Organised crime is an integral part of present capitalist society. In this paper, which was given at the 1984 Marxist Summer School, Denis Freney explains how predominant organised crime is in Australian politics and why you should be concerned.

Denis Freney

I would like to begin looking at this wide-ranging subject with a very appropriate quote: "The primary goals of organised crime ... are the maximisation of profit. In order to achieve the greatest possible return, organised crime has found it expedient to invest some of its capital in the government."

This statement comes not from a marxist, but from a recent US federal task force on organised crime and it is quoted in an article The Mob in Philadelphia by Murray Waas in the first issue of the new US magazine The Rebel. Waas' article was a case study of organised crime in one US city, comparable in size to Sydney or Melbourne. Elsewhere, Waas commented: "Like the rest of big business in America, the mafia has realised that it has to engage in good public relations to be accepted in their communities, to expand and grow ... The only difference is that it is not routine policy for oil companies and other corporations to routinely kill people as a normal course of everyday business." (Well, not in the US of A, at
WHAT IS ORGANISED CRIME?

Defining organised crime has almost become an academic industry. The fact is that it is a very imprecise term: when two people get together to 'organise' a bank robbery, is that organised crime? By some definitions it is, as it is 'organised'. But it reduces the definition down to an almost meaningless level. The only valuable way to examine the question is to draw the parallel between crime and 'legitimate' capitalism. Comparing the two-person robbery of a bank with the operations of the Nugan Hand 'bank' or the alleged Abe Saffron empire is like comparing a family corner store with BHP.

When we — and others such as Costigan and his counsel, Douglas Meagher — speak of 'organised crime' we are talking of the top end of the business, of the BHPs of crime, not the corner stores.

Second, let's accept a practical definition of 'crime' as all that breaks the laws of the Commonwealth, States and Territories of Australia. That's not to say we need endorse all those laws, for, as we know, many of them are unjust, able to be applied and directed against the poor, the sick and the minorities, such as Aborigines. But some laws would exist in any society of scarcity, while others have been won by working people, forced on capitalism to regulate big business' rampage of the workforce, the environment, and to finance social welfare. Capitalism has also adopted laws and regulations for its own good health, particularly since the Great Depression, as a matter for its own survival.

Third, we should realise that organised crime in Australia, particularly since World War II, and especially since the early 'seventies, has been increasingly monopolised into relatively few hands, and taken on all the structures of a big corporation. And just as the directors of BHP do not dirty their hands at the blast furnace, so the top levels of organised crime do not dirty their hands with robbery, drug trafficking or fraud. Rather, the top directors of these corporations are the investors, the organisers of the actual crimes.

Fourth, Australian organised crime has become multinational, spreading its empire particularly to the Philippines, Thailand and, to a lesser extent, other countries in the region.

In the vice districts of Manila, according to latest reports, Australian organised crime is now even better entrenched than the US mafia. As Douglas Meagher has said, 'close relations' have been found to exist between some Australian criminals and ruling circles in the Philippines — up to and including the Marcos family.

Fifth, as part of the last, Australian organised crime figures have forged the closest possible links with the big US crime families, and, beyond that, with the Sicilian mafia, the Naples Comorra and the Calabrian Honored Society. Australian organised crime has time-honoured links with its British counterparts and, in more recent decades, has forged links with French, Corsican, Chinese, and other 'mafia' syndicates. It is also in constant business with the Lebanese Phalangists who combine fascist terror with high-level drug trafficking and other crimes.

WHAT FIELDS DOES ORGANISED CRIME COVER?

