

TESTIMONY OF JEWEL LAFONTANT

The President's Advisory Council on Minority Business Enterprises, in its report published in December, 1971, has formulated policy recommendations and a fairly comprehensive plan for long term private sector commitments to the development of minority enterprises. My testimony today is first to urge the adoption into the platform of the policy set forth in the report of the Commission, second to pinpoint areas where more forceful action is needed to implement the policies set forth in said report.

The platform should include thus a clear commitment that an adequate portion of the resources of the federal government shall be directed to the stimulation of minority enterprises.

In other words, bringing the minorities of the country into the mainstream of America shall be a primary goal of the Republican party.

In order to reach such a goal, the present structure of diffusion of federal resources earmarked for the development of minority enterprises should be abolished and a single agency should plan and administer the various programs now handled through a confusion of agencies; Small Business Administration, Office of Economic Opportunity, Economic Development Administration,

Model Cities Program, Bureau of Indian Affairs, Office of Minority

Business Enterprises, and a few others.

The thrust of the various programs in existence is to commit

the federal government in directly assisting minority enterprises,

and in encouraging the private sector in participating in the economic

development of minority communities. Unfortunately the programs

though well meaning, have not significantly succeeded.

Private industry and mostly large publicly owned companies

are dedicated to the maximizing of profits, and except in some rare

instances, are not equipped to work in partnership with minority

entrepreneurs.

The federal agencies, by definition are not profit oriented, and

are thus not able to guide the minority entrepreneurs into the path of

profit, which is a path never traveled by government agencies.

Successful individuals, both with talent and wealth, are not

motivated into investing time and money in minority enterprises.

Large or small corporations, have not been given adequate incentives

to invest in and guide minority enterprises.

Most of the existing programs, to the extent that they seek to

enlist the help and cooperation of the private sector, have nothing to

appeal to, except the social conscience of business corporations.

We submit that the history of economic development in this country would indicate that the social conscience of large business corporations is not easily awakened; and an effective program of development of minority enterprises must offer definite, tangible incentives or benefits for corporations or individuals that provide capital and direction for such minority enterprises.

A tax incentive program patterned after that of the oil and gas industry, could well stimulate and encourage equity investments in minority enterprises. In the alternative, a simple formula would be to allow an investor to deduct from his taxable income a proportion of his investment in a minority enterprise; of course, with the appropriate recapture provisions.

The past ten years have witnessed the growth in the number of minority banks in this country. However, only in the past three years, have such banks shown a substantial growth in resources. Of all the programs of the administration of President Nixon, directed to the economic development of minority enterprises, the development of minority banks has been the most dramatically successful. Quite a few banks have shown an increase of 100% of their resources during the past 18 months, which is a dizzying rate of growth. This should be accelerated; the minority bank is the nucleus of minority economic development. I suggest that large businesses be

encouraged to increase their deposits in minority banks, or other banks, by the creation of a special class of deposits, which will be fully insured by an agency of the U.S. government, provided such deposits be earmarked for loans to minority enterprises. There exists in minority communities a substantial number of service and retail stores owned by non-community corporations. Such existing stores are the natural training grounds for minority entrepreneurs. There is a need for the implementation of a program to encourage the non-community owners to enter into partnerships with the minority entrepreneurs. The financial incentives could

result from:

- (a) the exclusion from income of that portion of the profit of the partnership allocated to the non-community owner,
- (b) the non-recognition of gain upon the sale to the partnership of the interest of the non-community owner.

Likewise large manufacturers would receive the same tax benefit if they enter into similar arrangements with a minority owned enterprise or manufacturer.

The present tendency to convert the minority communities into dormitories must be changed, by requiring that all federally funded housing developments must include plans for minority businesses to provide essential services and elemental distribution of consumable items.

In conclusion, the administration of President Nixon has started on the road toward the economic development of minorities. The Republican party should make it clear that it is dedicated to the full rehabilitation of minority communities by:

- (a) the establishment of one agency to plan and administer all the programs now in effect which deal with minority businesses,
- (b) the establishment of an effective program of development of minority banks as the nucleus for the development of minority enterprises,
- (c) the creation of adequate tax incentives benefiting both individuals and corporations who invest in minority communities,
- (d) providing that federally funded housing developments in minority communities must include adequate provisions for minority businesses to provide essential services to the prospective residents of the development.

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