

International Assessments Analyses of Systemic Transformation of Georgia's Economy

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Abstract

Between 1989 and 1991, within the scope of an unprecedented systematic transformation, a completely new era, followed by a number of challenges, started in Georgia as well as in all the rest of the new independent countries. The 70-year-long socialist experiment was replaced by experiments in the period of transition to a market-based economy, which does not yet seem to have an end. The research aim and goal: Analysis of international assessments transformation economic policy of Georgia; identification of problematic areas of transformational economic policy in our country. The theoretical and methodological fundamentals is based on the approaches to the economic policy in line with Walter Eucken's Principles of Economic Policy (1952).

Index terms— georgia, transformation, international assessment.

1 International Assessments Analyses of Systemic

Transformation of Georgia's Economy Eka Lekashvili

Abstract-Between 1989 and 1991, within the scope of an unprecedented systematic transformation, a completely new era, followed by a number of challenges, started in Georgia as well as in all the rest of the new independent countries. The 70-year-long socialist experiment was replaced by experiments in the period of transition to a market-based economy, which does not yet seem to have an end.

The research aim and goal: Analysis of international assessments transformation economic policy of Georgia; identification of problematic areas of transformational economic policy in our country. The theoretical and methodological fundamentals is based on the approaches to the economic policy in line with Walter Eucken's Principles of Economic Policy (1952).

Our analysis of the reasons and consequences of the transformation is based on the study by Simeon Djankov et al. (2003), Rainer Klump (2015) and on the basis of Leszek Balcerowicz's (2004) economic theory of transformation. In order to analyze transformation processes, we will be using the BTI, which assesses the state of democracy in a legal state and socially responsible market economy as well as consequences of political execution of reform ideas; for the purpose of a political and economic analysis, we studied the Democracy, Human Development and Global Competitiveness indexes and their dynamics provided by Freedom House.

Findings: Georgia is the only country in Eurasia to have earned a recent improvement in the electoral process rating. Also, analysis of internationally recognized data show that inefficient state governance, bureaucracy, corruption, weak antimonopoly regulation and property right protection among other challenges in the transformational policy of Georgia remain invincible problems.

Despite shifting to the market economic system, entities still do not have complete autonomy. It is the state planning work rules, salaries and programmes for public organizations. Reforms are not initiated at low levels of hierarchy when necessary. This kind of approach can also be considered a Soviet holdover while public society is still inadequate and changes are predominantly imposed from above.

2 I. Introduction

43 between 1989 and 1991, after dramatic collapse of the Soviet Union, the world map changed and new independent
44 states arose, in the majority of which the economic policy is still being transformed. At the time, revitalization of
45 Georgia's sovereignty and admission of its state system necessitated replacement of the old economic system with
46 a new one, in particular, replacement of the imperious and administrative system with a society-oriented market
47 economy. Within the scope of an unprecedented systematic transformation, a completely new era, followed by a
48 number of challenges, started in Georgia as well as in all the rest of the new independent countries. The 70-year-
49 long socialist experiment was replaced by experiments in the period of transition to a market-based economy,
50 which does not yet seem to have an end.
51

3 II. Methodology

52 Our analysis of the reasons and consequences of the transformation is based on the study by Simeon Djankov et al.
53 (2003), which draws a comparison between the socialist and capitalist economic orders. The study discusses two
54 basic threats to any society: Disorder and dictatorship: Disorder includes banditry, murder, crime, fraud, breach
55 of contracts, monopoly prices, etc. As for dictatorship, it is oriented on limiting individual rights to property
56 and power of appointment, expropriation, limiting competition on the market, etc. under the guise of the state.
57 Corruption is a manifestation of both threats. According to the authors, the responsibility of institutions is to
58 control these threats. The study is based on the concept of a difference between expenses and threats -disorder
59 and dictatorship.
60

61 Also, on the basis of Leszek Balcerowicz's (2004) economic theory of transformation, we analyzed consequences
62 of the Transformational Economic Policy and used internationally accepted indexes as empirical evidence: In order
63 to analyze transformation processes, we will be using the Bertelsmann Transformation Index which assesses the
64 state of democracy in a legal state and socially responsible market economy as well as consequences of political
65 execution of reform ideas; for the purpose of a political and economic analysis, we also studied the Democracy,
66 Human Development and Global Competitiveness indexes and their dynamics.

