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The Illusion of Success: A Case Study in the Infiltration of Legitimate Business

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OFTEN, in the daily routine of policing we address crime as independent criminal acts, not part of an overall cultural, social, political, or economical pattern. Indeed, our view of crime is one of disparate acts committed by individuals, occurring independent of external forces and perceived as a "perversion" of "the system." Noble and well-intentioned "wars" are mounted, only to be followed by "band-aid surgery" that has little lasting impact. Continuity of criminal network is virtually assured, and new faces appear to be followed by a number of new indictments. Crime is a continuing reality, and organized crime remains an integral part of the American landscape. If we are to effectively control it, we must understand its relationship with other societal institutions. Recognizing organized crime as a continuing criminal enterprise which acquires its strength and nourishment from the very institutions it seeks to subvert allows us to transcend conventional police wisdom and capture the unique nuances of this form of criminality. While it is most convenient to explain away our inability to eliminate organized crime to such things as public apathy, a lack of logistical resources, faulty legal remedies, or an over-protective criminal justice system, this list of never-ending excuses fails to adequately account for the systemic nature of organized crime.¹ This case study seeks to accomplish just that.

Anatomy of a Scam

The relationship of legitimate business to organized crime is one of reciprocity—the businessman benefits from the "edge" provided by the organized crime member, and organized crime acquires an outlet for its illegal monies.² Thus, the relationship is symbiotic; both feeding upon one another for subsistence and survival. However, this need not always be the case.

In some instances, we find organized crime providing no residual benefits to the businessman, merely bleeding the corporation for all it is worth. This is a classic example of the parasitic nature of organized crime. The "scam" described in this study, is a combination of these two classic models. It provides the investor with the "illusion of success," while simultaneously extracting unconscionable profits from the business and ultimately undermining the social fabric of the community. It is a classic example of the exploitative criminal monopoly.³

The "scam" takes place in a lower socioeconomic community in Baileysville, New Jersey.⁴ Comprised of a 45 percent black population with a per-capita income of \$5,498, Baileysville is a traditional northeastern city, the victim of industrial decline and a migration of middle-class whites to the suburbs. As in most lower socioeconomic communities the "bar," "nightclub," or cocktail lounge serves as the center of social activity. The city has two dominant traditional organized crime families operating within its borders, one of which is involved in the black community. To understand how this "scam" functions, it is necessary to explain the dynamics of "pyramid schemes."

The "pyramid scheme" has its origin in 1919, in Boston, Massachusetts.⁵ A confidence man by the name of Charles Ponzi initiated a financial scheme in which he solicited money from investors, which he invested in legitimate business ventures. However, he kept part of these monies to repay the investors at return rates exceeding what he originally promised. This created a false sense of success among the investors, who were willing to provide Ponzi with more money. Ultimately, the return to the investors was reduced and the fraud revealed.

The pyramid scheme is virtually identical to the "Ponzi," except that the investors are required to seek out other "investors." The system is relatively straightforward and, on the surface, appears legitimate. For a fixed sum of money, a person buys into a company, sells the product(s) the company offers, and solicits others to invest. The investors are charged a fee, which they are assured they will recoup

¹Merton, Robert, *Social Theory and Social Structure*. New York: The Free Press, 1968, pp. 128-136.

²Bers, Melvin K. *The Penetration of Legitimate Business by Organized Crime*. Washington: U. S. Department of Justice, 1970.

³D'Inlino, Justin J. and Frederick T. Martens, *Police Intelligence in Crime Control*. Illinois: Charles C. Thomas, 1983, pp. 33-57.

⁴The author has used a fictitious name in order to maintain confidentiality.

⁵Maxa, Rudy, *Dare To Be Great*. New York: William Morrow and Comp., 1977, pp. 51-57.

THE FUTURE JAIL

one jail was found in noncompliance with critical standards.⁶

The Lubricant: State Financial Support

Recognizing that counties have the primary responsibility for safe and humane jails, but not necessarily the finances, the State Association of Counties insisted that both State and counties share the costs. That meant State funds to help meet new State standards, and county willingness to pick up additional operating costs for jails. The State Legislature accepted this *quid pro quo*.

