

Economics

Pseudo-Libertarianism in Post-Revolutionary Georgia

Vladimer Papava* and Tamar Taphladze**

* Academy Member, Faculty of Economics and Business and Paata Gugushvili Institute of Economics of Ivane Javakhishvili Tbilisi State University

**Paata Gugushvili Institute of Economics of Ivane Javakhishvili Tbilisi State University

ABSTRACT. The reforms in Georgia after the Rose Revolution of November 2003 were referred to be as libertarian at the international level. This opinion was supported by the fact that most of the licenses and permits necessary to start a business were abolished. At the same time, the Government of Georgia regularly violated property rights and the judicial system was directly under the control of the Prosecutor's Office. Georgian libertarians differ from true libertarians, because for Georgians libertarianism was not a choice based on knowledge and understanding of economics. Quite the contrary, it was a mask for them to cover an absence of economic knowledge. © 2015 Bull. Georg. Natl. Acad. Sci.

Key words: *libertarianism, neo-bolshevism, Georgia, Rose Revolution, EU, DCFTA.*

After the Rose Revolution in November 2003, Georgia underwent large-scale transformations [1-3]. The reforms became targeted to a significant extent in spring of 2004, when the Russian tycoon of Georgian origin, Kakha Bendukidze, was invited to work for the Government of Georgia. As the Director-General of the Holding of the Unified Machinery Plants (Ob'yediniyonnye mashinostroitel'nye zavody), he was quite closely connected to the Putin regime, if we take into account that the plants that comprised the holding were building complex machinery, including equipment for producing atomic energetics (for example, [4]).

Mr. Bendukidze was famous for making libertarian statements that created a predisposition towards the economic reforms carried out beginning with 2003

in Georgia [5, 6]. These reforms were referred to as libertarian at the international level (for example, [7]). This opinion was supported by the facts that most of the licenses and permits necessary to start a business were abolished and application rules were simplified for the remaining ones. Additionally, the system for issuing various types of documents by state agencies was significantly simplified, and tax burden was alleviated [8, p. 46-49]. These types of reforms made Georgia a leader in reforms according to the World Bank's famous Doing Business rankings [9]. However, Georgia's economic growth was falling behind her neighboring country, Armenia, which was headed by her non-libertarian government. (One of Georgia's other neighbors, Azerbaijan, experienced economic growth primarily through increased oil and

gas extraction and exports. Thus, her economic growth is unsuitable for comparison.) Specifically, according to the World Bank data, Georgia and Armenia had nearly-equal GDP per capita in 2002 and 2003, while in 2011 this indicator in Georgia was only 94% of Armenia's GDP per capita [10].

In parallel to conducting these reforms, the Government of Georgia regularly violated property rights [11] and human rights in general [12-14], and was not even shy away from making entrepreneurs some part of their profits to extra-budgetary funds (certainly it did not apply to the businesses closely associated with government members) [15] and the judicial system was directly under the control of the Prosecutor's Office, which was disclosed by a number of international and local observers [16]. Unfortunately, the so-called, libertarians in the government neither expressed any protest nor made any comments on these very non-libertarian facts (actually, they are more closely characterized as neo-bolsheviks [17]) [18, p. 13].

As a rule, it is not surprising at all that a human being is a libertarian for herself/himself, because she/he does not want others to interfere in her/his business or to restrict her/his rights in any way. A true libertarian is a person who is a libertarian for the sake of others, and as a result is a libertarian in general.

A major peculiarity of the Georgian model of libertarianism created by Mr. Bendukidze is her key principle: "Libertarianism is only for one's own business."

Like their leader, most of the team members recruited by Mr. Bendukidze did not have an academic background in economics. Without knowing economics, it was easier for them to share libertarian views; when one does not know about or understand market failures and the challenges of overcoming them, it is very easy to view a minimum of state interference as the only valid principle.

Thus, Georgian libertarians differ from true libertarians (for example, [19]), because for Georgians libertarianism was not a choice based on knowledge and understanding of economics. Quite the contrary,

for them it was a mask to cover an absence of economic knowledge.

In 2005 at the initiative of the Georgian libertarians, the anti-monopoly law of Georgia was abolished. Later, in the fall of 2007, President Saakashvili tasked the Ministry of Interior, which in Georgia comprises the Police, Security and Boarder Guard Offices, to provide anti-monopoly regulation of monopolistic markets of salt and sugar. The pseudo-libertarians did not express any protest. They maintained silence in 2006 when Russia banned the importation of Georgian agricultural products and President Saakashvili tasked the Minister of Defense to identify potential international markets for Georgian wine. As a result, the Department of Wine Export was established within the Ministry of Defense. Unfortunately, there are more than a few similar examples [17, p. 10-13].

