in some cases by radio broadcast, to the ultimate subscribers, the bookmakers, who pay a substantial fee for this vital service.

The rapid results provided by this wire service are indispensable to all bookmakers operating on any but the most modest scale. They are a means of expanding the play and stimulating further betting from race to race. They protect the bookmaker from the dilemma of either refusing bets which are placed about the time a race is scheduled to start, or of accepting a bet on a horse which has already won the race.

Equally essential to the bookmaker is the local telephone service which he must have to avoid the risk of arrest for running an open betting room. He needs the telephone to take a substantial portion of bets; and, of course, the bettors also will use the phone to be informed of the results. Furthermore, telephones provide auxiliary service for rapid results where telegraph tickers or speaker circuits fail. In areas where ticker or speaker service is not available, the bookmaker must have at least one telephone for the exclusive purpose of receiving service from the subdistributor who supplies him with the trackside information.

In addition to the unique transmission situation in the field of commercialized horse-race betting, the gamblers also have moved into large-scale betting operations in such amateur and professional sports events as baseball, basketball, football, and boxing.

This has been highlighted recently by disclosures that for the second time in 10 years, gamblers have bribed college basketball players to shave points on games. In this situation the bookmaker needs telephone communication to get the latest "line" on the contest. This is the handicapped prediction of the probable results and the point spread in basketball and football. Without the latest information

as to the condition of the team, and the happening of such things as late injuries to key players, the bookmaker is the victim of fate. He cannot permit this to happen, so he subscribes to a service which gives him and his confederates the latest up-to-the-minute information which may bear on the result.

It is quite evident that modern, organized, commercial gambling operations are so completely intertwined with the nation's communications systems that denial of their use to the gambling fraternity would be a mortal blow to their operations.

This is the precise purpose of the proposed legislation. It would be an exercise by the Congress of its plenary power over interstate communications to aid the States in coping with organized gambling, by denying the use of interstate communication facilities for such activities.

It cannot be overemphasized that this bill is designed, first to assist the States and Territories in the enforcement of their laws pertaining to gambling and like offenses. Second, the bill would in that regard help suppress organized gambling by prohibiting the use of wire communications for the transmission of gambling information in interstate and foreign commerce.

The word "organized" is underscored because it should be clear that the federal government is not undertaking the almost impossible task of dealing with all the many forms of casual or social wagering which so often may be effected over communication facilities. It is not intended that the act should prevent a social wager between friends by telephone. This legislation can be a most effective weapon in dealing with one of the major factors of organized crime in this country without invading the privacy of the home or outraging the sensibilities of our people in matters of personal inclinations and morals.

The next bill I would discuss is one we sent to the Congress, but which has not been introduced in the House. At this time, I would like to speak in support of Subsections (a) and (b) of our draft. Subsection (c), dealing with false and misleading information will be presented as a separate bill. The bill would amend chapter 73 of title 18, United States Code dealing with the obstruction of justice. Its purpose is to prohibit the intimidation of witnesses in administrative investigations.

The need for this legislation stems from the language of the existing obstruction of justice statutes (18 U.S.C. 1503 and 1505) which prohibit the intimidation of witnesses in matters pending before a court or an administrative agency. Section 1503 prohibits the intimidation of any witness in any court proceeding. Section 1505 prohibits the intimidation of any witness in any proceeding pending before any department or agency.

Section 1503 has been construed in United States v. Scoratow, 137 F. Supp. 620 as not applying to the intimidation of a witness in an investigation by the Federal Bureau of Investigation until a complaint is pending in a Federal court. As so construed, the section leaves a gap in the law which permits the intimidation of witnesses in preliminary investigation. This withholds sanctions against persons who may by their actions forestall the commencement of criminal proceedings in the Federal courts. The gap was recognized in the 85th Congress and remedial legislation was recommended by the Senate Subcommittee on Improvements in the Federal Criminal Code.

You will, of course, understand that in very many cases investigations are conducted in order to ascertain whether a complaint should be filed or a matter referred to a grand jury. If this preliminary investigation is frustrated by the intimidation of witnesses, the investigation may be brought to a halt before evidence sufficient to warrant the filing of a complaint or the referral of the evidence to a grand jury has been ascertained. Intimidation at this point therefore is more effective than it would be at a later point when there may be other evidence upon which to proceed.