Jail Construction Program/Design Criteria

Like the mark put upon Cain for his sin, the Washington Legislature accepted the penalty for its sins of past neglect of the State's jails. Two hundred fifty million dollars has been allocated under the State's bonding authority for a major, "once-in-a-lifetime" construction and renovation program. State financing smoothed the way for early county acceptance of the new custodial care standards.

The construction program has been effective in meeting critical jail needs. Of 37 earmarked facilities, 7 have already been completed, 22 are under construction, and 8 are in various planning stages. The Jail Commission drafted and modified standardized jail design criteria to insure a safe and constitutional environment for inmates and a good work environment for jail staff. The design criteria also tried to minimize both construction and staffing costs.

Sixty percent of all new cells will be single occupancy providing 72 square feet per inmate. The remaining 40 percent of new cell space will be dormitories providing 60 square feet per prisoner. (New facilities with a capacity of less than 25 inmates can design 100 percent single cells.) All inmates would have access to separate dayrooms. Program spaces include counseling and interview rooms, multipurpose rooms, classrooms, and indoor and outdoor exercise spaces. Nearly all new jails being built will offer

⁶Annual Report, 1982, Washington State Jail Commission. For additional information on Washington contact Robert Cote, Executive Secretary, Corrections Standards Board, Olympia, Washington, 98504 (Tel. (206) 753-5790).

⁷The Sentencing Reform Act of 1981 (Chapter 9.94A RCW). The Act created the Sentencing Guidelines Commission, instructing the Commission to develop recommended sentencing standards for adult felons. After July, 1984, trial court judges will sentence adult felony offenders within standard sentence ranges unless special circumstances exist. The 1983 Legislature will approve or modify the Commission's recommendations. A summary of the Commission's work is presented in *Sentencing Guidelines Commission: Report to the Legislature*, January 1983. The Commission concluded that its recommendations are within correctional system capacity.

prisoners work release opportunities, and larger facilities will offer space for a jail library.

Sentencing Guidelines

Washington has not been immune to the national trends shaping sentencing practices, namely the trends toward determinant sentencing and sentencing guidelines. These trends have a significant long-term impact on use of local jails. Legislation was recently passed encompassing determinant sentencing and a sentencing grid along the lines of the Minnesota model (i.e., the guidelines took into account the fixed capacities of jails and prisons).⁷ Mandatory sentences for certain felonies will tend to increase jail populations, and maybe even lead to requests for double bunking in some jails. The sentencing guidelines should tend to not only make sentencing practices more uniform, but to reduce unnecessary jailing for minor offenses. The sentenced felony population should tend to rise, and the pretrial misdemeanor population should continue to drop. The pressure for sophisticated pretrial services and alternative sentences should also accelerate.

Summary

Washington presents an interesting case history and some useful procedures for a statewide approach to jail reform. Not every state may be ready for such an approach, but together with the basic principles discussed and a more proactive role for local judges, every county and every state can tailor a specific reform model for its jails. In the alternative, officials can wait for the wave of court suits to engulf them and to develop constitutional jails reluctantly and under outside pressures.

Jails have for too long been relatively closed institutions in many states. Closed institutions tend to fall into practices not necessarily constitutional. Rather than a grand jury investigation or a legislative inquiry every 5 years, state and local legislators, county officials, judges, bar associations, and other community groups would do well to monitor jail conditions on a regular basis, and to press for comprehensive reform.

Independent audits and technical assistance can be secured from such organizations as the National Sheriffs' Association and the Jails Division of the National Institution of Corrections. There already exists a wide array of publications, standards, professional training, technical assistance, and model jail sites to help resolve local jail problems. It behoves every state and local official to use these resources to the maximum.

