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INVESTOR MYOPIA AND LIQUIDITY PREFERENCE AS THE COMPLEMENTARY CONCEPTS

The modern industrial and post-transitional (and also most of developing) economies are characterized by use of various durable assets in both production and circulation. Choice among such assets plays enormous role because it determines character of macrodynamics of the described economies. There are two fundamental cases for this statement. Firstly I will describe in detail first case and only after this description go on to the second one.

This first case is that some assets, for example, diverse fixed capital ones, are productive and create GDP and employment, but other assets, for example, money, are not. Shift toward non-productive assets implies underinvestment (in physical capital) which will depress real activity and lead to unemployment, because increasing demand for such assets will not be met by increasing supply, and it generates Say's Law being violated. Therefore fluctuations in the demand for different durable assets will create the basis for inherence of business cycle to the any decentralized economies using long-lived real capital equipment and non-productive assets (Rozmainsky, 2010a). It is clear that understanding of choice among durable assets is the necessary condition for understanding of macrodynamics of described economies.

The only school of economic thought which explores it is Post Keynesian Economics. This school indeed emphasizes agents' choice among durable assets, as it follows from Keynes (1936, ch. 17) and famous Post Keynesians themselves (Davidson, 1969, 1972; Minsky, 1975; Chick, 1983; Carvalho, 1992; see also Rozmainsky, 2010a). Increase of demand for non-productive assets really generates recession and unemployment (Davidson, 1972; Carvalho, 1992). But why non-productive items can be attractive?

The explanation of it is concerned with more than famous concept of *liquidity preference*, put forward by Keynes in his *magnum opus* (1936). Broadly speaking, Keynes himself treated liquidity preference as the demand for the most liquid asset in the economy — money. But his modern followers (Wray, 1990, 1992; Dequech, 2000a) treat this concept as the demand for highly-liquid assets rather than non-liquid ones. Due to such treatment we can take various spectra of money substitutes and other liquid assets into account.

As a rule, *non-productive assets are liquid, in contrast to productive ones.* Money and bonds are rather more liquid than plant and equipment. Agents often want to have liquidity. Firstly, due to liquid assets agents can postpone decision, "to wait for an opportunity" (Dequech, 2000a). Secondly, owing to possession of liquid assets their owners can fulfill contractual obligations when current and especially expected in the near-future financial inflows decrease; so "our desire to hold money as a store of value is a barometer of the degree of our distrust of our own calculations and conventions concerning the future. … The possession of money lulls our disquietude" (Keynes, 1937, p. 116; see also Davidson, 1972; Dequech, 1999, 2000a). It is a very famous precautionary motive. Thirdly, liquidity preference can take place when liquid assets' holding gives possibility to "beat the market". It is a speculative motive (Keynes, 1936). Thus, because of these different motives, and first of all due to precautionary motive, agents can prefer highly liquid non-productive assets, and such choice does the harm for the economy. The precautionary motive can be considered as the reverse side of law animal spirits in the situation of high degree of fundamental uncertainty. "Paraphrasing Keynes, one could say that liquidity preference has to do with an urge for inaction, rather than action" (Dequech, 1999, p. 426).

It is clear also that liquidity preference alone does not depress real economy. Each and every agent holds some stock of liquid assets independently from three above-mentioned motives. Such holding is not dangerous for real economy and can be explained, for instance, by means of so-called diversification motive (Gurley and Shaw, 1955). Only *high* or *increasing* liquidity preference generates recessions and depressions accompanied by underinvestment. And the main cause for it, as I just mentioned above, is low (or decreasing) animal spirits, i. e. high or increasing "degree of disquietude" of agents. This disquietude often interacts with macroeconomic conditions. So high (or increasing) liquidity preference can be viewed as a macroeconomic phenomenon and also as the main reason for downward phases of business cycles.

In short, shifts across the spectrum of productive and non-productive durable assets are explained rather satisfactorily by Post Keynesian Economics. This explanation is provided on the foundation of liquidity preference concept. Due to three main reasons, first and foremost due to precautionary motive, agents strive for highly liquid assets which are very often non-productive. It leads to business cycles in general and to heavy recessions and depressions accompanied by underinvestment in particular. All other schools of economic thought are defective because they have no such mode of explanation of "non-tranquil" dynamics of market industrial and other decentralized economies.