67 Throughout the study we purposely studied communist and post-communist economic science fiction, official
68 documents, reports, statistics and expert assessments by state, international 1 and nongovernmental 2 a) Soviet
69 Economy of Georgia: results and transformation organizations. In terms of theoretical and empirical assessment
70 of framework conditions of the communist experiment of the economic order and Transformational Economic
71 Policy, studies by Georgian fellow economists Rozetta Asatiani (2014), Vladimer Papava (2005), Revaz Gvelesiani
72 and Irina Gogorishvili (2014) among others were particularly helpful. The studies include critical analyses
73 of the process of transition from the soviet economic system to a marketbased economy, systemic model of
74 transformation, assessment of the consequences of transformation and scientists' subjective viewpoints about the
75 Transformation Process Policy.

76 In 1921, Soviet Russia annexed Georgia which was followed by the Social-Democrats' resignation from the
77 government (cessation of social-democratic experiments) and Bolshevism becoming dominant.

78 According to the "New Economic Policy" introduced by Lenin in 1921, a mixed economy emerged in the
79 Soviet Union, within the framework of which agriculture and small-scale production remained included in private
80 property. However, after 1929 the Soviet Union enforced collectivization of the agricultural sector and at the cost
81 of many human lives, soviet peasantry became members of the collective. Within the framework of the communist
82 experiment, collective property became dominant; the coordination mechanism implied social division of labor
83 which was advisable not economically but rather politically.

84 Thus, state socialism became dominant while the capitalist market was completely replaced by the central
85 planning system. Socialism, being built based only on enthusiasm, voluntary methods and ignorant attitude
86 to the socio-economic conditions of the country, faced invincible obstacles. Total nationalization that followed
87 sovietization had a negative impact on the entire process of social progress.

88 A commanding-administrative system based on means of production in public property was formed in Soviet
89 Georgia as well. A state-monopolistic social system characterized by centrally planned economy dominated
90 by public property was formed. It was characterized with coordination of individual plans by the State
91 Planning Committee (Gosplan) which was responsible for development and control over execution of production
92 and investment plans. Certainly, this system did not consider customers' individual plans. Industrial and
93 manufacturing factors were priced in accordance with the central planning system; accordingly, prices and money
94 had almost no function. There was a tendency of certain enterprises deliberately aspiring to the execution of
95 the plan. The socialist economic system was inflexible. It was incapable of quick reactions to changes and
96 information which led to a supply deficit and faulty production process; enterprises were not motivated to get
97 profit or aspire to implementing innovations. Problems were intensified due to bureaucratic management as the
98 economic system was integrated with the political one, which was based on the autocratic governance of only
99 one party. All goods and services were produced not based on supply and demand but rather based on political
100 pricing. Officials of the communist government lobbied to allocate budget for particular fields and enterprises
101 which added to encouraging corruption. The nonexistence of competition contributed to the process of economic
102 stagnation.

103 The socialist economic order did not provide framework conditions for creating an optimal industrial structure
104 of an economy. An alienated attitude towards individual needs eventually resulted in the abatement of

105 economic interests, indifferent attitude towards labor, decreased stimulus to development and implementation of
106 innovations, lack of eagerness to deepen knowledge (which can be explained by the nonexistence of full employment
107 and competition in the labor market), and lower quality of goods and services among others. The isolated socialist
108 system could not cope with challenges of globalization, while capitalist countries were able to form a mixed
109 economic system based on property pluralism. The disintegration process in the soviet system which started in
110 the 1980s went out of control and the system collapsed spontaneously.

111 Thus, as a result of the communist experiment, "such civilized forms of social development as competition,
112 mechanism of labor motivation, frugality, responsibility, free-thinking and market coordination" among others
113 were denied (Asatiani 2014; ?? 24). "Logically, an isolated deficient economy and basically extensive resource-
114 demanding production characterized by slow economic growth were formed". (Asatiani 2014; ?? 25).