when they attract other investors into the business. They in turn make similar promises to other investors, until the number of investors begins to decline, ultimately resulting in the collapse of the pyramid. The promoter ensures that he acquires a partial sum of the monies of all future investors, who usually are unaware of the identity of the promoter of this "scam." The term "pyramid" is derived from the manner in which the scam occurs. The promoter is at the top and the investors are spatially below, building the base. As the number of investors grows, so does the base, as do the profits to the promoter. It is able to sustain for an extended period of time because the investors are usually known to one another (who would defraud a friend?) and those who enter early are usually assured of recouping their initial investment (success is guaranteed in the early stages, which is the best public relations the scam could have). Perhaps the most publicized pyramid scheme was that of "dare to-be-great" promoter Glen Turner, although the crime annals are filled with hundreds of stories that illustrate the success of such schemes.⁸ Seldom are the promoters prosecuted since the "investors" are unlikely to report their victimization (they wish to avoid public embarrassment), or admit to their "unknowing" complicity in perpetuating the scheme, or do not wish to lose their investment until they find another "willing customer."

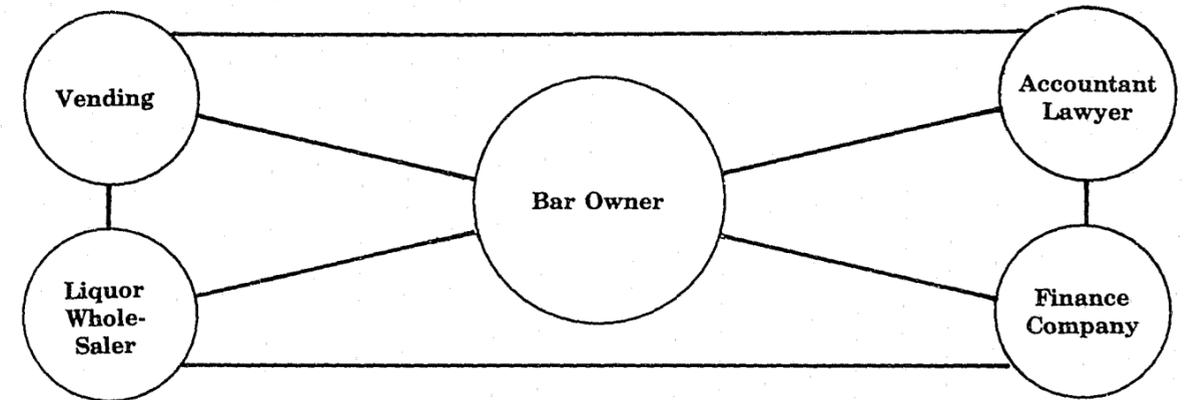
The "pyramid scheme" represents the classic white-collar crime fraud, in which the promoters are unknown to the investors, compounding the ability to successfully interdict the system. It survives on the anonymity of the promoter(s), and, at the time, thrives on the collegiality of the investors. Its strength is derived from the greed of the investors to exact an exorbitant profit from a minimal investment. As P. T.

⁸Wagner, Walter, *The Golden Fleecers*. New York: Doubleday, 1966, pp. 224-252; McClintick, David, *Stealing From the Rich*. New York: M. Evans and Company, 1977.

Barnum once said, "there is a sucker born every minute," and the pyramid scheme only serves to prove the accuracy of this statement.

The Baileysville, New Jersey, "scam" is a classic replica of the "pyramid" only in this case, cocktail lounges serve as the commodity. As was previously pointed out, the "bar" serves as the principal location for social interaction in this lower socioeconomic community. The locus of illegal activity, the "bar" is a conduit for the transfer of "hot goods," numbers, drugs, prostitution, and the other vice activities that traditionally characterize this environment. In many respects, the "bar" is the principal social institution in this lower socioeconomic community, second perhaps only to the church. Much like the "speakeasys" of the twenties, the "bar" serves to organize what was perceived as a disorganized community. It is where politics are discussed, "deals are cut," and money is made—the "poor person's" golf course, if you will. In essence the "bar" is the nexus between the so-called "underworld"—the rackets—and the "overworld"—legitimate society. That is, one develops a modicum of respect and social status in the community if he owns a "bar," for he is a "success"; he has made it toward becoming a private entrepreneur, a model of the capitalist dream; a Horatio Alger, "rags-to-riches" success story.