Some examples of this intimidation are as follows. In the Scoratow case, the defendant threatened to kill a Mr. and Mrs. Friedman

if Friedman gave any information to the F.B.I. Friedman was being interrogated by the F.B.I. in an investigation of a possible false statement to the FHA involving a nephew of Scoratow. The court held that such intimidation was not within the purview of existing obstruction of justice statutes and dismissed an indictment against Scoratow.

Another case such as this involved a man named Lloyd Scuttles. Scuttles had been interviewed in connection with a stolen automobile. When the man who sold Scuttles the automobile got out of prison, he threatened to kill Scuttles because he believed that Scuttles had given the F.B.I. information leading to his conviction. Scuttles was never a witness at the trial of the man who threatened him. Therefore the case was not within the purview of the obstruction of justice statute.

In still another case, a man who had been interviewed by F.B.I. agents in a White Slave case was accosted by another man who displayed a knife and threatened to kill our witness if he gave any information to the F.B.I., or the police. Again, since the man threatened was not a witness in a proceeding, no action could be taken against the threatener.

These are some of the cases we know about. We don't know, of course, the number of cases where the intimidation has been wholly effective.

We are asking for an expansion of the obstruction statutes to cover this situation. It is particularly necessary in view of the other bills I am discussing today.

If those bills are enacted the Department of Justice is going to be involved in large scale combat with the forces which use interstate commerce to conduct their criminal activities. The persons who make up this element are tough and ruthless. They also are shrewd enough to be aware of the need of secrecy in the conduct of their activities. They know the dangers to which they will be subjected if witnesses talk freely to our investigators. Therefore, we expect attempts will be made to mislead us through intimidation of witnesses by threats or by violence.

I am sure that the gap of which I spoke previously is known to the leaders of organized crime. They are made well aware of the laws' limitations and the opportunities for forestalling investigations. This loophole permits the use of threats and violence in the first stages of an investigation thus preventing the development of a case.

Our opponents are ruthless, vicious and resourceful. I cannot stress this too much. They will use every weapon at their command to prevent our discovery of incriminating information. The present state of the law is an open invitation to them to cripple our efforts

and prevent our inquiries at the very point where witnesses need protection the most. The need for this bill seems to me to be self-evident.

The next bills are H. R. 468 and H. R. 3023 to amend the Fugitive Felon Act. They are identical. This amendment was introduced in the 86th Congress at the behest of my predecessor as H. R. 11897. It passed the House on August 23, 1960 but no action was taken on it in the Senate. It was again introduced at the beginning of this session of the Congress at Mr. Roger's recommendation. I endorse this proposal and urge its enactment.

The purpose of this proposal is to expand the coverage of the Fugitive Felon Act (18 USC 1073) which now makes it a federal offense to flee a state jurisdiction in order to avoid prosecution or confinement for certain crimes of violence. These crimes include murder, kidnapping, burglary, robbery, mayhem, rape, assault with a dangerous weapon, arson punishable as a felony, extortion accompanied by threats of violence or attempts to commit those offenses.

Although the law only applies to fugitives, who have committed these crimes, this section has been extremely useful in strengthening local law enforcement. It has enabled the F. B. I. to arrest fugitives fleeing a state jurisdiction and turn them over to the state in which

they are arrested to await extradition by the demanding state. In 1960, the F.B.I. apprehended 1,361 fugitives under the provisions of this law. Only two were tried in Federal Courts. The rest were turned over to local authorities.

We can understand the limited scope of the section if we go back to the time of its enactment in 1934. Local law enforcement officials were troubled then, as they are today, with the ease with which fugitives could escape their jurisdiction by crossing a state line. The local officials could not follow, find, and return the criminals. It became apparent that the Federal Government had to assist those officials by apprehending fugitives in other jurisdictions and returning them for prosecution.

The nature of the publicized crime of that era was, however, different than it is today. At that time, the Congress and the public were greatly disturbed by widespread crimes of violence. Names like Capone, Dutch Schultz, Mad-dog Coll, Dillinger and Karpis were on the front pages of the newspapers of the country.

Today, as in 1934, the major responsibility for the combatting crime and the prosecution of offenders rests with the states. Today, however, the face of organized crime has changed. While there still are crimes of violence, the modern criminal has become somewhat more sophisticated in the planning and perpetration of his

activities in gambling, prostitution, narcotics, bribery, fraud and larceny. He has moved into legitimate businesses and labor unions where he embezzles the funds and loots the treasury. He has much more rapid means of escape from the jurisdiction of the local law enforcement. Unless his offenses also are federal offenses, the Federal Government may not through the means of this section enhance the power of the state officials to apprehend racketeers and hoodlums.