There are, however, other treatments of underinvestment which are present in mainstream economics (Miles, 1995; Dickerson et al., 1995; Cuthbertson et al., 1997; Satchell and Damant, 1995). Underinvestment can be concerned with *short-termism*, which is usually defined as the pessimistic under-weighting of expected future returns and/or the excessive discounting of expected future returns" (Juniper, 2000). It is clear that so defined short-termism leads to refusal from realization of some investment projects. Furthermore, as Juniper (2000) has pointed out, short-termism favors strategies of labor-shedding and asset-stripping instead of strategies of skills formation and asset-renewal (this aspect will be explored below).

The very important point is that all analysis of short-termism encompasses only equity market. Usually short-termism is explained through an exploration of relationships between shareholders and managers (for instance, see Dickerson et al., 1995). Moreover, short-termism as the behavioral feature regards only these types of economic agents. The main reason for it is turnover on managerial or shareholder side (Dickerson et al., 1995; Juniper, 2000).

Short-termism can be represented in more extreme form, although this form is often treated as a something which differs from short-termism itself. I imply investor myopia which means that agents evaluate consequences of their decisions only over short-time horizon (Juniper, 2000). I believe that investor myopia is both really powerful cause of underinvestment and important determinant of portfolio (and real investment) decisions (Rozmainsky, 2010b, pp. 35 — 36). Therefore it matters. But unlike liquidity preference, investor myopia is not concerned with cyclical fluctuations of macroeconomic activity. This myopia can be treated as the special institutional barrier to economic growth. Unfortunately, there are neither consistent theory of short-termism nor satisfactory analysis of investor myopia (as the most radical and important form of short-termism). The latter is almost completely unexplored phenomenon.

The goal of this paper is to develop coherent theory of investor myopia as the very important barrier to economic growth in most countries with transition and developing economies. I suppose that it can be realized through inclusion of investor myopia into Post Keynesian Economics, because it is this school that focuses upon choice among durable assets and the leading role of fixed capital investment in the long-run economic development. More exactly, I will prove that investor myopia can be treated as a phenomenon which is complementary to liquidity preference. The latter is by no means substitute for the former. Both these phenomena are both reaction on high degree of fundamental uncertainty and reasons for low and/or decreasing fixed capital investment and related issues. But there are also serious differences between these two concepts, and these differences will be explored in this paper.

Therefore, the absence of investor myopia in Post Keynesian Economics is the serious gap in this rather systematic approach (Chick, 1995). On the other hand, no other approaches can give satisfactory theory of investor myopia. The point is that all other competing approaches do not focus upon choice among durable assets; but otherwise realistic analysis of investor myopia is impossible, because this phenomenon affects first and foremost mentioned choice.

One of differences (explored in detail below) between investor myopia and liquidity preference regards the above mentioned second case for a statement about enormous role of durable assets. This second case is that some such assets are concerned with technical progress, but other assets are not. I think that liquidity preference usually does not influence on choice among these types of assets (it affects only on above-described choice among illiquid productive and liquid non-productive items), unlike investor myopia. The latter can lead to long-run adverse path of economic development. This adversity is concerned with that agents choose those real investments which do not lead to technical progress and innovations' diffusion.

But firstly there is a necessity to give more rich definition of investor myopia, and to discuss the basic forms of this phenomenon. I will make it in the following Section 1. After, in the Section 2, I will illustrate basic differences between investor myopia and liquidity preference. In particular, I will show that the former can be rather more dangerous for the real economy than the latter. Then, in the Section 3, I will turn to the analysis of fundamental factors generating investor myopia. I will demonstrate that all such factors are elements of institutional environment. The conclusive comments will be contained in the final Section 4. The main aspect of these comments is to show special role of the State in overcoming of investor myopia.

1. Investor myopia: essence and forms

As I have already mentioned, investor myopia takes place when agents evaluate consequences of their decisions only over short-time horizon (Juniper, 2000). At that, investor myopia is usually treated as a phenomenon confined to the equity market (Juniper, 2000). It seems to me that it is necessary to exceed the bounds of equity market in order to provide full analysis of this phenomenon.