In our Baileysville example, you find four principal enterprises as part of this "scam." The finance company, traditionally an institution in the lower socioeconomic community; the vending industry, traditionally an outlet for organized crime to acquire and write off illegally obtained monies; the marginal lawyer and accountant who arranges the loans and maintains "the books," respectively; and the liquor wholesaler who is willing to lend the prospective bar owner the necessary capital to sustain the business for short periods of time. Graphically, this arrangement would look like this:



As depicted in the diagram, the various entities are associated with one another, and the "bar" serves as the "hub" of activity. All economic activity is directed toward this "bar owner," who ultimately is the "victim" of the scam. Of course, the term "victim" must be used very cautiously, for while he is ultimately the victim of this "scam," during the initial 12 to 18 months, he appears to be the benefactor of their "good will," a successful entrepreneur who has used the system to his benefit. The "illusion of success," as we have chosen to characterize this "scam," is sufficient to sustain him during the initial period of "building the business" and the "fear of failure" is enough to maintain the "code of silence" when it "crashes." Let us now examine exactly how the "scam" works, who are the benefactors, and what role law enforcement must play in interdicting this systematic form of crime.

The Finance Company

The finance company is the principal lending institution in the lower socioeconomic community. Because banks have traditionally avoided making risky investments, the finance company has served as a mechanism for high-interest loans in minority communities. Moreover, because of the risk associated with lending monies to a prospective "bar owner" (e.g., a license is required and can be terminated or suspended for regulatory infractions), the finance company serves as the only "legitimate" source of funding. In this particular case study, the finance company was the principal source of funding for a number of "bars" in Baileysville. Of significant interest was the fact that this company's origin can be traced to the "loanshark" rackets in a major urban center, and has continued to maintain an economic relationship with members of a major "organized crime family." This often served to enhance the ability of the corporation to collect monies owed, for the persons employed as "collectors" by this corporation were persons with violent criminal histories or who were associated with members of this "organized crime family." This proved quite advantageous to the "organized crime family," who maintained an interest in the vending industry of Baileysville.

The Vending Industry

An industry that had its origins in "the rackets," the demography of the vending industry has changed

significantly. A source of depreciating investment for "professionals," the vending industry now attracts a new clientele who have no relationship with organized crime.⁷ Nonetheless, there are residual corporations that remain a viable legitimate business opportunity for organized crime. In our particular case study, this corporation has definitive alliances with the "organized crime family" that is also associated with the finance company.

Similar to some aspects of the sanitation industry in which "property rights" prevail, the vending industry in this city also subscribes to a system of "property rights."⁸ When a business that maintains a vending machine is sold, the contract includes a clause defining the debt incurred by the previous owner (which is only a "paper debt"), thereby ensuring the continuation of the "property rights" (since the buyer must assume the outstanding debts of the seller as part of the sale price).

The Liquor Wholesaler

While not permissible under the regulations of Alcoholic Beverage Commission rules, it is not unusual to find a liquor wholesaler lending money to "bar owners" to acquire exclusive distribution rights. This is often the result of the bar owner not being able to pay his monthly statement. The wholesaler may extend the owner credit beyond the allowable timeframe, with the *quid pro quo* being the right to exclusive distributorship. At time of sale, of course, the liquor inventory is considered part of the outstanding debts, and must be paid by the buyer.

The Professionals

The scheme is dependent upon the use of a lawyer who is representing the interests of the seller, but also the buyer, and of course, the finance company. The lawyer usually has a marginal legal practice, thereby making such an unethical arrangement more desirable. The lawyer essentially negotiates the terms of the loan, establishes a corporation for the buyer (this is designed to limit the buyer's personal liability but more importantly, the lawyer's legal liabilities), and usually takes a 2 percent interest in the business as his legal fee. This "controlling interest" is extremely important to the continuation of this "scam," for if two persons are incorporated, each having a 49 percent (49%) share in the company, the 2 percent owned by the lawyer is sufficient to control the remaining 49 percent in the event there is a dispute among the partners.

As part of the contract, the lawyer permits the prospective buyer to examine the books of the "bar" and even recommends an accountant he can use. The

"books" naturally demonstrate a profit, which is a generally false representation of the true economic picture. This protects the lawyer at a later date, in the event there is a question raised as to the moral ethicality of the sale. This essentially establishes the participants in the scheme.