If the Fugitive Felon Act is expanded, as proposed by this bill, the F. B. I. will be able to put into operation the first of the necessary steps leading to the return to the proper jurisdiction of any person who has committed a crime punishable by death or imprisonment for more than one year. In such an expanded scope, we in the Federal Government can be of the greatest aid and assistance to the states.

Another area of gambling which needs attention, if we are to make a coordinated and successful attack on organized crime, is the easy interstate transportation of wagering paraphernalia. This was highlighted by the report of the Texas Commission mentioned in my earlier testimony. That problem is the subject of H. R. 6571.

Federal laws, designed to suppress the lottery traffic in interstate and foreign commerce, have been on the books since 1895. 28 Stat. 963, Act of March 2, 1895, c. 191. The present statutes

are found at 18 U.S.C. Sections 1301 to 1305. In summary, these statutes make illegal the transportation in interstate or foreign commerce of "any paper, certificate, or instrument purporting to be or to represent a ticket, chance, share or interest in or dependent upon the event of a lottery . . ." 18 U.S.C. 1301.

From the very beginning the courts narrowly have limited the scope of these statutes. In 1897, the Supreme Court held that the statutory proscription against interstate transportation of lottery paraphernalia applied only to writings, instruments, or tickets representing chances on an existing lottery and not an already completed one. France v. United States, 164 U.S. 676 (1897). The 1903 decision in Francis v. United States, 188 U.S. 375 (1903), further limited the scope of the statute by holding that a duplicate slip, retained by the agent of a numbers lottery to indicate the number played, is not a paper "purporting to be or to represent a chance, share or interest in a lottery." I have previously told you of the shipment of the plates for printing numbers tickets. That shipment will violate this section whereas the travel to deliver the plates will also violate our travel proposal.

Finally, it has been held that the use of the mails in advertising and conducting a bookmaking business does not violate the present statutes because the selection of winners may require some skill or

knowledge rather than mere chance. United States v. Rich, 90 F. Supp. 624 (E.D. Ill. 1950).

Since the classic definition of a lottery is the payment of consideration for a prize to be awarded by chance, this interpretation excludes sports betting slips from the existing statutory prohibition against interstate transportation.

The proposed statute is designed to close the most important loopholes resulting from the above decisions. This measure would make it a felony to send, or knowingly carry in interstate or foreign commerce, any wagering paraphernalia or device used, adapted, or designed for use in bookmaking, wagering pools with respect to a sporting event, or numbers, policy, bolita or similar games. This language makes clear its applicability to slips, papers or paraphernalia which may be used in a lottery scheme not yet in existence or already completed. It also specifically prohibits the interstate transportation of slips recording the amounts and numbers bet in a numbers lottery and betting slips and other materials of a bookmaking operation.

In addition to the example I have previously cited there is considerable evidence that the operators of certain types of lotteries -- which are undeniably interstate in character -- have adopted various ways to avoid violating the narrow prohibitions of existing law. For example, lottery tickets may be printed in blank at a central point in

one state, then transported to other states where the so-called playing numbers are overprinted. Without these numbers the blanks are not within the statutory definition of lottery tickets and their interstate transportation is not prohibited. Under the proposed measure, the blank tickets would be prohibited from interstate shipment as paper designed for use in a numbers or similar game.

The so-called numbers lottery, or one of its infinite variations, operates in virtually every major metropolitan area. Particularly where such a metropolitan area covers parts of several states, it is not unusual that the numbers sellers in one state turn over their play to runners who report at a numbers bank in another state. The interstate carrying of slips or writings, indicating the amounts of bets and the numbers played, is essential to this type of operation. The proposed statute would prohibit the interstate carrying of such numbers slips.

The fear of a raid by Federal or local police has turned the attention of the numbers operators and the bookmakers to the problem of quick disposition of the records used in the conduct of the business. This would include the papers used to record the bets or the numbers played by the individual bettor. The operators are making our task more difficult through the use of flash paper for the quick disposition of the records. This paper is highly inflammable and will burst into

flame if a cigarette is placed on it. In less time than it will take a law enforcement officer to cross the room, a bookmaker can turn his records into a pile of ashes of no use as evidence against him.

We wish to curtail the interstate transportation of this type of equipment. If we do so, the bookmaker and numbers operator is going to find another specialized type of equipment to frustrate our efforts. We thus are asking for this bill to curtail the interstate shipment of paraphernalia that is used, intended or designed for use in their activities. With this broad prohibition we hope to be able to keep step with the criminal element as it tries a different approach to the problem.