To sign the Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union (EU) Georgia was required to meet the conditions imposed by Brussels (adoption of anti-monopoly, food safety and labor laws) – the Georgian libertarians delayed it for as long as they could [8, p. 94]. President Saakashvili's favorite appeal was the "Singapore-ization" of Georgia [20]. Thus, Georgia did not meet a major part of the EU requirements and did not sign the Association Agreement, which includes the DCFTA, in June 2014 [21] after Saakashvili's National Movement and its leader were no longer in power.

The Georgian libertarians were not against entry of Russian state assets in Georgia and they by all means even facilitated it [8, p. 53-55]. The most illustrative example was the purchase of control stock of one of the Georgian privatized banks by the Russian state owned bank VTB in 2005 (leading to the nationalization of a private Georgian bank by Russia), or the sale of two hydro power plants to a Russian public company "Inter RAO" after the Russia-Georgia 2008 August war. The Georgian libertarians initiative to sell a gas header pipeline, built during the Communist period (which runs from Russia crossing Georgia and passes through Armenia), to Gazprom was

prevented by the Americans in 2006.

Unfortunately, Georgia can serve as a strong example for, the so-called, Pseudo-Libertarian era. Finally, in order to receive relevant advice on conducting economic reforms for continuation of rap-

prochement with the EU it is not necessary to “reinvent the wheel.” For this purpose it is necessary to cooperate closely with the IMF, the World Bank, and, more important, to share and utilize the recommendations from Brussels.

ეკონომიკა

ფსევდოლიბერტარიანიზმი პოსტრევოლუციურ საქართველოში

ვ. პაპავა*, თ. თაფლაძე**

* აკადემიის წევრი, ი. ჯავახიშვილის სახელობის თბილისის სახელმწიფო უნივერსიტეტის ეკონომიკისა და ბიზნესის ფაკულტეტი, პაატა გუგუშვილის სახელობის ეკონომიკის ინსტიტუტი

**ი. ჯავახიშვილის სახ. თბილისის სახელმწიფო უნივერსიტეტის პაატა გუგუშვილის სახ. ეკონომიკის ინსტიტუტი

2003 წლის ნოემბრის ვარდების რევოლუციის შემდეგ გატარებული რეფორმები საერთაშორისო დონეზე აღიარებულია როგორც ლიბერტარიანული. ამ შეხედულების უკან იდგა ის ფაქტი, რომ ბიზნესის დასაწყებად საჭირო ლიცენზიების და ნებართვების დიდი ნაწილი იქნა გაუქმებული. იმავედროულად, საქართველოს მთავრობა რეგულარულად არღვევდა საკუთრების უფლებებს და სასამართლო სისტემა ფაქტობრივად იყო პროკურატურის კონტროლქვეშ. ქართველი ლიბერტარიანელები იმით განსხვავდებიან ნამდვილი ლიბერტარიანელებისაგან, რომ ქართველთათვის ლიბერტარიანიზმი არ ყოფილა ეკონომიკის ცოდნაზე დაფუძნებული არჩევანი, პირიქით, მათთვის ასეთი არჩევანი იყო ნილაბი ეკონომიკის არცოდნის დასაფარავად.