The Scam

The tavern owner is conveniently placed in financial difficulty and places his tavern for sale. The "bar," which is financed by the "target" finance corporation, employs a "collector" who is usually a close associate of organized crime. A prospective buyer is located by the "collector" and a purchase price is agreed upon. Usually, the buyer is advised that he can purchase the bar for as little as \$5,000 down and the assumption of all outstanding debts. The outstanding debts are held by the vending company, the liquor wholesaler, and of course, the finance corporation. He is verbally convinced that he will at the very least, regain his initial downpayment in the event he wishes to sell the tavern.

Relying upon the ignorance of the buyer, who is usually a person that has no business experience, the "collector" brings the "buyer" to the lawyer who also represents the seller. The lawyer "suggests" that the prospective buyer incorporate and drafts a sale contract. The contract allows the "buyer" to inspect the books of the seller, thereby ensuring that the "buyer" was aware of the financial condition of the business in the event fraud is later asserted. Of course, the buyer has no business knowledge and relies upon the advice of an accountant, recommended by the lawyer. The accountant who maintains the seller's "books" then becomes the accountant for the buyer after the sale. This ensures complete possession of the "books" by the accountant, who is part of this "scam." Usually, two sets of books are maintained—one for tax purposes and another to demonstrate the profitability of the business.

The contract drafted by the attorney includes a clause describing all outstanding debts. For example, the finance corporation is owed \$45,000 payable on a monthly basis of \$800 over 15 years; the vending company is owed \$6,000, which it collects from its vending machines located on the premises; and the existing liquor inventory is reflected as an outstanding debt owed to the liquor wholesaler. It should be noted that the vending industry monies are usually divided on a 50-50 basis; the bar owner receives 50 percent of the weekly "take," as does the vending company. However, in this case, the vending company

receives 100 percent of the "take" because of the outstanding loan. In effect, the loans from the vending, liquor wholesaler, and finance company are only "on paper"—there is never a transfer of monies. Hence the finance company acquires the initial downpayment of the buyer, and the vending company and liquor wholesaler maintain exclusive property rights (and the profits derived from this arrangement) upon foreclosure, which is imminent.

What usually occurs when the establishment is first opened is that an artificially large influx of patrons frequent the business during the first 3 to 6 months. The successful entrepreneur (as he begins to see himself) is enticed by the "collector" to renovate the establishment, making it a "star attraction." He, the collector, offers to extend the owner additional credit to remodel the "bar." Of course, this is again to the benefit of the finance company, who will ultimately regain title to the business (in about 14-22 months).

At the 6-month mark, the owner begins to experience financial difficulty. The clientele have declined (usually siphoned off to another bar where a similar scam is being initiated), his overhead was increased (as a result of these unnecessary renovations), and he begins to fall behind in his payments. The vending company apprises him of the \$6,000 loan, which is still outstanding, despite the monies that were taken from the machines but were never accounted for by the owner. He is overextended on his liquor credit, which the liquor wholesaler is willing to extend for exclusive right to promote his merchandise. The "collector" suggests that he may wish to "run book" out of the business, to offset expenses; or perhaps the establishment could be used for "poker games"; or prostitutes could work from it, which will enhance the business. In essence, the environment created by the overextension of credit, purposely and with the goal of reclaiming the business, made this enterprising entrepreneur a prime candidate for "organized crime." The recruitment of the bar owner into the vices was facilitated by the precarious financial corporation, liquor wholesaler, and vending company, and the unethical practice of the professionals. Of course, we must not forget the owner's quest for success entered into the equation; for had he controlled his appetite, the dilemma may never have presented itself.

Realizing that it is critical to the continuation of this "scam" that the business defaults, the owner either agrees to look for another "willing victim," the collector intervenes by finding another "willing victim," or if the owner becomes too successful in his illegal activities, he is "raided" by the police and forced to surrender his license. In some cases, arson may be suggested by the "collector," or various

⁷Reuter, Peter, J. Rubinstein, and S. Wynn. *Racketeering in Legitimate Industries: Two Case Studies*. Washington: U.S. Department of Justice, 1983.