Douglas Meagher, the senior counsel assisting the Costigan Royal Commission, has listed the main fields of organised crime. I will repeat them with only a few passing comments:

• systematic robbery
• organised shoplifting (including major items such as refrigerators, TV sets, etc.)
• theft from wharves (not just pilfering, but of whole containers)
• motor car theft (not for joyriding, but systematic sale as spare parts interstate, and even in the USA)
• credit card theft (often an overseas operation, with the cards stolen here, then used in South East Asia)
• SP bookmaking
• illegal casinos and gambling
• prostitution
• pornography
• drug trafficking
• loan sharking (Frank Hardy's latest book deals with one aspect of this)
• protection rackets
• arson
• bankruptcy fraud (Bernie Houghton of Nugan Hand fame was an expert on this)
• union racketeering (small-scale here, but likely to spread. We'll deal with this in more detail later.)
• taxation fraud
• computer fraud

Some of these are 'traditional' crime areas while others are new. All are highly profitable. In each area, we have a mirror copy of the functioning of 'legitimate' capitalism. We have the big business 'organised crime' executives; the medium-size 'entrepreneurs' and the small-time operators — the last are the ones usually caught. The 'big business' operators do not do the dirty work, they have their 'workers' or hire out independent 'contractors'. They also act as financiers for smaller or medium-size operators outside their own organisation. A reasonably-sized drug importation could cost a million dollars to mount. While one financier may be willing to finance such a deal, it is more likely a number will combine, both to spread any possible loss, and to share the profits, which are enormous.

ORGANISED CRIME AND 'LEGITIMATE BUSINESS'

Capitalism, in its early beginnings, and each budding capitalist today, must go through a process of primitive accumulation of capital. As often as not, such primitive accumulation has occurred historically through criminal activities. As author Richard Hall said at the National Crimes Commission Conference last July: 'I suppose the first organised criminals were the officers of the Rum Corps. Perhaps Governor Bligh needed a Crimes Commission to solve the problem.' The descendants of these first Australian organised crime figures are today the doyens of high society.

Douglas Meagher, in his recent ANZAAS paper, lists the criminal activities of Morgan and Vanderbilt, who had amassed enormous wealth by profiteering from the American Civil War. We could add the names of other infamous 'robber barons' from Rockefeller on.

Today the multinationals break laws around the world. Just as Morgan in 1856 staged his own revolution in Nicaragua to get control of Vanderbilt's holdings there, and Vanderbilt got the then President to send in US troops to defeat Morgan's 'revolutionaries' and regain his holdings, so, today, multinationals have little respect for laws and legally established governments.

Meagher also notes:

One of the earliest American fortunes was amassed by John Jacob Astor. His money was originally gained through lawlessness and violence committed by his agents against Indians in the western fur trade. At the time he lived in New York as a respectable businessman. The money was used for real estate speculation in New York
where easily corrupted officials helped him become the richest person in America. He crowned his successful business by becoming one of America’s greatest slum landlords, extracting money from the poor for the privilege of living in the vilest of tenement housing.

In Australia, it can be argued that the conscious actions of BHP, James Hardie, Asbestos, the uranium miners and so on in breaking health and safety laws and environmental controls is more serious in its social impact than the depredations of ‘organised crime’. That may well be so, but nevertheless it should not be used as an excuse to ignore the very real problem posed by organised crime.

But we don’t have to go back to the last century to see how criminal activity gave budding capitalists the means to become respectable businessmen, knights of the realm and household names for their philanthropy.

I will mention only a couple of examples. The first example is one of the ‘Hungarian mafia’ who arrived in Australia in the ‘fifties along with such people as Alexander Barton, Bela Csider and Peter Abeles. This person made his millions in real estate speculation and property development. He could never have done so without the aid of his corrupt friend, NSW Premier Sir Robert Askin, who used funds held by state government instrumentalities to help him on his way. This person also used the abilities of Bernie Houghton, of Nugan Hand and CIA fame, to carry out several profitable arson and bankruptcy frauds which are ably described (without naming names) in Meagher’s paper to the ANZAAS conference. This individual developed close links with alleged organised crime figure Abe Saffron and the Kings Cross scene. He also forged a close relationship with the Griffith marijuana empire and its principal, Robert Trimbole, particularly when the land boom collapsed and this person’s financial empire in property development collapsed.