The point is that choice among durable assets is rather more expanded event than some decision regarding equity market. Acquisition of fixed (and also human or health) capital, different non-equity speculations, various illegal activity — all these things can be both type of choice of durable assets and transactions beyond equity market. Investor myopia can exist whenever decision about purchase of durable asset(s) should be made. And always investor myopia shows itself to be a shift toward assets bearing short-term income across the whole spectrum of durable assets. Therefore investor myopia affects not only structure of stock market and choice between asset-renewal and asset-stripping (Juniper, 2000). This phenomenon can determine ratios between productive and mediatory activities, between skills formation and skills erosion, between health promotion and health loss, between technical-progress-inducing industries and other ones, between legal and illegal activities, and so on. Now I will give more detailed consideration of these “incarnations” of investor myopia.

a) *The choice between productive and non-productive activities.* In any economy there is some ratio between these types of activity. Other things being equal, productive activity bears income in more distant future than non-productive — mediatory and speculative — one. For instance, successful speculation can utterly enrich agent for the day unlike any agricultural or industrial production. Here investor myopia embodies in the form of shift to trade and speculations. It is clear that such shift seriously distorts sectoral structure of the economy and leads to fall in productivity and technological degradation. It had been a scourge of many former socialist countries in the beginning of their transition to the market economic systems in the turn of the 1990s. Some countries like Russia and Ukraine up to now suffer from this economic disease and therefore are faced with the barriers to growth. The same problems grip some developing countries of Africa and Asia.

b) *The choice between accumulation of human capital and erosion of skills.* A role of investor myopia (more exactly, a role of short-termism as the excessive discounting of expected future returns) as the barrier to “skills formation” was mentioned in the literature (Juniper, 2000). But this aspect needs to be explored in detail. In order to accumulate human capital people should have long-term horizon planning, because more high skills generate gains only in the distant future. Diffusion of investor myopia among agents can lead to the erosion of skills, when people begin to make occupational choice in favor of activities which do not require high skills. The examples are jobs for common labor and various mediatory activities. Such shifts together with brain drain had contributed to technological degradation in many transitional economies in the beginning of the 1990s. The same problem is relevant for many post-transitional countries now.

c) *The choice between accumulation of health capital and health loss.* This aspect, unfortunately, is totally ignored in economic analysis. In general, “health can be viewed as a durable capital stock that produces an output of healthy time” (Grossman, 1972, p. 223). In other words, health capital is the factor which increases period of use of human capital. The problem is that health investment can generate significant only in very distant future. Therefore investor myopia destroys inducements to invest in health capital. Moreover, people characterized by such myopia often make choice which leads to health loss. I imply increasind demand for alcohol and drugs, and also just “unhealthy way of life”. Agents do not believe in (distant) future and not care about their health. As a result, health capital decreases. It adversely affects both life expectancy and economic development. The examples are Russia, Ukraine and some other post-transitional countries.

d) *The choice between technical-progress-inducing industries and other ones.* Broadly speaking, any investments can contribute to technical progress. Such assumption is valid in any very abstract growth model (Palley, 1996). But if we make more detailed analysis then the conclusion must be made that some investments foster strongly technical progress, other investments are not. Usually embodiment of technical improvements is not only complex but also long process. Therefore investments concerned with such embodiment bear profit more lately than other ones. Put differently, expansion of potentially technically-progressive industries is possible only when agents have long-term planning horizon. On the contrary, when agents evaluate their future performance only over short-time horizon, such industries cannot develop, and new inventions cannot be embodied. It is the serious issue of many countries with developing and post-transitional economies.

e) *The choice between legal and illegal activities.* The existence of more or less significant illegal sector in all developed, post-transitional and developing economies is at the present time not secret for economists. But causes of agents’ choice of illegal business, determinants of dynamics and structure of this sector, and also consequences of its expansion are up to now not satisfactorily explored. It is serious lacuna in modern economics. It seems to me that one of the most promising modes to fill it is use of concept of investor myopia. The point is that activity within the framework of illegal sector is almost always short-term (Oleynik, 2000, ch. 6). The point is that illegal business implies activity under conditions of high likelihood of applying legal sanctions by the State. Therefore participants of illegal sector are guided by only short-term outcomes. It means that when some agent tries to choose between legal and illegal activities, if his (or her) behavior is characterized by investor myopia, then he (or she) will make decision in favor of "shadow economy". That is why rapid growth of illegal sector in almost all countries with transition economies (especially in Russia and Ukraine) should not be surprising.

