EUROPE 06.12.2019 | Mate Gabitsinashvili

Georgia's neoliberal agony

In Georgia, the state has given up on development. Neoliberalism is exhausted — there's nothing left to sell or deregulate

Read this article in Russian.

Georgia is bracing for parliamentary elections in 2020 – and the country is already now in crisis mode. While Georgia's political party landscape suffers from extreme polarization, the conflicts are not about ideological differences, let alone the development agenda for the country. The popularity of the ruling party 'Georgian Dream' is dropping, but there is no sign of an increase in support for the opposition.

Ordinary people see the fight between politicians, but they can hardly make out differences on the policy level that would impact their daily lives. This cleavage between the political elite and the rest of the society bears a fertile ground for a potential populist backlash against the political, economic and cultural establishment.

The Georgian elites – those in power, and those currently in opposition – have played a big part in constructing the radical neoliberal development experiment Georgia has endured over the last two decades. For them, the 2003 'Rose Revolution' opened a new chapter in the history of modern Georgia. Before the revolution, the country had experienced economic shock-therapy, uncontrolled privatisation and massive corruption. After the revolution, the development doctrine stayed the same, but became more institutionalised, better controlled and aggressively enforced by the repressive 'public hand'.

Selling Georgia

During those times, GDP increased but not everyone benefited equally. The transformation hardly improved the situation of a quarter of the population still living in poverty today. That's because the rapid growth after 2003 'happened against the background of declined employment' due to privatisation and public service reforms. At the same time, those

with relatively high incomes profited massively from the reforms while a major economic gap between rural and urban areas of the country prevailed. Georgia today can be placed among one of the most unequal countries in transition.

The speculative sectors – banks, gambling and real estate – were the main winners. In 2009, then prime minister Lado Gurgenidze – a libertarian banker – proudly declared: 'We don't have any industrial policy of any kind in any sector. It does not matter where the growth comes from.' A year later, President Saakashvili's government entrenched libertarian ideology in the constitution by effectively banning tax increases without holding a referendum. The so-called 'Liberty Act' crippled the state budget both in terms of income sources and its cap on expenditures. Although the 'Georgian Dream', led by billionaire Bidzina Ivanishvili, managed to push out Saakashvili regime in 2012, the 'Liberty Act' and the neoliberal ideology have been kept in place.

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Georgia now is the country where all the 'good' hospitals and schools are private. The bureaucracy serves the interest of gambling firms, commercial banks and big import companies. Both the ruling party and its opposition are great fans of the World Bank's Ease of Doing Business reports and the Heritage Foundation Index of Economic Freedom, where Georgia ranks high. Both sides see privatisation and free trade with the rest of the world (including China) as the main engines for creating jobs.

The major task of the Ministry of Economy is to act like a 'sales manager' of a company called 'Georgia' and accelerate the privatisation process. The underlying assumption shared by the whole political spectrum is that the country's main problem is 'government failure', not 'market failure'. When the government keeps out of the economy, the market will attract foreign direct investment because of cheap and unregulated labour and extremely low taxes. This will then create more jobs.

Utopian social engineering

Such a libertarian vision was institutionalised by the late Kakha Bendukidze, a former Minister of Economy and the ideological father of post-revolutionary Georgia's economic transformation. He famously declared he would sell everything but Georgia's conscience. As Stephen F. Jones rightly argues, his neoliberal experiment was illusory, based more

on utopian aspirations than realistic calculations. It was more of a 'mental revolution' than an economic one. It was what Karl Popper called 'utopian engineering', based on unrealistic visions and false definition of progress. Its implementation was based on three main pillars:

First, economic policy favoured rapid privatisation that went hand in hand with the complete deregulation of the financial sector, tax cuts and the reduction of government spending. Transforming the economy became a class project only benefiting elites. Monopolies were created, and society was split into a few 'winners' and many 'losers'.

Second, repression was necessary to implement such radical policies. As in Latin America, neoliberal utopian engineering caused enormous social and economic inequalities in Georgia. The Saakashvili government invested heavily in repressive policing to stabilise the process and keep the door open for FDIs. Nevertheless, crisis tendencies intensified, and the government faced increasing resistance and backlash from different fields of society. The result was neoliberal authoritarianism, characterised by a state of permanent austerity that required increased surveillance, abuse of power and policing to maintain it.

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Third, propaganda was needed to sustain the 'moment of hope': we have to be patient today, to get results tomorrow. This hope was created by full-scale media propaganda. People have been stupefied, stunned and atomized. A new generation was brought up for which neoliberalism is not an ideology, but 'common sense.' In the words of George Monbiot, people also in Georgia have almost accepted that 'this utopian, millenarian faith describes a neutral force; a kind of biological law, like Darwin's theory of evolution.'

The end of hope

But these three pillars of Georgian neoliberalism have been exhausted: In its economic dimension, there is simply nothing left to sell or to deregulate. Repression is no longer tolerated by the Georgian society. Moreover, there is no longer any need for repression, since the radical economic reforms under Saakashvili have already been institutionalised: economic power has moved completely from labour to capital, the process of primitive accumulation is over.

The last pillar standing, backing the neoliberal inertia, was hope: The

constant promise that if not today, tomorrow will be better. Hope died last, at the end of November, in a TV interview with Bidzina Ivanishvili, the country's informal ruler and chairman of the 'Georgian Dream. Ivanishvili chose to talk about 'circular migration,' promising jobs abroad instead of at home: 'In light of good coordination, 50,000 jobs may be created in Georgia... It needs decades to employ everyone in our homeland.... So, to employ 2 million Georgians, we need tens of years... we can negotiate with the developed European countries... to fill the gap that Europeans have. Europeans have jobs, they lack labour force, we do not have jobs.'

According to his scheme, the government investments in vocational education serve one main goal: to upgrade Georgia's main export commodity, its labour force. Having lost over 1 million people since the early 1990s, the government now plans to enable the rest of the able population to emigrate legally, and to subsidise cheap flights so they can visit their family more often.

Making so-called 'circular migration' the main strategy of solving the unemployment problem is, however, a declaration of economic policy bankruptcy. It is giving up on development. Instead of focusing on a strategy to stop the 'brain drain', the government openly encourages people to leave the country. Openly declaring that there is no hope for improving the situation inside the country is a denial of this political task. That did not end well anywhere. And Georgia will not be an exception.



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