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INVESTOR MYOPIA AND PERSISTENCE OF THE GLOBAL CRISIS: A POST KEYNESIAN VIEW

IVAN V. ROZMAINSKY[1]

Abstract

The main idea of the paper is that the persistence of the current global crisis can be explained by phenomenon of investor myopia. When agents exclude from the consideration values of future variables after some "threshold" time point they may refuse from investing in durable productive assets. So, investor myopia – as an extreme form of short-termism – inhibits long-run economic development and can prolong crisis.

The underlying causes of investor myopia have institutional and cultural nature and exert influence on the human behavior with time lags.

On the one hand, investor myopia is a reaction on the higher uncertainty due to ineffective institutions leading to a lack of enforcement or lack of punishment for opportunistic behavior. These aspects are very serious problem in some post-socialist countries like Russia or Ukraine. On the other hand, investor myopia is a reflection of values of economic culture emphasizing the importance of maximizing short-term financial gains and/or current consumption. It means that in the developed countries investor myopia can be a product of both evolution of money manager capitalism (including financialisation) and dynamics of mass consumption society. Therefore prolonged crises are, perhaps, the inherent features of the modern capitalistic societies characterized by the dominance of financial markets (where institutional investors rule the roost) and values of consumptive society.

***Keywords**: investor myopia, short-termism, crisis, liquidity preference, Post Keynesian economics, money manager capitalism.*

JEL classification: B50; B59; E12; E20; P10; P19; P20; P29;
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1. INTRODUCTION

The current global crisis is seems to be a rather persistent. It is hardly a consequence of some exogenous shock. The crisis itself and its endurance are likely to be generated by the systemic features of the modern capitalism. These features, in turn, are, perhaps, concerned with the both institutional and cultural practices.

I suppose that the fundamental issue is how people value the future and discount it. This sentence has been inspired the Post Keynesian emphasis on the role of choice between durable assets in the monetary economy. Post Keynesian approach indicates that cyclical crisis can often be induced by both high and rising liquidity preference. As it known, this concept was invented by Keynes and developed by the Post Keynesians. This approach says that liquidity preference leads to the higher demand for liquid *and non-productive* assets (as a rule, productive assets are non-liquid!). As a result, demand for productive assets decreases (Davidson, 1972; Carvalho, 1992), the real economy sinks into the whirlpool of depression.

[1] National Research University – Higher School of Economics, Saint-Petersburg, irozmain@yandex.ru

My idea is to supplement this conception by the theory of investor myopia which means – in the first approximation – exclusion from the consideration values of future variables after some "threshold" time point. Investor myopia – like liquidity preference – is the reaction on fundamental uncertainty and favors displacement of productive assets by non-productive ones but is concerned with more persistent – institutional and cultural – factors. In other words, conception of investor myopia "should" take into account more persistent factors of low demand for real investment goods in the modern financial capitalist economy.

The goal of this paper is to develop coherent theory of investor myopia as the institutional and behavioral phenomenon which can be the important factor of macroeconomic crisis. 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. So, *the detailed analysis of investor myopia expands the way to integrate uncertainty into macroeconomic analysis*. 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 – as Chick (1995) wrote – rather systematic approach. On the other hand, no other approach 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 the mentioned choice

In the Section 2 I will try to give detailed treatment of investor myopia concept, and to discuss the basic forms of this phenomenon. In the Section 3 will also illustrate basic similarities and differences between investor myopia and liquidity preference. In particular, I will show that investor myopia supplements liquidity preference as a factor of crisis tendencies and that the former can be rather more dangerous for the real economy than the latter. Then, in the Section 4 I will turn to the analysis of institutional factors generating investor myopia. I believe that such factors as bad enforcement of legal forward contracts and high level of opportunism can be important elements of institutional environment in the developing and post-socialist countries and produce investor myopia. That is why in some underdeveloped countries the current crisis is very deep and persistent. However, the importance of investor myopia in the developed countries with capitalist economy is concerned with cultural factors. I imply some elements of "money manager capitalism", and also norms of "mass consumption society". These aspects of financial and consumptive culture can make – via investor myopia – the current crisis persistent. It will be discussed in the Section 5 devoted to the cultural roots of investor myopia. The conclusive comments will be presented in the final Section 6.

2. INVESTOR MYOPIA: BASIC IDEAS

The initial idea is that the current crisis is linked with the similar phenomenon which is investor myopia. What does it mean?

I would like to start from mentioning *short-termism*, which in *mainstream economics* 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.

The very important point is that all mainstream analysis of short-termism encompasses only equity market (Miles, 1995). 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).

