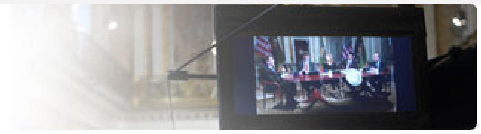
U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks by Treasury Secretary Tim Geithner at the Access to Capital Conference

3/22/2011

As Prepared for Delivery

Good morning. Welcome to Treasury. We're very pleased to have everyone here today for our *Access to Capital Conference*.

I'd like to thank some of the people who are working so hard to help small businesses succeed in today's tough environment. At the SBA, Administrator Karen Mills, whose leadership has been key to so many of the Administration's initiatives.

And here at Treasury, Assistant Secretary Mary Miller, who organized today's conference; Don Graves, who's in charge of our small business programs; Treasurer Rosie Rios; and many others.

At the SEC, OCC, and other regulators, our colleagues are thinking about ways that they can help remove burdens and channel credit to small businesses.   And we're pleased to be joined by our colleagues from the White House, Gene Sperling and Aneesh Chopra.

Finally, I want to acknowledge the entrepreneurs and investors who have joined us here today. As we consider ways to help small businesses from here at Treasury and throughout the Administration, we're going to need your expertise and creativity.

We're here because the ability of entrepreneurs to access financing is essential to building a more competitive economy.

Today, we want to explore how we can help make that happen.

What are the barriers to accessing capital? Where can the government do more or help eliminate barriers and where should we stay out of the way? What can the private sector and the public sector both do to help small companies get access to the capital that they need to grow?

The financial crisis caused a great deal of damage to the capacity of innovators to access capital, and we can't promote innovation and investment in the United States unless we help these innovative companies get the funding they need to succeed.

Now, we moved quickly in face of the crisis to restart economic growth, to re-open markets for capital and credit, and to build a stronger financial system that supports growth and innovation.

Alongside the broad measures we took to stabilize the financial system and financial markets, we supported three types of policy measures to help small companies – both start-ups and existing small businesses.

First, tax cuts and incentives – over the past two years, the President has signed into law 17 different tax cuts for small businesses, including eliminating capital gains taxes on key small business investments and raising the amount small businesses can expense to $500,000 – making it easier for small businesses to invest and hire more workers.

Second, we've put significant resources into support for innovation, particularly in health care and clean energy. And in those industries, small companies are often the most innovative.

And third, we have developed several special credit programs, through and alongside SBA, including loan guarantees and capital investments to encourage lending – such as the Small Business Lending Fund – and support for state small business credit programs.

Under the State Small Business Credit Initiative, for example, we've already announced funding for three states – California, Michigan, and North Carolina. Last week, the SSBCI contribution to North Carolina leveraged private capital to produce the first loan under the program – to J&S Reel Logging in Raleigh. And today, we are announcing funding for three more states – Missouri, Connecticut, and Vermont – that is expected to spur $534 million or more in new small business lending.

This program presents a low cost to taxpayers with a high impact for small businesses: to obtain the federal funds, each state demonstrates how it can leverage every 1 dollar of public investment into 10 dollars of new lending. Our $1.5 billion funding commitment nationwide is expected to spur $15 billion or more in additional small business lending.

These policies are making a difference. The cost of borrowing and credit terms are improving. Equity markets are open.

But it's still a tough financing environment out there for small companies, and we want to draw more attention today to the challenges facing start-ups and high-growth companies.

Over the past two decades, our financial system has undergone a significant transformation, and the way small start-ups find financing at each stage of growth has been part of that change.

At the earliest stages of funding, small companies have become more reliant on angel investors, universities, or sector-specific investment shops.

And as these small companies find their footing, they are waiting longer than ever to go public – financing themselves instead through multiple rounds of private equity or venture capital.

The number of IPOs in the U.S., for example, has decreased during the last two decades. And even though IPOs have picked back up in the wake of the financial crisis, an increasing number of U.S. companies are going public in other countries, or even deciding to stay private and access different sources of funding.

So, we want to get a better feel from you for where we need to focus the attention of policy makers going forward.

I want you to tell us not just what we can do, but how we can do it, especially if the ideas can be implemented quickly and don't require significant investments of taxpayer dollars.

This conference provides an opportunity to convene policymakers and market participants to gain insight and make progress on removing the barriers that stand before small companies today. It's an opportunity to find solutions that run from the traditional – such as tax incentives and direct lending – to the innovative and alternative, such as creating a way to efficiently pool investments in small companies.

We face a complex set of challenges – challenges that don't just affect small companies but the broader economy and the nation as a whole.

Today's conference is one more step in our work to address these problems.

I'd now like to turn the podium over to Administrator Mills.