In Western Australia, millionaires were born from fraudulent exploitation of the mining boom. One of them worked in close liaison with Saffron and the US mafia. Frank Nugan made his first million with a very doubtful con trick in WA mining company. He beat up the share values with talk of a multi-million dollar Japanese mining contract, which was never on, then cashed in his shares at a huge profit. Nugan went on to use this million to launch his huge fraud. In the case of Nugan, we see the very obvious connection between legitimate business and organised crime.

In the same respect, I’m sure you are all waiting with bated breath for Kerry Packer to explain himself before the Costigan Royal Commission. Costigan has been investigating two Westpac branches in Brisbane which had been used to launder millions of drug and other illegal money. While investigating, Costigan found that Queensland property developer Brian Ray, a good friend of Joh Bjelke-Petersen, had withdrawn $225,000 from one of the banks for Kerry Packer. Ray said it was an interest-free loan, although Ray was in a scheme with creditors under which he was paying them one cent in the dollar. Ray’s associate, Ian Beames, however, told Costigan he personally took $100,000 in cash to Sydney airport and handed it over to Packer’s chauffeur. It was part of a tax minimisation scheme, Beames said, for which Packer had received $293,425.

Packer at first agreed to give evidence on this affair, but then took Costigan to the federal court to stop him investigating. The federal judge ruled against Packer. The judge said Costigan was trying to find out whether the $225,000 paid by Ray to Packer was “anything to do with the distribution of drugs in Queensland”.

Now, Packer may be entirely innocent. He may have only been involved in a tax avoidance scheme. He admits to having been a ‘client’ of the tax scheme, and claimed the tax commissioner got $600,000 out of it from him.

I want now to return to the quote from the US federal task force on organised crime with which I began. “Maximisation of profit” is the primary goal of organised crime, as it is for any capitalist enterprise. But, like any capitalist, the wise top criminal aims to maximise profits over a period of time, not necessarily going for maximum profits over one year or so. ‘Legitimate’ big business ‘invests’ substantial sums in political parties and the government and bureaucratic apparatus. They pay large sums to major political parties, hire expensive lobbyists, influence the media, and will pay high ‘expenses’ for a parliamentarian to speak at a convention or whatever. Big business will think carefully about an outright bribe because of the danger of discovery, although such scruples certainly do not apply when doing business in Asia or elsewhere.

As the US federal task force on organised crime said: “Organised crime has found it expedient to invest some of its capital in the government”. This is not something new since, for as long as crime has existed, corruption has existed. It might be slipping a copper a few quid to turn the other eye. I think the excellent ABC TV series Scales of Justice said it all by tracing the evolution of corruption from the small-scale to the top-level. I think that very few people today would believe corruption does not exist within parties and governments around the country, and not just in police forces.

Some may think the last episode of Scales of Justice in which the young Attorney-General was subtly blackmailed was exaggerated. It is therefore worth quoting Douglas Meagher in his ANZAAS paper on this question.

Corruption may be achieved in several ways. The most obvious and frequent way is by simply paying money. This may be done by a payment to hidden bank accounts; but other means are available. A house may be made available at a particularly cheap price; overseas travel may be made at no cost ...

... Sometimes .... the corruption is achieved through a weakness in the character of the victim, which is viciously exploited. The film of deviant sexual practices; the loan to meet the gambling habit.

Meagher then refers to the Nugan attempt to frame Frank Walker by setting up a secret Swiss bank account for him in an attempt to then threaten him with exposure.

‘INVESTMENT IN THE STATE’

It is only natural that organised crime should ‘invest’ in both the parties able to form governments. Therefore, it is naturally interested in the ALP with which it has had long historic connections. It should be recalled that Albie Sloss, the Labor member for the Kings Cross area for years, was present at the ‘Double Bay Summit’ attended by all alleged major organised crime figures (except Abe Saffron) in 1972. That ‘Summit’ marked a qualitative leap for Sydney organised crime, after some gangland killing in the late sixties. And there was Albie Sloss sitting in on the carve-up of organised crime between the criminal oligarchy of NSW. And Labor, it should be recalled, was in opposition at the time!