But 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). In other words, *investor myopia implies that agents exclude from the consideration values of future variables after some "threshold" time point.* I believe that investor myopia is both really powerful cause of underinvestment and important determinant of portfolio (and real investment) decisions (Rozmainsky, 2010, pp. 35 – 36). Therefore it matters. But investor myopia can be rooted in the institutions of the economy and therefore, treated as the special institutional factor of crisis. Unfortunately, there is no consistent theory of investor myopia as the most radical and important form of short-termism. In order to construct such theory, it is necessary to reject treatment of both short-termism and investor myopia 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 (of course, it also can sometimes lead to a shift toward capital goods with higher expected returns in the periods that are closer to the present, in comparison to other capital goods, but this aspect cannot seriously change our main arguments). 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 (Rozmainsky, 2011). The most essential ratio is the first one.

In any economy there is some ratio between production and non-production activities. 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. So, investor myopia can embody in the form of shift to trade, finance and various speculations. It is clear that such shift can generate crisis tendencies, leads to fall in productivity, and also seriously distorts structure of the economy.

In general, entrepreneurs with investor myopia aspire to make money (a) by means of trade or various (stock, foreign exchange, 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 can be also noted that investor myopia can generate persistence propensity to hold *surrogate stores of value* (Grahl 1988). These items are non-productive assets which do not perform function of means of payment, but serve as the stores of value. The examples of such stores are financial assets, the Old Masters, ,precious metals, antiques, etc. The increasing demand for surrogate stores of value in conjunction with decreasing demand for real productive assets can lead to the deep and prolonged economic crisis. Surrogate stores of value can be very attractive for pessimistic or indecisive investor which wants to be liquid and/or to have short-term gains.

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

3. INVESTOR MYOPIA AND LIQUIDITY PREFERENCE: THE POST KEYNESIAN VIEW ON SIMILARITIES AND DIFFERENCES

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 important (according to the Post Keynesian tradition) 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 (although this motive is also a consequence of both increasing (and high) uncertainty aversion and rising degree of perceived uncertainty). "*Paraphrasing Keynes, one could say that liquidity preference has to do with an urge for inaction, rather than action*" (Dequech, 1999, p. 426; italics are mine).

But 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. But I think that the current crisis cannot be explained by the rising liquidity preference alone.

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 more short-run than long-run phenomenon. It emerges usually 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 should be an integral part of any realistic theory of business cycles. Of course, liquidity preference may also affect – and be affected by – long-run events like technical progress or economic development, but in the lesser degree.

Investor myopia, on the other hand, relates to the long-run, as it follows from the above consideration. Investor myopia changes fundamental decisions determining structure of the economy. Such decisions are more irrevocable than decisions which depend on a state of macroeconomic conditions. So investor myopia affects such "long-run problems" as economic growth, structural dynamics and technical progress. Furthermore, investor myopia can alter the nature of crisis and make it more deep and persistent.

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 (*at least, if we treat profit as a monetary income, and do not treat liquidity premium as a "normal" part of 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 Thévenot, 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): negative influence of increasing liquidity preference on the labor productivity cannot be very lengthy and is important when it has been intensified by radical forms of short-termism.

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 an *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 and cultural environment. In particular, I suppose that this phenomenon is determined by some important both formal and informal institutions (including culture, if we can treat cultural norms as a part of informal institutions). So theory of investor myopia becomes new addition to the analysis of institutional factors of economic crises.

4. INSTITUTIONAL ROOTS 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; Rousseas, 1998, pp. 17 - 18; Dequech, 2000b), but also by the New Institutionalists (North, 1990; 1991; Eggertsson, 1990). The Post Keynesian approach to the analysis of economic systems can be brilliantly generalized by the following sentence: "*how we try to cope with uncertainty defines the system under which we live*" (Rousseas, 1998, p. 17, italics added). This goal – dealing with uncertainty – can be attained by both formal and informal "rules of games".

According to the Post Keynesian view 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). 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 negative 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. (uncertainty increases with distance in time)

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 cause of abnormality and persistence of the current crisis in some post-socialist countries where contracts are enforced ineffectively*.

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. 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 agents 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 create new capital etc. Producers will supply the same amount of real output only for higher prices.

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 can become an exception.

So absence or low degree of opportunism can be 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. It is rather remarkable in some post-socialist countries like Russia or Ukraine.

It should be noted also that the "narrow-mindedness" of mainstream economics is to treat opportunism as the immutable feature of the human nature. As a matter of fact, opportunism is closely concerned with institutions and culture, and degree of opportunism is changeable. Some cultural norms of the modern capitalism can increase opportunism.

5. CULTURAL ROOTS OF INVESTOR MYOPIA

The point is that 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. And now, first of all, I will touch upon the problems of the developed countries.

Here I should cite the conceptions of money manager capitalism and financialization which are famous in the Post Keynesian literature. Money manager capitalism is a type of capitalist economy where money/fund managers – including pension funds, insurance companies etc – dominate the financial markets and does the influence on the macro economy (such capitalism took place since 1980s). The money managers strive for maximize the value of their assets over each short period and try to get short-term gains (Wray 2009; 2011).

