

**FINANCING PROBLEMS
OF
SMALL BUSINESS**

Remarks of

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Washington, D. C.**

before the
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Florida
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Ladies and Gentlemen:

My fellow Commissioner, Harold Patterson, assured me when I first received your kind invitation that attending your annual meeting would be a most pleasant as well as fruitful experience. In this advice, Commissioner Patterson has once again proved the excellence of his judgment.

Mrs. Gadsby and myself are enjoying ourselves thoroughly. Our only regret is that the pressure of affairs in Washington does not permit a longer visit.

Surely it is unnecessary for me to explain to such a group as this the breadth and depth of our mutual interest in the financial health of this country. You, because of enlightened self-interest and strong feelings of good citizenship, and we, because of official responsibility, all realize the importance of a strong system of private finance. And we know that such strength depends on public confidence, and public confidence depends on fundamental fairness and honesty. With so much common concern, it is imperative that we keep in close touch with each other.

Of the many problems that concern us all, one of long standing has recently come back into prominence, and I have a suggestion for joint action to urge upon you. I refer to the financing problems of small business.

In late September there was held in Washington a meeting called "The President's Conference on Technical and Distribution Research for the Benefit of Small Business." Out of this conference came a resolution that the Small Business Administration appoint an appropriate panel of private citizens to study whether "The Securities and Exchange Commission is placing excessive restraint on long-term financing by small business and is exceeding the intent of Congress." This resolution implied a serious criticism of the Commission. As I hope you all know, it has never been the Commission's intention to impose any more restraint upon financing by small or large business than is required by the statutes which it is our responsibility to administer. And we would be surprised and disappointed if informed and reasonable persons should conclude that we were imposing excessive restraints or that we were not doing our job so as to carry out the intent of the Congress.

In response to this resolution, Mr. Wendell Barnes, the Small Business Administrator, called a meeting in Washington on November 25, which was attended by Commissioner Patterson and myself, certain members of our staff, and about fifteen investment bankers, lawyers, and executives in private industry. Among them was Mr. Yost Fulton, Chairman of your Small Business Committee. Various suggestions arose from this meeting, but I am pleased to say that no one present seemed to believe that our Commission was in fact imposing excessive restraints on small business financing. It was rather the consensus of the group that the plight of small business arises from problems of economics and communication.

At the meeting I suggested that at least a large part of small business's trouble in public financing comes not from what our laws and regulations in fact require, but from lack of familiarity of the small business man and even perhaps the investment bankers with the requirements, and what might be deemed the foreboding appearance of our regulations. These factors do create a reluctance on the businessman's part to "get mixed up" with the SEC. I suggested further that to the extent that lack of familiarity and knowledge was the difficulty, much could be done by embarking

on a joint educational program to inform small businessmen and their legal and financial counsellors of our laws and regulations and procedures. Specifically, I suggest that we might organize conferences on a local basis of small businessmen, lawyers, and investment bankers dealing at this level, at which members of the Commission's staff, and any other persons whose advice might be helpful, could explain in detail what our laws and regulations require and how one goes about meeting these requirements in a practical way. We could also answer questions as to our practices and policies under the laws and regulations. We at the SEC cannot remove the real obstacles to financing small business, but with a vigorous educational program we should be able to lift the dark curtain of misunderstanding that presents unreal obstacles erected by the imagination.

Such a program, however, requires your enthusiastic cooperation for real success. It is my hope that your association, through the appropriate national and regional committees, will take the initiative in organizing such conferences. If you will do your part in this organizational work, the SEC will readily and fully cooperate. I am glad to say that those members of your

association who happened to be present at the Washington meeting seemed to agree that such meetings or conferences could be very beneficial, and I hope that we can look forward to action in this direction during the coming winter.

Nothing would give me and my fellow Commissioners more pleasure than to work out such an educational program with your association. I think it is the sort of endeavor that would go far toward demonstrating the possibility and benefits of intelligent cooperation between the responsible elements of private industry and Governmental agencies. Thank you once more for a most pleasant and informative meeting. I know I shall see many of you individually in the year to come, and I shall certainly look forward to it.