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Why Georgia Needs Economists

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In 2018, Georgia is celebrating the 100th anniversary of the Democratic Republic as well as 100 years of the establishment of the first university in the Caucasus, Tbilisi State University. Alongside, it was also 100 years ago, on September 13, 1918, that the first Georgian periodical, a scientific journal entitled *Georgia's Economist*, was published and which marks a particularly important event for Georgian economists. In fact, the systematic scientific-research activities of economists in Georgia begins with the publishing of this journal. Today, multiple scientific journals dedicated to the field of economics are being published in the country, including some that are incorporated into international scientific databases.

Given this background, the reader might find the title of this post somewhat peculiar; however, we believe that the actual situation in Georgia requires just this sort of analysis.

For the past ten to 15 years, Georgia has been dominated by the view that governing the country requires not economists, but managers.

In January 2013, during his meeting with experts, the Prime Minister of Georgia categorically stated that he is not interested in listening to economists, he does not require relations with them and that for him, it is much more interesting to listen to a political scientist talking about economic issues. His

attitude was also reflected in the government's economic team, as well as that of the Parliament, where professional economists are rarely appointed to positions. In today's Georgia, this problem has become even more severe – there are no places for economists within leading Cabinet (governmental) positions.

The management attitude in governing the country is not at all new in Georgia. It has its origins in the late period of Eduard Shevardnadze's presidency when the then Minister of Finance, who was a physicist by training (and who managed to retain this position in Mikheil Saakashvili's government as well and later even became Prime Minister), boasted that he was serving as a “good manager” in the Cabinet.

In all fairness, it must be pointed out that during his presidency, especially at the beginning, Eduard Shevardnadze used to invite professional economists to high political offices in his government's economic team. Most of them were from the halls of academia.

For Mikheil Saakashvili, academia was almost principally unacceptable (he even purposefully tried to destroy this field). He constructed the Cabinet mostly from people who were loyal to him and who, in most cases, were non-professionals.

The elevation of libertarian ideas to the status of government policy in Georgia during Mikheil Saakashvili's presidency is connected to the appointment of a businessman from Moscow, Kakha Bendukidze (who was a biologist by training) to the position of the Minister of Economy of Georgia. In reality, the policies implemented in Georgia at that time can be described as pseudo-Libertarianism. The ideology of Libertarianism was selected only because there were no professional economists in the government. They did not know what the real problems in the economy were. In order to hide one's lack of knowledge of economics, the easiest path is to admit that the government must not intervene in the economy. In addition, the so-called Georgian Libertarians were also ignoring the systemic violation of property rights in the country which is why Libertarianism became a dominant ideology in Georgia although in practice, [pseudo-Libertarianism](#) was established.

During Bidzina Ivanishvili's premiership, professional economists from academia once again appeared in the Government of Georgia but, unfortunately, they remain as the “Last of the Mohicans” in the team. As an achievement of this period we can consider the creation of a social-economic strategic document, entitled *Georgia 2020*. In fact, the measures put forward by this document were disregarded very quickly when the Minister of Economy, possessing the diplomas of a physician and a manager, was appointed to the position of Prime Minister, quickly replacing the aforementioned professionally sound document with a primitive *Four-Point Plan*.

Back in 1996, Nobel Prize winner in Economy, Paul Krugman, published a noteworthy brochure, entitled *A Country is Not a Company*. Unfortunately, the arguments about why a country is not a company still elude the political leadership of Georgia who continue the hiring practices of the Saakashvili period and appoint managers and not economists (including, once again, a physician) to high-level positions in the government.

The very basis of any country's development is improving the quality of the life of its population and achieving stable economic development and inclusive economic growth. As for a company, its vital

driver is increasing its profit and/or its value. This is the main difference between the criteria for assessing the goals and success of a country and a company.

This is where the difference between “public administration” and “business administration” stems from, too. It is noteworthy that in accordance with the established practices in almost all leading universities in the world, Georgian universities also train students in these two directions.

Hence, the government needs leaders who are professional governors in respective fields whilst the place for managers is in businesses and they should not have anything to do with the government.

One of the “products” of the government’s managerial vision is prioritizing [tourism](#) as a main sector for the country’s economic development and the production of [marijuana](#) (a raw material) for export. In reality, the country requires the creation and development of a [knowledge-based economy](#) as well the [industrialization of the economy](#).

Even if the government’s economic team consisted of professional economists, it is still important for the leader of the country to have a council of economic experts as an advisory body. Given the fact that there are no professional economists within the government’s economic team, the existence of such a council becomes even more important for formulating correct economic policies.

It is a well-known fact that the President of the United States, Harry Truman, created [the Council of Economic Advisors](#) back in 1946. This council consisted and still consists of famous economists from the halls of academia and continues to deliver professional advice to the president on issues pertaining to the country’s economy.

Many might not know that on a distant autumn in 1920, the government of the Democratic Republic of Georgia prepared a unique document entitled *Statute of the Republic’s High Economic Council*. Unfortunately, Georgia’s government was unable to implement this document due to the Russian occupation of February 23, 1921.

Head of the Georgian state, Eduard Shevardnadze, created an economic council in 1993; however, the Georgian model was far from being perfect as apart from professional economists, it also included the ministers of the government’s economic team. Hence, the council had more of a political character than a professional one.

In 2005, President Mikheil Saakashvili also created this type of council which consisted solely of professional economists. Unfortunately, the council held only one session in March 2005 and for the rest of his presidential term, Saakashvili, who was the chairman of the council, never convened it or tasked it with anything again although he did not abolish it either.

The Georgian Dream came to power after the 2012 parliamentary elections. [At the end of 2013, they created an economic council as an advisory body to the Prime Minister](#). It is noteworthy that the Council consisted solely of leading officials from the government and not even a single place for economists from academia was allocated there. On the anniversary of the creation of the council, [its statute was updated](#) but it still does not include any economists from academia.

The function of this type of council is unjustified due to its members who, as government officials, are already at the disposal of the Prime Minister and, therefore, this affords him no opportunity for learning about differing opinions, let alone alternative options.

In order for the country's economic policy to be successful, it needs to be formulated by a team of professional economists (not managers) employed by the government and the Prime Minister, who has extensive powers in Georgia as the country is a parliamentary republic, and, therefore, the Prime Minister must be given the opportunity to get independent counsel from professional economists from academia. In order to do this, it would be advisable to share the US experience and create a council of economic advisors consisting of professional economists.