These are main forms of "embodiment" of investor myopia. In short, entrepreneurs with investor myopia aspire to make money (a) by means of trade or various (stock, forex, real estate) speculation, (b) in the industries bearing quick income, or (c) within the framework of illegal sector. Workers (employees) with investor myopia do not accumulate their human/health capital and rush for unskilled occupations, including activity within the framework of three just mentioned "spheres". The consequences regarding shareholders and other participants of financial markets were already explored (Dickerson et al, 1995; Juniper, 2000), and I will not touch upon this issue.

It is clear that effects of diffusion of investor myopia are both adverse and somewhat similar to effects of increase in liquidity preference. Time to compare in detail investor myopia with liquidity preference has come.

2. The principal differences between investor myopia and liquidity preference

As I already noted both investor myopia and liquidity preferences are reactions to high degree of fundamental uncertainty and affect — adversely for the real economy — choice among durable assets. But there are principal (and interconnected) differences between two these concepts, and because of it they should not be substitutes.

First of all, these phenomena relate to different time "runs". Increasing liquidity preference is short-run phenomenon. It emerges in response to negative changes in macroeconomic conditions or adverse alterations in a state of "animal spirits" (Keynes, 1936; Dequech, 1999, 2000a). Increase in liquidity preference both generates and is generated by macroeconomic recessions. Therefore growing preference for liquidity can be treated as both cause and effect of cyclical fluctuations of macroeconomic activity. That is why liquidity preference concept is an integral part of any realistic theory of business cycles.

Investor myopia, on the other hand, relates to long-run, as it follows from the above consideration. Investor myopia changes fundamental decisions determining sectoral and occupational structure of the economy. Such decisions are more irrevocable than decisions which depend on a state of macroeconomic conditions. So investor myopia, unlike liquidity preference, affects such "long-run problems" as economic growth, structural dynamics and technical progress.

Furthermore, increasing and/or high liquidity preference by its nature cannot be long-run phenomenon! Why? Because often increasing and high demand for highly liquid assets is not concerned with getting profit. The objective of agent who becomes more liquid is survival (at least, if his liquidity preference is conditioned by precautionary motive). But such behavioral strategy, at least, if this strategy is one of any entrepreneur, cannot continue for a long time. When agents start business, they do it on order to make — big or even "maximal" — money. To be in business only for the sake of survival makes no sense at all. If some business allows only to survive then the best decision is to exit (under condition, of course, if this business is not concerned with some social or other non-economic objectives, see Arlacchi, 1986; Boltanski et Th?venot, 1991). That is why I cannot fully agree with Grahl (1988) who treats increase in liquidity preference as a cause of lengthy productivity decline in the 1970-80s in the Western countries (although this point of view is interesting).

Investor myopia, on the contrary, does not preclude striving for big (if not maximal) profit. Therefore it can remain anyhow long. So investor myopia not only affects more long-term decisions than liquidity preference, but it by its nature is more long-term phenomenon. Put differently, liquidity preference, according to above definition of Dequech (1999), is "an urge for inaction". Then investor myopia can be defined as "an urge for action bearing only short-term outcomes".

Here the paper comes to the very important note. The main difference between these two concepts can be expressed in the following way. Increase in liquidity preference is a special *behavioral reaction*. It is a sensible (Davidson, 1991, 1996) reaction on changes in macroeconomic conditions and different psychological moods and emotions embodied in "animal spirits". High and/or increasing liquidity preference cannot be considered as something rooted in the human nature. Investor myopia, on the contrary, should be treated as a special *behavioral norm*. Naturally, it is not completely exogenous, as I will show below. But it often becomes deeply rooted in the human behavior. Therefore investor myopia cannot be eliminated by favorable changes in macroeconomic conditions or by increase in spontaneous optimism. If liquidity preference can be described as a *macroeconomic phenomenon*, then investor myopia as a behavioral norm can be treated as *institutional phenomenon*. It means that investor myopia problem exceeds the limits of purely macroeconomic analysis. In order to fully comprehend this problem it is necessary to take institutional factors into account. As *institutional phenomenon* and *behavioral norm*, investor myopia should be considered in connection with main elements of institutional environment. I suppose that this phenomenon is determined by some important both formal and informal institutions. So theory of investor myopia becomes new addition to the analysis of institutional boundaries to economic growth (North, 1990).

