APPENDIXES

APPENDIX I

STATEMENT OF HON. WAYNE MORSE, A U.S. SENATOR FROM THE STATE OF OREGON

These hearings by the Small Business Committee are welcome. Increases in all types of crime over the last decade are affecting businessmen as well as individuals to an extent that cannot be ignored. I would thus like to commend the Senator from Florida (Mr. Smathers) for his leadership in this field, which also includes hearings on the subject of crime and the small businessman in April 1967; his introduction of a bill to provide effective insurance for small companies in high crime areas; and his eloquent testimony in support of this legislation before the Senate Committee on Banking and Currency in August of last year. This activity is a reflection of the consistent interest which our Chairman has shown in this field since he was Assistant U.S. Attorney in his home state of Florida.

The first assignment which brought me to Washington some thirty years ago was the direction from the Attorney General of the U.S. to perform a comprehensive study of prison and criminal procedures. At that time, state standards and procedures in this area were highly diverse and uncoordinated, resulting in considerable confusion and injustice.

I believe that a parallel exists with today's state of the law and the state of governmental response to the problem of loan sharking and organized crime.

It is my understanding that loan shark interest rates ranging from 5% a week (250% a year) to 1,000% a year are not uncommon. With the borrowers under tremendous pressure, a significant number have turned to crime to try to pay off these usurious loans, while others have fallen under criminal influence requiring them to buy or rent equipment from the lenders, and others have been taken over completely, with the result that the entire income of these businesses is then channeled directly into underworld activities.

Investigations in New York, of which we are aware, have revealed that loan sharks have taken over businesses such as optical stores, nightclubs, brick companies, and even one bank, which failed because of improper loans to persons connected with organized crime.

Members of the Committee have seen that in the short space of five years, loan sharking has become a major criminal activity in nearly every state, and therefore an increasing danger to legitimate small businessmen in every part of the country.

However, there seems to be a gap in the response of federal, state and local governments across the country to these insidious activities. At the present time, there is no federal statute making loan sharking illegal, and there would appear to be no authority capable of coordinating diverse state activities and legislation in this field.

We have heard estimates that the income of organized crime in this country may exceed $20 billion a year, or 2% of the entire Gross National Product. In contrast, the Department of Justice spends less than $15 million to combat this evil and, as far as I know, there is no clear picture of what states and cities may be spending and whether they are all pulling in the same or opposite directions.

It is my hope that these hearings of our Committee can make a contribution to the protection of small businessmen from loan sharking and organized crime in the following ways:

1. Exploring whether a federal statute on loan sharking would be desirable;
2. Recommending ways in which state programs could be encouraged and coordinated with each other and with federal and city programs;
3. Strengthening the Small Business Administration as a source of loans for legitimate businesses with financial difficulties; and
4. Changing the balance of monetary and fiscal policies to relieve the "tight money" squeeze on the nation's small business community.

It seems to me elementary that the federal effort in the fields of loan sharking and associated crimes should be developed to the point where the federal government is at least as organized as the criminals.