

April 4, 1938

Mr. Szyuczak

Mr. Ransom

I am today in receipt of a letter under date of April 1 from Mr. Henry M. Hart, Vice President, National Bank of Commerce of San Antonio, Texas, from which I quote as follows:

"I noted with much interest your designation as a member of the group appointed by the President for the purpose of making a study with regard to aiding the so-called 'small business man.' May I take the liberty of voicing a personal opinion-- that the approach to this matter should be almost entirely in the direction of supplying capital rather than credit. In my own humble ability to appraise a national condition and realizing my limited facilities for doing that, I am impressed with the fact that the small business man is not interested in taking on additional debt burdens, no matter how easy the credit terms may be made.

"When it was decided that through the Reconstruction Finance Corporation preferred stock would be bought in banks for the purpose of improving the bank situation, I question that many banks would have been interested in taking any funds as borrowed money. It was because they were offered funds for the purpose of preferred stock which could be retired entirely out of earnings over a lengthy period, that many banks were willing to take advantage of the situation, particularly those banks whose situation did not demand any action. It may seem a rather imposing task to contemplate the setting-up of facilities for supplying capital to small business, and it would be natural that there would be substantial losses incurred; nevertheless, we believe the losses would be less than those incurred in doling out relief funds, and there could be many safe-guards set up for protecting the agency supplying funds for purchasing of preferred stock in business concerns, against fraud, mismanagement, and other contingencies."

Copy to Chairman Eccles