3. The main institutional causes of investor myopia

The importance of institutions, as is well known, is to reduce degree of uncertainty. This statement is shared not only by the Post Keynesians (Davidson, 1972, 1988, 1991; Dequech, 2000b; see also Rozmainsky, 2010a), but also by the New Institutionalists (North, 1990; 1991, 1995; Eggertsson, 1990). This goal can be attained by both types of institutions. I mean formal and informal “rules of games”.

The most important formal institution which decreases uncertainty is the law of contracts. The point is that legal forward contracts are to assure many future outcomes and flows. Thereby, such contracts reduce degree of uncertainty and give entrepreneurs possibility to determine, at least, level of future cost. Without it any long-term economic activity makes no sense. That is why some Post-Keynesians consider legal forward contracts as the most fundamental institution of market “monetary” economy (Davidson, 1972, 1988, 1991; Carvalho, 1992; see also Rozmainsky, 2010a). In particular, only forward contracts make investments with long gestation period possible. This feature as a rule characterizes fixed capital investments, including investment-embodying technical progress.

But forward contracts must be legally enforceable. Only in such case this institution will be really able to reduce uncertainty and to create foundations for any long-term economic activity, including fixed capital investment. Such legal enforcement is provided by the State. The absence of the State protection of forward contracts in the form of legal enforcement creates broad possibilities for recontracting without penalty and various violations of contractual obligations.

Broadly speaking, absolute absence of any legal enforcement of contracts means that explicit money forward contracts system cannot function. But enforcement is ordinal phenomenon. It can have different degrees. Thus, degree of uncertainty surrounding economic agents is a positive function of degree of legal contracts enforcement provided by the State. So, bad performance of the State in this sphere can increase degree of uncertainty.

It is clear that the most of fixed capital investment cannot be realized without complex and sophisticated system of forward contracts. The low degree of legal enforcement of contracts, other things being equal, decreases general amount of forward contracts; hence, it leads to agents’ refusal from some long gestation period real investment projects.

It is also clear that all these aspects are relevant to investor myopia problem. The great difficulties concerned with legal forward contracting impede to assure future costs and other important economic variables. Therefore evaluation of too distant performance becomes senseless. Hence investor myopia takes place. Agents begin to confine themselves only to short-term planning horizon. Only improvement of performance of the State in this sphere is able to solve investor myopia problem. It means that the more role of long gestation period investment in the economy, the better legal enforcement must be. Bad enforcement leads to adverse changes in both volume and structure of real investment and also to technological degradation. Here there is very important institutional barrier to economic growth.

Another relevant institutional factor is concerned with informal institutions. I imply here first and foremost “a style of relations” between agents. This style is determined mainly by the “degree of pursuit of self-interest” by separate agents. The high degree of such pursuit means opportunism (Williamson, 1985; Dunn, 2000).

The phenomenon was extensively analyzed by Williamson and some other New Institutionalists. But this analysis had almost exclusively microeconomic character. However opportunism should be considered also as an important factor influencing long-run macroeconomic variables.

The point is that opportunism always means low degree of mutual trust between agents, when each agent has low propensity to form any links with other agents. Therefore quantity of contracts in a society with high opportunism is less than quantity of ones in a society with low opportunism or without it. It is clear that opportunism negatively affects both investment activity and inducement to work (and to innovate). Needless to say, any complex and lengthy economic activity implies both links with different sides and confidence in predictability (and honesty) of their actions.

