SPEECH BY HIS EXCELLENCY JOSÉ MANUEL CAMPA

Your Royal Highness Felipe de Borbón, Prince of Asturias, Esperanza Aguirre, President of the Community of Madrid, Juan María Nin, General Manager of LA CAIXA, members of Jaime Fernández de Araoz’s family, ladies and gentlemen.

I have been saying in various speeches that I have made over the last few months that the difficult economic situation that our country is currently experiencing is due to the need to reassign 5 percentage points of GDP from the construction of housing to other areas of production. This adjustment will not be easy, given its magnitude, and the task faced by the government at present is that of promoting all the structural policies that will enable this reassignment to be made and improve both confidence and prospects for future growth. To this end, difficult structural reforms have been implemented which have had a significant effect on the labour market, the financial sector, the pensions system and the products market.

I am convinced that I am right in saying that studies of corporate financing must play a leading role in many of the structural changes to our economy. Allow me to give you two very clear examples of how these studies can contribute to the improvement of our institutions:

If we want to promote a productive change in our economy that will foster long-term sustainable growth, it is essential that we properly channel credit away from productive activities connected with construction towards productive activities with a high added value. The literature dealing with corporate financing has for a long time shown the great value of good corporate governance in businesses in facilitating this proper channelling of credit, indicating ways of strengthening management structures and analysing mechanisms for the resolution of conflicts of interest among shareholders, creditors, management groups and workers. These teachings are key to the reform of the financial sector and the production economy in general.

Secondly, at a more macroeconomic level, the current crisis has highlighted the need for improvements in the tools used to prudentially monitor macroeconomic and financial variables. As mentioned on the very first page of the study by the winners of this award, Patrick Bolton, Tano Santos and José Scheinkman, the Chairman of the American Federal Reserve Bank found it very difficult to explain how, at the
beginning of the decade, the US financial sector accounted for 40% of the profits of all US listed companies when their significance in terms of added value was less than 5%. The authors give a rational explanation of this imbalance and offer their thoughts on identifying the variables that ought to be analysed in order to prevent financial crises spreading dramatically into the real economy.

I would like, therefore, to congratulate the authors, along with the organisers of the Jaime Fdez Araoz Award, as both parties have contributed, one with its teachings and the other with the incentives it offers, to ensuring that with each day we come closer to preventing further financial crises.

Thank you