

It is of significance that New York City and Chicago were the two jurisdictions concerned, and that 4 years later the States of New York and Illinois have new legislation to deal with usury.

If I can just refer to this chart—these were the nine jurisdictions which discussed organized crime: Boston, Mass.; Buffalo; Chicago; the State of Connecticut; Detroit, Mich.; the State of Florida; New Jersey; New York; and Rhode Island. Just the two that were mentioned listed loan sharking as a problem that they were aware of in the area of organized crime. You will also note that gambling was universally mentioned by all of them; they all recognized that. Some had a narcotics problem, others not. Some had a problem with prostitution or other categories. But only these two—and I do believe it was this early awareness which has led to the fact that these two States have since that time treated with the subject through legislation.

For the most part—

The CHAIRMAN. When you speak of gambling, you are talking about gambling that is illegal. For example, in Florida and of course New York, there is horse racing, and things of that character—which are legal gambling.

Mr. SALERNO. Yes, sir. These were listed by the police authorities as illegal activities, which they considered problems in their jurisdiction.

At that time—I recall those of us participating with the Senate committee—raised the same question which must be in the minds of this committee. "Is loan sharking a Federal problem in the sense of affecting the interests of the entire Nation, or is it primarily a problem of a few of the larger industrial States of the East and Midwest?"

My opinion is it is a Federal problem in this sense.

A poll of these nine jurisdictions referred to would indicate that the police in every area would agree that loan sharking is now a recognized major criminal activity. It will be found by the educated eye of the trained observer in any part of the country that is enjoying economic growth through spirited business competition. The criminal intelligence analyst now recognizes that when the business pages of our daily newspapers reflect an increase in the interest rate or any other set of circumstances that will bring about a "tight money market," that the loan shark market will widen, there will be additional customers, and that the usurious interest rate may very well rise too.

It is a simple fact that the loan shark's customer is a person or businessman who cannot meet his needs by using the services of a regular lending institution, and this for various reasons.

During the course of these hearings this committee will hear from a number of experts. And yet the ultimate experts are the loan sharks themselves. There is growing evidence that many people who have engaged in illegal gambling operations for many years have lately made the evaluation that loan sharking is much more lucrative, particularly when measuring the gain to be realized as against the risk involved in possible apprehension, conviction and penalty.

In many parts of the country we witness a withdrawal from some gambling operations by principals who would prefer to place their funds, their time and their interest into the profits which are to be made from usury, and all of these profits tax-free.

I would like to give you an indication of why this is so, Senator, by using this chart here.