The last bill I will comment upon is H. R. 3021, which would amend chapter 95 of title 18, United States Code, to permit the compelling of testimony under certain conditions and the granting of immunity from prosecution in connection therewith. This proposal was first submitted to the Congress on May 25, 1959, by my predecessor. The bill was introduced as H. R. 7392 but did not pass. It was resubmitted to the Congress on January 18, 1961. In our examination of the program submitted by the previous administration, we found that the bill will perform a necessary function and I recommend its enactment.

The experience of the Department has shown that there are difficulties in obtaining proof of violation of the Taft-Hartley Act and the Hobbs Act because certain portions of those Acts overlap. For example,

an employer may have been the victim of labor extortion which is prohibited by the Hobbs Act. However, because he has made payments to the labor racketeer he may fear that the payments will be construed by prosecutive agencies or a grand jury as a payment to the labor leader in violation of the Taft-Hartley Act. Thus, the employer understandably is reluctant to testify about transactions that are not clear cut violations of the Hobbs Act. In this gray area of activity our difficulties in obtaining proof are substantial.

This proposal will permit us to call the businessmen before the grand jury, compel him to testify as to the transactions. If he first refuses to answer the questions on the basis of his Constitutional privilege, he could be given immunity against prosecution for any matter, thing or transaction about which his testimony is compelled.

We will then be able to obtain the evidence we need against the person who is most culpable in the matter while relieving the fears of the person who has been wronged.

In addition in Hobbs Act violations, we very often run into a situation where a person is a conduit for funds from an employer to a labor racketeer. The conduit, while not the most culpable person involved, is nevertheless able to and under the present law justified in refusing to answer any questions about the transaction on the basis of his Constitutional privilege. If the present bill is enacted we will be

able to require testimony from the least culpable of the conspirators and obtain the proof we need for conviction of the real offenders.

In summary this bill will enable the Department to prosecute with more effectiveness the persons engaged in labor racketeering which is tied into the rest of organized crime and has become such a blight upon the business community.

Mr. Chairman, in conclusion, I would like to read into the record, the comments of Mr. J. Edgar Hoover, director of the F. B. I., about the bills, I have discussed. Mr. Hoover's statement is as follows:

"Your legislative program as to interstate crime currently pending in Congress should receive the wholehearted endorsement of law enforcement at Federal, state and local levels. As we are all aware, the growing seriousness of the nation's crime problem presents an increasing threat to the safety and welfare of the nation. Today its severe effects are felt directly or indirectly in every home in America. In terms of dollars and cents alone crime imposes a tremendous burden upon us all. Our annual cost of crime now totals 22 billion dollars -- the equivalent of \$128 for every man, woman and child in these United States.

"One of the most deeply entrenched segments of crime is represented in the underworld activities of racketeers and professional hoodlums. I refer to the vice barons, those engaged in illegal gambling,

commercialized prostitution and illicit liquor operations as well as the narcotics peddlers and the strong-arm racketeers whose lucrative illicit profits are derived from every stratum of our society. Many of these racketeers utilize interstate facilities and operate with impunity, if not in open defiance.

"The ranks of law enforcement are closing against the challenge of hoodlum lawlessness. As an example, on a day-to-day basis the FBI exchanges information with other law enforcement agencies at the local, state and Federal levels concerning the operations and activities of professional hoodlums. During the past six months the FBI has disseminated over 53,000 items of a criminal intelligence nature to other law enforcing authorities.

"In addition, the scientific facilities of our Laboratory and the fingerprint services of our Identification Division have been fully available to all agencies which are joined in the fight against crime. In return the FBI received invaluable assistance throughout the year from other members of the law enforcement profession in all parts of the nation.

"These important weapons, science and cooperation, are successfully meeting the hoodlum challenge of lawlessness every day in the areas where we are now empowered by law to use them. These can be made even more effective if the law enforcement profession is

given authority to bring these facilities to bear on those present voids in the law which allow organized crime and racketeering to operate on an interstate basis.

"This new and vitally needed legislation, which you have proposed, will strengthen the Federal Government's hand and will provide it with additional effective weapons in stamping out the evil of organized crime. If enacted into law, these legislative proposals would certainly enable the Government to proceed more effectively and vigorously against the well-entrenched interstate racketeers who are beyond the reach of local law enforcement."