The Prince calls upon public powers to encourage company creation

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The Prince of Asturias considers today it is “essential” for job creation that public powers strengthen corporations, encourage creation and reinforcement of private companies and help entrepreneurs do business.

During the ceremony to present the 5th Jaime Fernández de Araoz Award for Corporate Finance, Prince Felipe expressed his satisfaction at how the financial experts present were striving for the best and most appropriate instruments to enhance Spanish companies and “endow greater vitality to entrepreneurship upon which the national economic system is so reliant”.

“At such complex times as these, the contribution of experts is especially valuable”, the Heir Apparent underlined at the CaixaForum auditorium in Madrid before the organisers of an award that “addresses matters that affect the well-being of citizens and something as urgent and necessary as job creation”.

The 5th Jaime Fernández de Araoz Award for Corporate Finance was presented to the Mexicans Francisco Pérez-González and Pablo Villanueva and the Belgian Frédéric Panier for the paper entitled “Capital Structure and Taxes: What Happens When You (Also) Subsidize Equity?”

The ceremony was attended by the Secretary of State of Telecommunications, Victor Calvo-Sotelo, and the Secretary General of La Caixa Foundation, Luis Reverter.

Calvo-Sotelo explained in his speech that the Government, which is undertaking an “ambitious” reform of Public Administrations, “shares the spirit that encourages this initiative of seeking new ideas and rewarding efforts for the changes we need”.

He also pointed out that, in times of difficulties and change, “it is even more important to reflect on and analyse available alternatives” when Spain and Europe are facing “significant challenges” and they intend to address structural changes in favour of growth and prosperity.

He insisted that “only the true will for reform will allow us to achieve this objective”. The Award, which was received from the Prince by two of the three authors, Francisco Pérez-González and Frédéric Panier, has been sponsored by Deutsche Bank, in collaboration with CUNEF and Universia, and it is endowed with €10,000 and a sculpture by Martin Chirino.
It was created in memory of the economist Jaime Fernández de Araoz, who died in 2003 in a sports accident at the age of 37, and who devoted his professional life to various areas of corporate banking.

The jury, comprised of renowned figures of the business and academic world, honoured the work of the authors of the study, which addresses whether corporate financing should be based on credits or capital incentives.

Those responsible for the report warn that an excessive use of debt has major potential consequences on company stability and the macroeconomic conditions of a country.

In the words of one of its authors, Francisco Pérez-González, during his acceptance speech, “the tax system pays us to get into debt”, a practice which in his opinion has no logic.

The paper analyses the impact of an innovative tax reform approved in Belgium in 2006 which, in contrast to traditional tax systems, reduces tax deductions that promote indebtedness by providing tax benefits to company projects financed with shareholders’ equity. The results of the study show that tax policy aimed at promoting the use of shareholders’ equity results in lower levels of corporate indebtedness.

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