IV estimates of the link between profits and investment in the Czech Republic find a complex relationship. While firms may occasionally be credit rationed or face soft budget constraints, investments generally flow to industries with greatest profit potential or recapitalization need.

DESCRIPTORS: Financing-Policy; Capital-and-Ownership-Structure; financial-ratios; value-of-firm (G320); Socialist-Systems-and-Transitional-Economies-Factor-and-Product-Markets; Industry-Studies; Population-(Labor; Capital) (P230); Socialist-Institutions-and-Their-Transitions-Financial-Economics (P340); Firm-; Investment-; Capital-Budgeting; Investment-Policy; cost-of-capital (G310)