The Askin years were the heyday of organised crime, when it really developed very rapidly from the corner-shop style of operation to that of big business. Every police commissioner under Askin was, allegedly, corrupt to an extreme and, with the corrupt Askin himself, kept NSW safe for organised crime. Things
have been so bad in NSW that we’ve had a system operating of mutual blackmail. The Libs and Labor both have so many skeletons in their closets that each could blackmail the other. Of course, in recent years, the Libs have been so wiped out electorally, and have faced so many resignations, that most of those left are probably too new to have too many skeletons around to worry about.

Under Wran we’ve had the resignation of Police Commissioner Merv Wood and the Bill Allen scandal. We’ve had a former Chief Stipendiary Magistrate Farquhar before a court. Now we’ve got the Rex Jackson affair which has much wider implications than are generally realised. I don’t want to take time dealing with these scandals which have already come to light. It is beyond doubt that organised crime has ‘invested’ in NSW politics at all levels.

But what of federal politics? Until recently, federal politicians had little to do with organised crime because the laws affecting the operation of organised crime were state laws and the police forces concerned were state ones. But, in recent years, we’ve seen a quiet revolution in this regard. Federal police are now playing a major role in investigating organised crime. The tax laws are now a major threat to organised crime whose principals remember that Al Capone and other mafia figures never went to jail for murder, but for tax evasion. And another royal commission like the Costigan one would be distinctly unpleasant, to say the least, for organised crime. And it now emerges that the federal government can play a role in deciding whether there is going to be a casino in Canberra. That proposal has been killed for the moment by the defection of two ALP members in the ACT House of Assembly who voted against the casino bill despite Hawke’s championing of it.

One can expect organised crime to play a much more active role in federal politics in the near future.

It is, therefore, disconcerting that our Prime Minister, a few years ago when he landed in California, phoned one Rudy Tham, a top mafia hood who also doubled as a union official with the Teamsters (or Transport Workers) Union. Tham told Hawke to go to a sleazy bar in San Francisco which was a mafia hangout, and whose owner had shortly before squired ex-NSW policeman Murray Riley (now in Long Bay for drug offences) around town.

Now, we can accept that Hawke did not know who Tham was, or who the bar owner, Sal Almarino, was. But the person who gave him the introduction to Tham certainly knew.

I haven’t got space here to detail all the other signs of penetration by organised crime already visible at the level of federal politics. Suffice it to say that it is a matter of very real concern, not only for the corruption it represents, but the long-term and even short-term effect it can have on the whole labor movement.

WHY WORRY?

The ‘Ned Kelly’ complex remains strong in Australia, and no more so than on the left. Historically, it may go back to our convict ancestors, or what we may consider our convict ancestors, but the parallel, and the myth, is false. I shirk back to what Richard Hall said at the National Crime Commission Conference: our first organised crime figures were the officers of the Rum Corps — the jailers and the torturers of the convicts.

Today, when we talk about organised crime, we’re not talking about Ned Kellys or Robin Hoods. We’re talking about our present-day Rum Corps — the BHPf of crime. But even those who have no time for the big men of organised crime sometimes argue: organised crime doesn’t affect me. And this may be so directly, but organised crime does affect the labor movement and will do so increasingly. Even if you consider the billions in tax lost through organised crime, you’ll maybe understand why your tax burden is so heavy. And if you find that rightwing candidates in your next union election are awash with money, you might wonder whether some of it came from a slush fund to which organised crime has contributed not a little. And if your union sets up a pension fund shortly because of the changes in superannuation laws, you should not be surprised if organised crime begins to pay very particular attention to your union, tempted by those millions sitting in the pension fund, able to be loaned at very low interest rates for some organised crime project....