⁸House of Representatives, Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, "Organized Crime Links to the Waste Disposal Industry," May 28, 1981, p. 9.

insurance frauds may be initiated. In the end, the finance company has repossessed the property and all that was invested, derived profit from the property and is in a position to engineer the "scam" once again. The vending company derived gain from the establishment as well, realizing 100 percent profit from its machines and a continuance of "property rights." The liquor wholesaler has maintained his exclusive monopoly over the distribution rights for that particular establishment.⁹ And the owner, in a sense benefitted, from the short-lived prestige and status he acquired and the monies which he likely diverted to avoid taxes. The question then becomes, who is the victim? As with most white collar crime, the answer is not recognized at first, and usually requires an intensive investigation to ascertain the facts.

Public Policy Implications

One of the difficulties in the investigation of "white collar crime" is establishing victimization; who were victimized and how? As researchers have pointed out, the victim is usually unconscious of his victimization or too embarrassed to report it.¹⁰ This creates a serious enforcement problem, in that "crime" goes undetected for long periods of time and the "victims" are seldom willing to admit to their ignorance or in some cases, extenuating complicity. This is clearly the case in this case study.

The ability and capacity of local and even state law enforcement to investigate this type of crime is seriously constrained by either the ignorance, questionable credibility, and/or complicity of the "buyer" to recoup his investment. Indeed, it may even be argued that this form of "criminality" at least offers hope to those who have few legitimate opportunities. For the opportunities provided may result in the "American dream" if the entrepreneur is smart enough to take advantage of the opportunities. Unfortunately, this explanation ignores the social consequences of this sort of crime.

Preying upon the ignorance and misfortune of minorities is perhaps the most damaging consequence of this scam. The odds are clearly against the entrepreneur making a "go of it"; they are unfairly stacked in favor of the "house." Regardless of the energy or work expended by the entrepreneur, he will never overcome the fraudulent claims manufactured by the parties to the crime. The "lenders" never expend any money; they only provide the entrepreneur with unlimited credit—an illusion of

⁹It should be noted that it is not unusual for the liquor salesman to extend credit to the "barowner" at a usurious rate of interest.

¹⁰Edelhertz, Herbert, et al. *The Investigation of White Collar Crime*, Washington, D.C.: U.S. Government Printing Office, April, 1977; Conklin, John E. *Illegal But Not Criminal*. Englewood Cliffs: Prentice-Hall, Inc., 1977.

success. They are able to exact unconscionable profit from the community, providing nothing in return except, again, false promises of hope. The scam represents a classic case of "pyramiding," with the convergence of organized crime and business maintaining exclusive property rights. The return to the entrepreneur, but more importantly, to the community can be measured in high rates of bankruptcy, no investment in real growth in the community, and an unhealthy cynicism toward "the system," which only serves to enhance alienation.

Of course, the impact goes further and deeper. When communities are ravaged by insurance-related arsons, or by the vice-related activities that ultimately threaten the social fabric of the community, is it no wonder that there is little community support for the police—the most visible manifestation of "the system"? When the incentives for committing this form of crime far outweigh the risks, is it no wonder that the community is willing to tolerate and accept organized crime? And when the community is willing to accept organized crime, is it not long before predatory crime is viewed as just another reaction to an unjust and crooked system? Unless the police are in a position to arrest this sort of crime—the exploitation of community interests—they can expect little community support in their "battle against organized crime."

A related consequence of permitting this crime to continue unobstructed, is the ability of organized crime to create, maintain, and, when appropriate, exploit a viable market. Simply stated, the scam sets up a *system* whereby organized crime is able to recruit minority-group members to perform the more visible and of course, vulnerable tasks that make money for "the mob." And when they are no longer needed, or become a real threat to the exclusive control exercised by "the mob," their services are terminated through arrest. Again, this does little to instill a sense of confidence in the police, for they are also perceived as part of this "exploitative system."

The state, as a whole, has taken little interest in regulating the practices of finance institutions. Because they usually affect the more vulnerable (and risky) elements of our society, there are few protections afforded the "borrowers." In a very real sense, a finance company that makes alliances with members of organized crime is able to stake out its territory and maintain an exclusive monopoly over the money supply in a community, unencumbered by regulations. This only serves to enhance the stature of organized crime in the community, and simultaneously denigrate the role of the state in protecting those who are most affected by this sinister alliance of interests.

