With your permission, Sir.

Professors Juanita González-Uribe and Daniel Paravisini, respectively from Colombia and Venezuela, have received the Jaime Fernández de Araoz Corporate Finance Award with their paper entitled “How Sensitive is Young Firm Investment to the Cost of Outside Equity?”

In layman’s terms, this means, ‘what effect does the cost of outside capital have on recently created companies?’ This may seem almost as complicated as the original title, but the professors who have won this Award have demonstrated that this is something that is extraordinarily closely connected with our day-to-day lives.

Juanita González-Uribe is a professor at the London School of Economics. Her research covers areas such as entrepreneurship, private equity and innovation in a range of different countries, such as Chile, Colombia, the United Kingdom and the USA. She has received many honours for her research work, among them both the Kauffman and Coller awards. She has a Doctorate in Finance from the University of Colombia and a Masters in Economics and Finances along with a Degree in Mathematics from the University of the Andes in Colombia.

Daniel Paravisini, originally from Venezuela, is Professor of Finance, also at the London School of Economics. He is also a member of the Centre for Economic Policy Research, the Bureau for Research and Economic Analysis of Development, the International Growth Centre, the Financial Markets Research Group and many other bodies. He has received the Brattle and Charles River Associates awards for his research work. He obtained a Doctorate in Economics from MIT, an MBA from the Caracas Institute of Advanced Studies in Administration and a Degree in Mechanical Engineering from Simón Bolívar University, also in Caracas.

I extend our warmest congratulations to both of them.

I told them that the results presented in their paper represent a major step forward, not only in identifying some key factors for young firms but also in providing important evidence with regard to the positive impact of incentivising investment in young businesses.

An important point is that young firms are crucial to the creation of employment and economic growth. In the United Kingdom between 2009 and 2011, these young companies, which only accounted for 1% of total corporate assets, were responsible for 40% of growth. What is happening here? It is said we are living in an era of change. I think that this is mistaken; we are living through a change
of era and, therefore, everything that seemed to represent a model, a paradigm, is changing or has already changed.

We all know, we all believe, we all say, that our primary problem is unemployment. In the old economy we were used to large companies, huge multinational businesses that had thousands, tens of thousands of workers, and that also provided work for a large number of SMEs, which in turn created more jobs. However, this typical arrangement is changing very quickly; today, myriads of companies are emerging in the place of these great monsters, some small because they have just been created, while some of them after not many years, 10 or 15 years, are now the biggest companies, the ones with the highest levels of capitalisation in the world. But, I repeat, they are young. Someone who is investing money needs trust, that they are investing in a company that will last a long time, and if not they need guarantees. And these companies, which are created by entrepreneurs, are companies that find it difficult to obtain financing. Primarily because there are no channels of communication to tell us which companies are worth investing in, because little is known about them, since they have only recently emerged. Furthermore, an investor who knows that he or she will not have any liquidity for a number of years refrains from investing; it is another dissuading factor. But what is more, as there are no guarantees on offer, the investor in many cases demands control over the company, which acts as a brake on the entrepreneur.

The authors receiving this award today have written a paper in which, applying scientific rigour to its full effect, they have empirically shown that there are stimuli that one can use to create jobs by facilitating financing for these entrepreneurs. I am not going to quote Ortega’s homage to Unamuno, but I will mention Ortega’s writings in a very well-known work published in 1921, called “Invertebrate Spain”. He said that the problem with Spain, which had once been the biggest country in the Early Modern Period, was that we were all concentrating on our own business and didn’t care about the businesses of others or the things we had in common.

On top of the fact that it appears here in English, Corporate Finance is a term that, no-one understands, though one cannot say that here at CUNEF as they understand everything. However, outside CUNEF, almost no-one understands what Corporate Finance means; it is financing for companies, and we now see that the companies that are able to create employment are not great monsters, they are tiny organisations. We desperately need instruments that make it easier to finance these start-ups, these new companies, these businesses created by entrepreneurs. To the extent that this term Corporate Finance will solve an everyday problem for the Spanish, the problem of unemployment.

Sir, I would like to end by saying that Spain has entered the modern age and now finds itself in an ideal position to confront the immediate future, and if there are still some remnants that argue for the anti-historical movement for separation, this, Sir, is evidence that unity makes one stronger, and that together, investors, employers and workers are going to win the future.
Thank you.