But the issue goes deeper than that: in Italy, the Communists have control in certain areas dominated by the mafia. Kommuna and Honoured Society are literally in a life-and-death struggle with organised crime. Because, in these parts of Italy, organised crime is the Establishment; it is the government. And increasingly, it has penetrated through all Italian society, including into the Vatican, as witnessed by the Eill-Sindoni-Calvi affairs. Similarly, in parts of the USA and under Nixon, even in the White House, the powerful tentacles of organised crime reach to the top, although there are strong countervailing forces.

Organised crime has often provided the shock troops for reaction and, in South America, and in countries like the Philippines, it is difficult to separate fascist military dictatorships from organised crime. They have become almost identical. The CIA and other intelligence services have had long and continuing working relations with organised crime.

Organised crime operates outside, or on the fringe of ‘legitimate’ capitalism and, by its nature, it has scant regard for democratic rules. The same can be said, of course, for the multinationals and big business as a whole. But it would be completely wrong to equate the two — organised crime is qualitatively different in the way it operates politically.

The Left and, indeed, those genuinely dedicated to bourgeois democracy must understand the full political and social implications of unchallenged organised crime.

Another argument advanced is that because organised crime is now so sophisticated any real challenge to it in the framework of this society will mean, of necessity, the abrogation of civil liberties traditionally respected under law. Now this is undoubtedly correct. Any National Crimes Commission could, as Justice Kirby told the National Crimes Commission Conference, end up being another ASIO. (No one at the conference, by the way, thought that having another ASIO was a good idea!)

But if there is a problem of possible limitations on civil liberties for those who are investigated, that is no excuse for the Left or civil libertarians to ignore, or wish away, the fundamental problems arising from the growth and sophistication of organised crime.

Before concluding, I want to stress another reason why socialists should take up the issue of organised crime. Most workers have an implicit faith in capitalism’s institutions, no matter how cynically they may express themselves about them.

Fully exposing organised crime’s nature and its links with political, police and top business circles can help break the illusions. The ‘rotten apple’ theory is generally accepted by most working people when it comes to corruption in high places. Sure, in NSW, I think workers now think there are a lot of ‘rotten apples’ in the police force, and politics generally. But they...
POSITION VACANT

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RIGHTWING LABOR AND CRIME

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are still seen as individual phenomena, isolated from one another. It remains an illusion.

I do not have the opportunity here to discuss ways and means of combating organised crime, or how worthwhile a National Crimes Commission would be, or what measures can be demanded.

I believe very strongly that, at this point, the major thing the Left can do is to raise workers' consciousness about organised crime and its connections with the labour movement, government and society as a whole. To do that effectively, we need to know much more and getting that knowledge depends on investigative journalists being encouraged and supported by the Left in the labour movement. There are enough honest cops around to feed the necessary information through leaks, etc.

The Left must see the challenge posed by organised crime as one prong of the attack by capital and reaction on the labour movement. In addition to the ideological attack through the media, there is the organised attack through the rightwing of the labour movement. That organised attack has its financial support from big business, from overseas sources such as the CIA and other such sources. But it also gets its money from organised crime.

On that level alone, the left needs to come out fighting on the issue of organised crime.

Of course, under socialism, or in any post-capitalist society, crime will not disappear and, because there are societies of scarcity, crime, and even organised crime, will be continuing problems. Some of the same problems will arise, for example, on the issues of civil liberties. I think the Left (and the capitalist press, for that matter) have been deafeningly silent about the mass execution of criminals, or alleged criminals, in China in recent months. I think the Chinese actions are as despicable as the death squads operating in Indonesia today against alleged criminals (at the bottom level of course. Suharto is still untouched).

A post-capitalist society, let alone one worthy of the name of socialism, has to find better ways than exist in capitalist democracies to tackle the problem. Reverting to the mediaeval ways of Imperial China, Tsarist Russia, or of Koranic Islam, is the opposite to what socialist should do. But how a socialist society should and could combat this ongoing problem is, again, another topic.

Denis Freney is a journalist, author and sleuth.