REFERENCES

1. Papava V. (2006) "The Political Economy of Georgia's Rose Revolution." *Orbis. A Journal of World Affairs*, **50**, 4: 657-667.
2. Papava V. (2009) "Georgia's Economy: Post-Revolutionary Development and Post-War Difficulties." *Central Asian Survey*, **28**, 2: 199-213.
3. WB (2012) Fighting Corruption in Public Services: Chronicling Georgia's Reforms. Washington, D.C., online at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/01/20/000356161_20120120010932/Rendered/PDF/664490PUB0EPI0065774B09780821394755.pdf.
4. ESI (2010) Georgia's Libertarian Revolution. Part two: Bendukidze and Russian Capitalism, 17 April. Berlin-Tbilisi-Istanbul, online at http://www.esiweb.org/pdf/esi_-_georgias_libertarian_revolution_-_part_two_-_bendukidze_and_russian_capitalism_-_17_april_2010.pdf.
5. Gurgenzidze L. (2009) "Georgia's Search for Economic Liberty: A Blueprint for Reform in Developing Economies." *American Enterprise Institute for Public Policy Research, Development Policy Outlook*, No. 2, June, online at <http://www.aei.org/publication/georgias-search-for-economic-liberty/>.
6. Udensiva-Brenner, M., 2010. "Kakha Bendukidze Analyzes Georgia's Economic Strategy: How Georgia Handled Its Economy After the War and the Economic Crisis." *At The Harriman Institute*, April 7, online at <http://harriman.columbia.edu/files/harriman/Kakha%20Bendukidze.pdf>.
7. Burakova L., Lawson R.E. (2014) Georgia's Rose Revolution: How One Country Beat the Odds, Transformed Its Economy, and Provided a Model for Reformers Everywhere. Guatemala City.
8. Papava V. (2013) Economic Reforms in Post-Communist Georgia: Twenty Years After. New York: Nova Science Publishers.
9. WB (2010) Doing Business. Economy Rankings. Washington, D.C., online at <http://www.doingbusiness.org/EconomyRankings/>.
10. WB (2015) GDP Growth (Annual %), The World Bank, online at <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>.
11. HRIDC (2008) The Big Eviction. Violations of Property Rights in Georgia. Tbilisi: Human Rights Information and Documentation Center, online at <http://www.humanrights.ge/admin/editor/uploads/files/Big%20Eviction.pdf>.
12. HRIDC (2004) One Step Forward, Two Steps Back. Human Rights in Georgia after the "Rose Revolution." Tbilisi: Human Rights Information and Documentation Center, online at <http://www.humanrights.ge/files/REPORT.pdf>.
13. HRIDC (2007) Georgia: A Flickering Beacon of Democracy. Human Rights in Georgia in 2007. Tbilisi: Human Rights Information and Documentation Center, online at <http://www.humanrights.ge/admin/editor/uploads/pdf/Annual%20Report%20HRIDC%202008.pdf>.
14. HRIDC (2008) Putinization of Georgia: Georgian Media after the Rose Revolution Media in Georgia 2003-2007. Tbilisi: Human Rights Information and Documentation Center, online at <http://www.humanrights.ge/admin/editor/uploads/files/Georgian%20Media%20after%20the%20Rose%20revolution.pdf>.
15. Anjaparidze Z. (2006) "Georgian Government Questioned about Secret Funds." *Eurasia Daily Monitor, The Jamestown Foundation*, **3**, 71, April 12, online at http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Bsword%5D=8fd5893941d69d0be3f378576261ae3e&tx_ttnews%5Bany_of_the_words%5D=Anjaparidze%2C%20Zaal&tx_ttnews%5Bpointer%5D=1&tx_ttnews%5Btt_news%5D=31572&tx_ttnews%5BbackPid%5D=7&cHash=864959a53b.
16. Anjaparidze Z. (2006) "Critics Press for Improved Judicial Independence in Georgia." *Eurasia Daily Monitor, The Jamestown Foundation*, **3**, 81, April 26, online at http://www.jamestown.org/single/no_cache=1&tx_ttnews%5Bsword%5D=8fd5893941d69d0be3f378576261ae3e&tx_ttnews%5Bany_of_the_words%5D=Anjaparidze%2C%20Zaal&tx_ttnews%5Bpointer%5D=1&tx_ttnews%5Btt_news%5D=31620&tx_ttnews%5BbackPid%5D=7&cHash=7cb96dfc73.
17. Papava V. (2009) "Anatomical Pathology of Georgia's Rose Revolution." *Current Politics and Economics of the Caucasus Region*, **2**, 1: 1-18.
18. de Waal T. (2011) Georgia's Choices: Charting a Future in Uncertain Times. Washington, D.C.: Carnegie Endowment, online at http://carnegieendowment.org/files/georgias_choices.pdf.
19. Rothbard M.N. (2012) [1973], For a New Liberty: The Libertarian Manifesto. Auburn: Ludwig von Mises Institute.
20. Dumienski Z. (2011) "Georgia: Singapore of the Caucasus?" *Eurasia Review. News & Analysis*, February 21, online at <http://www.eurasiareview.com/analysis/georgia-singapore-of-the-caucasus-21022011/>.
21. *Civil Georgia* (2014) "Georgia, EU Sign Association Agreement." *Civil Georgia*, June 27, online at <http://www.civil.ge/eng/article.php?id=27417>.

Received May, 2015