



Department of Justice

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ADDRESS

BY

ATTORNEY GENERAL JOHN N. MITCHELL

BEFORE THE

UNITED STATES CHAMBER OF COMMERCE

WASHINGTON-HILTON HOTEL
WASHINGTON, D. C.

1. INTRODUCTION

It is with the greatest pleasure that I welcome the Chamber of Commerce of the United States to Washington. You represent 3700 affiliated organizations with a total membership of 33,000 firms, corporations and individuals.

I suppose that you are probably more representative of our pluralistic society than any single organization I can think of. Your members are from majority and minority, racial and religious groups. They range from the large corporate executive to the small independent merchant. They live in our densely populated cities and in our rural areas.

You represent a fundamental concept of our society--- that economic and social prosperity is based on private initiative and imagination.

Despite the enormous growth of our federal government, and the increasing growth of state governments, I still believe that the traditional common sense, imagination and social conscientiousness of our business community must be utilized if we are to solve our most pressing national problems.

OVER

2. THE PROBLEM OF ORGANIZED CRIME

The problem to which I address myself today is the problem of organized crime. As members of the Chamber of Commerce, I think you will understand, better than most, that organized crime is a business--- a large business.

Its income is perhaps as high as \$50 billion a year, which is more than four percent of our gross national product.

Its goods and services include illegal gambling and narcotics, small and medium-sized usurious loans, the disposal of stolen property, and the infiltration and control of legitimate business and labor unions.

Economically, it has proved to be a most formidable competitor. In depression or inflation, war or peace, civil strife or tranquillity, under Democrats or Republicans --- organized crime has survived and is flourishing.

Its business methods are simple. It aims at monopoly. Drawing from its sources of illegal income, the organized gangster always conspired to use physical brutality, or psychological coercion, or politican corruption, to achieve increased sales and profits.

To the average American and, I suppose, to the average

businessman, organized crime is barely visible.

When you read crime statistics you should remember that brutal muggings and robberies are committed by addicts supplied by organized crime. When you read of housebreakings, shoplifting and industrial thefts, you should realize that organized crime provides a major network for the disposal of stolen goods.

But, of course, organized crime's most dangerous aspect is its subversion of our free society by corrupting officials and insulating itself from the administration of justice.

In recognition of these factors, last week, President Nixon said "As a matter of ~~national~~ 'public policy,' I must warn our citizens that the threat of organized crime cannot be ignored or tolerated any longer."

3. THE FEDERAL GOVERNMENT EFFORT

We have taken aggressive action already. We have asked the Congress for an unprecedented \$61 million budget dedicated to federal efforts against organized crime.

It will be a sustained, well-planned and comprehensive program. As part of it, we have already established eight racketeering field offices and we plan to establish twelve more in major metropolitan areas.

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These offices will be staffed by Justice Department lawyers, FBI agents, and professional personnel from the Bureau of Customs, the Securities and Exchange Commission, the Internal Revenue Service, the Post Office Department, the Secret Service, and other federal agencies.

We hope that these "strike forces" will cast a complex net of federal and state law enforcement around an organized crime "family." It will catch family members in every violation possible---from failure to comply with the Labor-Management Reporting Act to drug peddling to selling unregistered securities.

By the constant application of massive manpower and a multiplicity of laws, we hope to so weaken the structure of an organized crime family that it will be unable to function in any efficient manner.

We are planning separate attacks on narcotics and gambling. We are studying the application of the antitrust laws to organized crime's infiltration of legitimate businesses.

We are asking for a \$300 million appropriation for the Law Enforcement Assistance Administration, which supplies federal funding to state and local anti-crime programs. We hope that a substantial proportion of these funds will be used by state and local law enforcement agencies to attack organized crime.

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4. THE BUSINESS EFFORT.

This is a partial outline of what your federal government is doing, and I think it is fair for you, as concerned citizens to ask what the businessman can do to help.

As a prominent member of your local community, you can exert your political power to support budgetary increases for local and state law enforcement plans aimed at organized crime.

You can actively support ~~pub~~ public officials dedicated to fighting organized crime. You can oppose politicians who are apathetic. You can support efforts to pass state and local legislation designed to combat organized crime, and to establish special state and local anti-racketeering units.

In your private business dealings, you can be ever watchful not to have commercial transactions with organized gangster even though these transactions may be profitable.

You can inform local officials that you will move your business operations from --- or you will not establish new business operations in ---a community which tolerates an organized crime syndicate.

5. DIRECT COMPETITION BY BUSINESS

These are some of the methods a businessman may use to

oppose organized racketeering. But, as I said previously, organized crime is a business and, like any business, it can be substantially diminished by effective competition. This competition can take a number of forms. Primarily the businessman can compete directly for some of the customers and for manpower involved in organized crime.

Let me offer you several examples.

One of organized crime's most lucrative businesses is small loan sharking of semi-skilled and skilled workers and usurious loans to the small and middle-sized businessman.

Usury is merely a problem of the money market.

When a stevedore or bricklayer desperately needs money to pay a debt, frequently, he has no apparent choice but to approach the organized gangster because, in many instances, he does not think he can obtain credit from a legitimate source---such as a bank or savings and loan or other financial institution.

There are a number of reasons why many persons do not obtain their loans from established financial institutions.

The most obvious, I suppose, is that a substantial proportion of those semi-skilled workers and small businessmen who deal with organized crime, are bad credit risks.

In addition, we know that in today's money market, banks

are hard pressed to find ready cash for their established customers.

Furthermore, it may very well be that established financial institutions frequently seem cold and distant places to an uneducated person; and these persons may conclude, probably incorrectly, that there is no point in even asking.