Furthermore, the evolution of money manager capitalism is inextricably linked with such phenomenon as financialization which is a "process where by financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes" (Palley 2007, p. 2). This process induces corporate managers to think essentially about short-term stock price dynamics in the prejudice of long-term profitability.

The important thing is that both transition to money manager capitalism and financialization can be treated as institutional changes favoring investor myopia. When financial assets' prices' increase becomes the main goal, speculation absorbs entrepreneurship (Keynes, 1936, ch. 12). As Binswanger (1999, p. 10) noted, "financial markets attract short-horizon speculative traders as these markets allow for sequential trading". *The money manager capitalism as a modern type of capitalism is a system with informal institutions which are conducive to short-termism in radical forms.* In other words, the money manager capitalism is very conducive to investor myopia.

Financialization transforms economic culture; it stimulates opportunism and destroys moral norms based on Christianity. Money manager capitalism is capitalism with culture which is "well-disposed" to the ideals of quick and short-term enrichment almost at any costs. There can become the norm in the system where "there is a strong incentive to overstate actual earnings – by failing to recognize losses, by overvaluing losses, and through just plain fraudulent accounting" (Wray, 2011, p. 6). The natural outcome is "the rise of fraud as normal business procedure" (Wray, 2011, p. 13). But the diffusion of fraudulent activities among the businesses can be one of the ways to investor myopia. Usually f*raudulent agent does not try to look into distant future.* He or she is interested mainly in short-term outcomes. An agent engaged in fraud will be afraid to be "caught". Therefore he or she will take into account – by and large – near future.

Here the conception of *hedonistic culture* can shed light on the problem. I would like to treat such type of culture as any set of cultural norms which attach highest value to the maximal current consumption. In other words, hedonistic culture is a culture of the "mass consumption society". This is society where the main goal of human activity is high and rising current consumption level.

I suggest that the very important point is that in such society people strive for high *current* consumption. Au urge towards current consumption implies decreasing thriftiness. So, to some extent, the ethic of the Protestant sects which was the moral foundation for the Western capitalism had been suppressed in the course of the capitalist society evolution in the twentieth century. For the first time it was noted by John K. Galbraith. He wrote: "the Puritan ethic was not abandoned. It was merely overwhelmed by the massive power of modern merchandising" (Galbraith, 1958, p. 200). In turn, merchandising and consumer credit can be considered as the main institutions of the mass consumption society (Goodwin et al. 2008). Both institutions increase value of the present time relative to the future time. Advertising-influenced and indebted people become oriented (more and more) to the short-term outcomes: they discount future via high and quickly increasing rate of discount. In other words, short-termism – and investor myopia as the radical form of short-termism – can be considered as the possible results of the evolution of mass consumption society. Such society, in turn, is, perhaps, the "sociological dimension" of the modern capitalism. Moreover, I think that "money manager capitalism" and "mass consumption society" are two concepts which truly reflect two sides of the modern capitalistic economy – both aspiration for high and rising consumption level and increasing role of fund/money managers in the financial and other business. Both sides imply possible tendency to the diffusion of investor myopia.

6. CONCLUSION

The main idea of the paper is that the persistence of the current global crisis can be explained by phenomenon of investor myopia. When agents exclude from the consideration values of future variables after some "threshold" time point they may refuse from investing in durable productive assets. In other words, when agents evaluate consequences of their decisions only over short-time horizon, choice of productive assets can be displaced by choice of non-productive ones, because the majority of productive assets generate flow of incomes only in the distant future. So, investor myopia – as an extreme form of short-termism – can both generate and prolong crisis. In this respect investor myopia is similar to liquidity preference – concept invented by Keynes and developed by the Post Keynesians, - but its character is more long-standing.

The underlying causes of investor myopia – unlike liquidity preference – have institutional and cultural nature and exert influence on the human behavior with time lags; therefore it is very difficult to model it by mathematical and/or econometric methods.

On the one hand, investor myopia is a reaction on the higher uncertainty due to ineffective institutions leading to a lack of enforcement or lack of punishment for opportunistic behavior. These aspects are very serious problem in some post-socialist countries like Russia or Ukraine. On the other hand, investor myopia is a reflection of values of economic culture emphasizing the importance of maximizing short-term financial gains and/or current consumption. These factors make (perhaps, insensibly) the current gains more and more important than the future ones in agents' perception. It means that in the developed countries investor myopia can be a product of both evolution of money manager capitalism (including financialization) and dynamics of mass consumption society. Therefore prolonged crises are, perhaps, the inherent features of the modern capitalistic societies of the developed countries characterized by the dominance of financial markets (where institutional investors rule the roost) and values of consumptive society.

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