Given the investigative constraints and complexity of the "scam," law enforcement must transcend traditional law enforcement strategies if they are to be successful in interdicting this *system*. It is the term "system" that makes it most amenable to a sustained investigation, using electronic surveillance and "sting" techniques, for the criminality is ongoing, not opportunistic or a reaction to a situation. A "pattern of racketeering" is quite evident, making it most vulnerable to the RICO statute.¹¹ And because RICO is not limited to only organized crime, but extends beyond, the concept of RICO provides that investigative strategy most applicable to this scam. Moreover, in the event the levels of proof for a criminal prosecution are not attained, the state has the option of employing a civil remedy, which is often underutilized in organized crime enforcement, but equally as effective (and perhaps more efficient).¹²

The concept of "pattern" is most appropriate in investigating this scam, for the pattern demonstrated in this case study appears to be consistent with sporadically assembled data in other instances. Essentially, the "pattern of racketeering" when examining the infiltration of legitimate business requires more than one "racketeering activity" and the threat of continuing activity, which has been interpreted by the courts to mean, a connection between the acts by a common scheme. The scheme, of course, is the maintenance of exclusive monopolies by the various entities, to the benefit of organized crime.

The second requirement, that of enterprise is most conveniently demonstrated by the legal incorporation of the various entities—the vending company, liquor wholesaler, finance company, and the professional (who usually takes an interest in the buyer's corporation, making him a part of the conspiracy when another buyer is ultimately sought). The "organized crime family" that derives profit from this continuing pattern of racketeering would meet the requirements of an illegal enterprise under RICO.

Two acts of "racketeering" must be proven. In this case, the government has set out a prescribed number

¹¹RICO is an acronym for Racketeer Influenced and Corrupt Organizations Act (Pub. L. No. 91-452, 84 Stat. 941 (1970) (codified at 18 USC 1961 (1976)).

¹²Atkinson, Jeff. "Racketeer Influenced and Corrupt Organizations" in *The Journal of Criminal Law and Criminology*, Vol. 69, No. 1, 1978, pp. 1-18; "The Use of Civil Remedies in Organized Crime Control," National Association of Attorneys General, Raleigh, North Carolina: Committee on the Office of Attorney General, 1977.

of crimes that encompass a RICO violation. The threat or fear of violence by a "collector" would comprise an enumerated act, as would the acts of "the professionals" (e.g., mail or wire fraud, bankruptcy fraud), and of the wholesaler, vending, or finance company (interference with commerce, extortionate credit transactions). Collecting this type of evidence will often entail electronic surveillance and witness testimony, as the documents maintained by the various participants will not reflect criminality. In fact, efforts are made to convey an impression of complete legality and knowledge of the "buyer" when he signed the documents.

Providing the state has successfully defended its RICO charge, the penalties are most appropriate for this sort of "scam." For example, the properties acquired under this scam must revert to the owner of the bar, and treble damages may be awarded. This sort of remedy would ultimately create an economic renaissance in these lower socioeconomic communities, and minimize the extent of economic debasement.

Conclusion

If law enforcement is to effectively investigate organized crime it must develop a greater appreciation for its systemic relationship to the community and its institutions. Reacting to individual criminal transgressions fails to adequately address the systemic permanence of organized crime, and its capacity to withstand successful but ultimately marginally effective prosecutions. The focus of law enforcement efforts must be directed toward the financiers—those who derive the *real* profit from their minimal investments. Only then can we affect the revenue-producing capability of organized crime.

Of course, we must also recognize that within the legitimate constraints of the criminal justice process, certain types of conduct, while perhaps morally abhorrent, do not receive the criminal stigma they may rightfully deserve. This case study represents a classic example of how criminal sanctions may be ill-suited for investigating organized and white-collar crimes. It is within these narrow parameters that law enforcement must innovate a strategy that effectively divests criminal enterprises from their control over both legitimate and illegitimate businesses in the lower socioeconomic communities of our urban centers.

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