Increase in the degree of opportunism can be described through tools of standard macroeconomic analysis as a leftward shift in the aggregate supply curve, because this phenomenon acts as a strong disincentives to work, to invest etc. Producers will supply the same amount of real output only for higher prices. Here we can see that opportunism is both high institutional barrier to growth and cause of cost inflation. For example, accelerated inflation in all transition economies in the beginning of the 1990s can be explained, in particular, as an effect of increased degree of opportunism.

For our analysis it is important that increasing opportunism narrows planning horizon. If agents do not trust each other they will not put into practice of any lengthy (and complex) activities. Increased opportunism instills psychology of participants of illegal sector in "ordinary" people. They begin to strive for short-term gains. The calculations of long-term outcomes become an exception.

So absence or low degree of opportunism is not less important condition for high level of real investment than legal enforcement of forward contracts. Although, broadly speaking, high opportunism can be an effect of failure of the State as "a legal protector" of contracts. The point is that inability or reluctance of the State to enforce legally contracts induces people to behave in an opportunistic manner.

But high opportunism is not dependent entirely on contracts enforcement. Perhaps, the main cause of opportunism is rooted in a sphere of moral norms. If people do not follow moral norms or if these norms themselves have been degraded, that high opportunism is inevitable. Naturally, I cannot completely reject dependency of this sphere on described enforcement of contracts. But if this dependency exists that it is weak. Moral sphere, first of all, is determined by cultural and religious factors of a society (including an influence of the State on these factors, as I will show in the next Section).

It is likely that defects of institutional environment in the forms of failure of the State — as the body enforcing legally contracts — and high opportunism are the both main institutional "diseases" of many countries beyond nations with industrially developed economies and fundamental causes of myopia-induced chronic underinvestment in these countries.

The described factors are not only causes of investor myopia. Other elements of institutional environment can also affect planning horizon of agents, for instance, rules determining rights and duties of different agents. Such rules are both significant element of institutional environment and goal of rent-seeking activity. By the way, it means that degree of competition can be also treated as an element of institutional environment. The point is that extremely fierce competition impedes too long-term calculations owing to unpredictability which is inherent to such competition. But, on the other hand, highly monopolized environment is also inconsistent with long planning horizon of agents because perception of "monopolistic protectability" discourages any complex and time-consuming kinds of activity. Broadly speaking, such aspects should be elaborated more seriously.

But nevertheless these aspects do not abolish the statement that the main reasons for investor myopia are both absence of clear legal enforcement of forward contracts and high degree of opportunism. Indeed it means that a question about a role of the State must be analyzed in detail.

4. Conclusion: the State and investor myopia

The main practical conclusion of this paper is rather Keynesian: an improvement of "state of affairs" is "in hands of the State". As the above analysis has showed, collapse of fixed capital investment and/or chronic underinvestment can be an effect of inability or reluctance of the State to fulfil its main institutional function which is a legal enforcement of contracts. Only "protectability" of contracts provides some "acceptable" level of agents' confidence in the long-term future and creates necessary prerequisites for realization of complex and lengthy investment projects.

But opportunism can also be a consequence of the "government failure". The point is that the State can mould and change public ideology (PI) which can be defined as the system of social goals, preferences and values influencing on individuals' objectives and values. PI both affects and is affected by informal institutions. Moreover, broadly speaking, PI can be treated as a special element of informal part of institutional environment.

In described case the following idea is important. The propensity to behave in an opportunistic manner depends, in particular, on PI. Some PIs can taboo opportunistic behavior, whereas other PIs can encourage it. The example of the former type of PIs is the systems of social goals, preferences and values in the Protestant Western countries at the earliest stage of Western capitalism development (Weber, 1965). Honest behavior and strict observance of contractual obligations have been unshakable principles of the Protestant ethic. That is why violations of obligations in Anglo-Saxon and Scandinavian countries (centers of Protestantism) are rare in comparison with all other countries and regions of the world.

The example of the latter type of PIs is ideologies in many transitional/post-transitional countries in the 1990s and 2000s, such as Russia, Ukraine etc. In each of these countries at the beginning of 1990s the State — mainly through mass media — had become to implant ideology of immediate enrichment and conspicuous consumption instead of communistic system of goals, preferences and values. In the course of this "implantation" the most of moral rules common to all mankind were declared as old-fashioned ones. Honest and (all the more) self-sacrificing work had become socially disregarded and disdained. So the State had compelled people to be more selfish and money-grubbing. Moreover, implantation of this new PI had opened broad ways for various illegal activities. Naturally, opportunism had quickly become to transform from occasional phenomenon to behavioral norm. Often people enriched with the violations of formal rules have obtained public recognition (in mass media etc).

