

Organized crime has also entered various phases of the insurance industry. A Chicago insurance broker who became associated with important underworld figures and wrote insurance for them and at their direction was ruined. Fraudulent insurance claims were made and when the crimes were detected an effort was made to execute the insurance broker by having a bomb attached to the ignition in his car.

The infiltration of organized crime into legitimate business is very wide spread. And almost every type of business has at one time or another felt the insidious effects of organized crime. It creates a problem that is extremely costly to our economy and presents a threat to the welfare of the public.

Certainly there should be full agreement with the observation made in the report of the President's Commission on Law Enforcement and Administration of Justice that "Law enforcement's way of fighting organized crime has been primitive compared to organized crime's way of operating. Law enforcement must use methods at least as efficient as organized crime's. The public and law enforcement must make a full-scale commitment to destroy the power of organized crime groups."

APPENDIX III

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THE LOAN-SHARK RACKET

Loan-sharking—the lending of money at usurious rates—is a major underworld occupation, so lucrative that it ranks as the second largest source of revenue for organized crime. This multi-billion-dollar activity is financed largely from gambling proceeds and is a principal weapon by which organized crime batters down the doors of legitimate businesses. So lethal is this weapon that one can say, without qualification, that accepting loan-shark financing is equivalent to cutting your *throat* later, rather than cutting your *losses* now.

Few businessmen would disagree. But this is one trap *no one* ever expects to fall into. Yet there are two basic situations which lead to businessmen finding themselves face to face with loan-shark collectors. Most common are the variety of improvident actions which lead an employee to turn to a loan-shark as his "only way" to bail out of a financial dead-end. Sometimes the employee doesn't even know that he has fallen into this trap. He may think he's taken an emergency loan from a "friend of a friend." Or he may be unaware that his gambling debt has been turned over or discounted by the creditor bookie.

The infinitely more dangerous breach may involve the business itself. Not all trusted executives are immune to the sickness of compulsive gambling or of other indiscretions which can be financially costly. There have also been instances where the principal of a business who has exhausted the legitimate sources of credit faces an emergency and, confident of the ability to turn around given "a little time," reluctantly turns to a lender who is all too eager to provide the funds.

Any one of these "openings" may prove useful to the mob, by providing access to records or a warehouse, or even direct power over the corporation itself.

What makes matters worse, as far as the businessman is concerned, is that loan-sharks take particular joy in finding corporate "accounts." As one crime study pointed out, "Loan sharks have constantly used corporate borrowers as a cover, or concealing device. Typical was the instance in which a loan shark took his vigorish (interest payments) in the form of a salary check from an automobile dealer whom he had loaned money. The hoodlum appeared on the corporate books as an outside salesman."

Company accounts are even more attractive in those states whose usury statutes do not apply to corporate borrowers. For example, at the time when New York's usury statutes did not so apply, loan sharks catering to company borrowers were brazenly setting up operations under such covers as First National Service Discount Corp.

Business owners and employees (white- and blue-collar) can be subjected to a variety of demands by loan sharks, who are determined to collect one way or another:

A Wall Street stock clerk is coerced into a plot to peddle stolen securities.

A trucker is forced to ship stolen property.

A \$20,000-a-year V.P. embezzles \$200,000 to pay off a loan shark from whom he borrowed in order to gamble.