Whatever the reasons why our financial institutions are not competing with organized crime for loans, I suggest we can overcome it.

I suggest that financial institutions make an effort to pass the word in their communities that they will give special attention to persons who say that their only alternative for borrowing is organized crime.

If the borrower appears to be a bad credit risk, I suggest that the financial institution reevaluate his request and even be prepared to absorb a minimal loss and the higher debt servicing charges that normally are involved.

I am a realist. I am not proposing that any single institution pledge any substantial amount of its stockholders' assets on poor credit applications.

What I am proposing is that competition may be the best way to defeat the usurious loan business managed by organized crime, if the American businessman is prepared to accept some minimal risk in the process---a risk that, if the loan defaults completely, is tax deductible.

If a bricklayer or a stevedore or a small merchant can manage to pay 20 percent per week to a loan shark--which is the standard rate--certainly a method can be found for him to pay 8 or 10 percent a year to a financial institution. This is the type of financial ingenuity which has made the American businessman the keystone of our prosperity.

Another method of competing against organized crime in the money market is the employee and labor organization credit unions.

It may be advisable for employers to suggest to their credit unions and for labor organizations executives to advise their credit unions that a small percentage of the funds be reserved for those employees or members who may have no other recourse than the organized gangster.

While the financial resources of credit unions are substantially less than those of commercial financial institutions, the credit union may be more readily accessible to the average worker. It may also be that the credit union employees themselves, because of their familiarity with the situation, could be helpful in negotiating credit for persons who might be forced to borrow from illegal sources.

What I have briefly outlined above are some random thoughts on how the businessman may compete directly with the organized criminal syndicate in the money market. There are other areas of possible competition.

For example, many of organized crime's street workers come from the ranks of former convicts. They serve as numbers runners, gambling slip messengers, middle-men for stolen goods and carriers of narcotics.

They go back to organized crime from our prisons because, as you know, most of our prisons have little or no effective rehabilitation policies. For the uneducated and unskilled

convict, a return to crime is almost a foregone conclusion.

Perhaps, the American businessman should make a special effort to compete for this labor pool by offering---as some corporations do now---to employ released offenders if they are skilled, to train the unskilled offenders, and to cooperate with penal institutions in work release programs.

Any special effort by the business community to rehabilitate prisoners would have a beneficial effect on the whole crime picture. Forty percent of our released prisoners are eventually convicted and imprisoned again. If we can make substantial progress in prison rehabilitation, we will have made substantial progress in decreasing the entire crime rate.

Another prospective manpower pool for organized crime and street crime is the juvenile population. In the ghettos, especially, dope, gambling and petty crime may appear to be a way to escape from slum life. Here again, the businessman may be able to offer plant training programs to give unskilled juveniles a better alternative than numbers running and selling marihuana.

In the area of rehabilitation and training of convicts

and juveniles, I should like to urge the business community to join other efforts which are being made by the private sector to combat crime.

As you may know, we have been working for the past several months on establishing a united anti-crime organization which would solicit volunteer manpower, money and other resources from the private sector to engage in anti-crime programs.

This group will have representation from the business community, from social service agencies, bar associations and other professional groups.

It is our hope that the American businessman, with his enormous technical resources, imagination and money will make an exciting and effective partner through this private organization, with the state and local governments in their efforts to decrease crime.

Not only will the private sector be working with government to decrease crime among juveniles and released convicts, but it will also aid in court reform, in prison reform and in law enforcement functions.

6 UNFAIR COMPETITION.

I should like to conclude this address by telling you about a new concept of competition to combat organized crime.

One of the most promising proposals we are now considering is a concept that we utilize the prohibitions against unfair competition and conspiracies in restraint of trade to attack the property of the organized racketeer.

When organized crime infiltrates a legitimate business its whole method of operation counters our theories of free competition. It may use funds from illegal gambling conspiracies to purchase these businesses. Then, it conspires to corrupt officials and intimidate competitors and customers in order to obtain high profits. We are considering some of the tools available under antitrust theories---treble damage actions, injunctions with their powers of contempt, heavy fines, divestiture and physical seizure of the property.

Frequently, the front man for a legitimate business owned by organized crime is an unimportant member of the syndicate. If we convict him, another front man will take his place.

Even when we convict prominent members of organized crime syndicates, they can be replaced temporarily. When they finish what may be a short prison term, they return to control their business enterprises.

However, if we can levy treble damages against their trucking firms, if we can seize their restaurants, if we can fine their real estate operations, we can strike a critical blow at organized crime's business operations.

In this area too the American businessman can help us. In order to prove unfair competition, we need to find the competitor and customer who is victimized by the gangster-owned business. This businessman must be willing to cooperate with us, to help us gather documentary evidence and to be willing to testify at a trial.

One major source of this type of cooperation could be local trade associations allied with the Chamber of Commerce. They and their members are in the best position to know when an organized gangster has moved into a legitimate enterprise within their industry and what illegal tactics he is using to defeat his competitors.

I could, if I had the time, list other alternatives for you in the battle against organized crime. But most of them come down to one single concept: free competition. Organized crime cannot, in many of its operations, withstand the pressure of the marketplace and it is up to you and to us to apply that pressure until its illegal activities cease.

The facilities of the Department of Justice are being organized to assist Chambers of Commerce, trade associations and other organizations in their efforts directed toward the prevention and control of crime.

As evidence of this we have provided for your Panel discussion today, Mr. Charles Rogovin, Administrator of LEAA, Mr. Martin Danziger, Chief of the Organized Crime Programs Division of LEAA and Mr. Henry Petersen, Chief of the Crime and Racketeering Section of the Criminal Division of the Department. They are talented experts in their field and I am sure they will contribute substantially to your program.