It is clear that new "transitional" PI has strongly narrowed investor myopia in considered countries. Such ideology of immediate enrichment and "luxury life" has been inconsistent with purpose of steady economic growth induced by rapid technical progress. Such purpose is unattainable when the most investors are characterized by myopia. I believe, that implantation of such PI is one of the most important reasons for transformational recession in many transition economies. And one of the most strong means for providing high rate of growth is a creation of new PIs which encourage honest (and perhaps even ascetic) behavior.

In closing, both investor myopia and high liquidity preferences are phenomena concerned with choice among durable assets; and both these phenomena very negatively affect real economy. Furthermore, overcoming of investor myopia — as well as deliverance from extremely high liquidity preference — is "in hands of the State". High liquidity preference can be eliminated by expansionary fiscal and monetary policy of the State. Investor myopia can be eliminated by both clear enforcement of private contracts and active struggle with opportunism. It is the State that is responsible for both these "policies". In short, investor myopia can be treated as a consequence of the "weak State", which cannot mould institutional environment consistent with market economy characterized by high allocative efficiency and successful macroeconomic performance. That is why it seems to me that described "theory of investor myopia" can shed new light upon fundamental economic problems of post-transitional and developing countries.

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Rozmainsky I. V. Investor Myopia and Liquidity Preference as the Complementary Concepts

The paper contains attempt to develop coherent theory of investor myopia, which takes place when agents do not take long-term outcomes of their activity into account. Investor myopia is treated as a concept which is complementary to liquidity preference: both can lead to underinvestment. But, at the same time, the former is more long-run phenomenon which is concerned with serious defects of institutional environment. The main practical conclusion is that the State is responsible for overcoming of investor myopia. This phenomenon can be considered as the key to many fundamental economic problems of developing and post-transitional economies.

Key words: investor myopia; liquidity preference; institutional environment; forward contracts; opportunism, the state.

Розмаїнський І. В. Інвестиційна короткозорість і перевага ліквідності як взаємодоповнювальні поняття.

Стаття є спробою розробки цілісної теорії інвестиційної короткозорості, що існує, коли агенти не враховують довгострокові наслідки своїх дій. Інвестиційна короткозорість трактується як поняття, що доповнює перевагу ліквідності: обидва феномени породжують низький рівень інвестицій. Але, при цьому, інвестиційна короткозорість, на відміну від переваги ліквідності, є більш довготривалим явищем, пов'язаним з серйозними вадами інституційного середовища. Основний практичний висновок полягає в тому, що за подолання інвестиційної короткозорості є відповідальною держава. Позбавлення від інвестиційної короткозорості може допомогти у вирішенні багатьох фундаментальних економічних проблем країн, що розвиваються, і постперехідних країн.

Ключові слова: інвестиційна короткозорість, перевага ліквідності, інституційне середовище, форвардні контракти, опортунізм, держава.

Розмаинский И. В. Инвестиционная близорукость и предпочтение ликвидности как взаимодополняющие понятия

Статья содержит попытку разработки целостной теории инвестиционной близорукости, имеющей место, когда агенты не учитывают долгосрочные последствия своих действий. Инвестиционная близорукость трактуется как понятие, дополняющее предпочтение ликвидности: оба феномена порождают низкий уровень инвестиций. Но, при этом, инвестиционная близорукость, в отличие от предпочтения ликвидности, является более долгосрочным явлением, связанным с серьезными изъянами институциональной среды. Основной практический вывод состоит в том, что за преодоление инвестиционной близорукости несет ответственность государство. Избавление от инвестиционной близорукости может помочь в решении многих фундаментальных экономических проблем развивающихся и постпереходных стран.

Ключевые термины: инвестиционная близорукость, предпочтение ликвидности, институциональная среда, форвардные контракты, оппортунизм, государство.

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