War on Poverty. As a general rule, I feel that tax incentives are inferior to grants or other forms of direct assistance for these purposes.

Although tax benefits may not be more expensive to the Government as grants, the amount of revenue loss entailed in a given case is usually difficult to measure. In further contrast to grants which are subject to periodic public review to determine whether their objectives are being accomplished in the most economical way, tax benefits tend to get built into the system.

I heartily endorse the purpose of H.R. 14600—to promote the economic development of rural America. Economic development of these areas is a national necessity. It is essential to stem the tide of migration out of rural America into overcrowded cities. I believe the small business community and the Small Business Administration can and should play an important role in this development.

The provisions of the bill which concern me as Administrator of the Small Business Administration are those which provide for additional tax incentives in specified areas for the types of investment already covered by investment tax credit provisions of existing law and which limit the application of the additional credit to investments which result in the employment of twenty or more persons.

As you probably know, some spokesmen for the small business community have been critical of the investment tax credit because they felt that its primary benefits were enjoyed by the larger, capital intensive and higher profitmaking concerns. H.R. 14600, because of its application only to substantial investments, would appear to be even more restrictive in this respect. The rapid amortization feature would appear to have the same discriminating effect.

In closing, I would like you to know that I do not object to incentives to small businessmen to achieve national objectives. Rather my position is related to the techniques of accomplishing this purpose as opposed to the principle of incentives, which I wholeheartedly support.

Your continued support for the small business community of the country is deeply appreciated.

Sincerely,

HOWARD J. SAMUELS, *Administrator.*

The CHAIRMAN. Our counsel, Mr. Jacques.

Mr. JACQUES. You can't read the Small Business Act without getting the clear-cut impression that the Congress attaches a high degree of importance to the agency's procurement activities. The question I have is, In promoting your Project Own, have you stripped the procurement personnel from the various regional offices? And the main reason I ask is because a Member of the House called this committee's office not very long ago and wanted some help for a company which was, for the first time, trying to sell to the Government. So I called the appropriate regional office but the answer I got was, "We have nobody that could provide that service at this time. The last procurement man I had was assigned to Project Own." Can you comment on that?

Mr. SAMUELS. As far as I know, we have not assigned any procurement people. Obviously, when you reestablish the agency—I am reviewing every single job, and I certainly will look into that. And if we are not servicing the procurement need, we will take a look at the reutilization of our people.

It isn't necessary in my mind for that part of our program to suffer in terms of Project Own.

Mr. JACQUES. It is very important to the Members of Congress that their constituents receive this service. And I think it would be a very high price to pay to give it up.

Mr. SAMUELS. I appreciate the comment. And you will get a comment from me in writing about that.

(NOTE. The comment had not been received prior to the printing of this record.)

Mr. JACQUES. Until about August of this year the agency would not consider as eligible an application for a loan the proceeds of which