115 Given the spreading communist power of Soviet Russia, integration processes developed in new ways.
116 Integration processes served as means to carry out the socialist ideology in the soviet era. Production cooperation
117 was the basis of trading goods between countries. In addition, trade was carried out according to plan.
118 National needs, the country's relative advantages and interests of entrepreneurs were ignored (Lekashvili and
119 Gaprindashvili 2014;p. 16).

120 The system developed in the Soviet Union retained its principal features until its collapse. Georgia, like other
121 independent countries, denied socialist dogmas and started building a new economic system.

122 In 1991, after the revitalization of Georgia's sovereignty a new era started in our country. Now the state played
123 a bigger role in providing adequate conditions for shifting smoothly from the commandingadministrative system
124 to the market economy as the state was to act as the organizer and protector of the economic order (see scheme
125 1).

126 4 Scheme 1. Systemic Model of Transformation 3

127 Georgia faced two major issues: Creation of state institutions and formation of the market economy. Out of the
128 two options of shifting to the market economy, the Georgian government chose the "Shock Therapy" method
129 due to objective factors: Georgia remained in the Ruble zone. It neither had national currency nor foreign
130 exchange reserves which largely interrupted not only carrying out comprehensive reforms but also functioning of
131 the economic mechanism. Georgia, as a new independent country, lacked proper institutions and experience in
132 state administration.

133 Georgia has long adhered to nonconformism. With its geographic location, language and culture that
134 differentiate Georgia from its neighbouring countries, Georgia has strong and special traditions that sometimes
135 lead the country to isolation and bold experiments (Waal 2011; p. 5). 3 The model is created by author First years
136 of formation of the independent economic system based on marketing principles proved to be particularly hard
137 for Georgia -civil strife, military operations in Abkhazia and the former autonomous district of South Ossetia,
138 energy and transport blockade, extremely tense criminogenic environment, frozen economic relations, loss of old
139 traditional markets with no new markets and suppliers as an alternative are a short list of the negative factors
140 that resulted in an unprecedented economic collapse, hyperinflation and a dramatic increase in unemployment
141 in the first years of independence (Government of Georgia 2013,p. 1). Due to the lack of experience in state
142 administration and a series of other factors (geographical, historical, financial, religious, cultural, etc.) the
143 country was falling under the influence of Russian aggression that aimed to unite the former fraternal republics
144 into a new union (the Commonwealth of Independent States).

145 Thus, in the 1990s, a sudden economic shock, which was indicated by economic liberalization and price
146 increases, added to the socio-economic and political crisis which affected the complicated process of privatization.
147 All the three privatization methods were used in Georgia: direct sale of assets, formation of jointstock companies
148 and voucherization.

149 The accumulated experience in carrying out rapid economic reforms confirm worsened living conditions of the
150 majority of the population which is due to falling production, soaring prices and decreasing real income (Assatiani
151 2014; p. 93).

152 After regaining its independence, economicgeographical picture of Georgia and especially its transit function
153 was considerably vitalized. Practical realization of Transportation corridor connecting Eurasia is associated with
154 Georgia.

155 In the beginning of nineties, ongoing crisis had serious impact on economy of Georgia. Inflation rate was
156 increasing with incredible pace. Abkhazia and Samachablo wars, political destabilization had negative influence
157 on the country's economy. Criminals obtained property in this period, registration norms were destroyed and
158 so on. As a result, in 1993 compared with previous year, the volume of investments decreased 100 times, and
159 production of industrial articles reduced twice.

160 Despite serious challenges, some signs of stabilization were noticed in the middle of nineties. These were
161 decrease of inflation rate, stability of GEL exchange rate, transformation of state property and origination of
162 the class of proprietors, privatization of agricultural lands and liberalization of bread prices and liberalization of
163 foreign trade.

164 In the middle of year 1994, government of Georgia carried out stabilization program, aim of which was cession
165 of hyperinflation in order to solve the problem of disbalance in the country foreign and domestic economy. Its
166 basis was institutional and structural reforms of financial, trade and monetary systems. International Monetary

5 B) INTERNATIONAL ASSESSMENTS OF SYSTEMIC TRANSFORMATION OF GEORGIA

167 Fund, World Bank, European Union and other donors and creditors played important role in the accomplishment
168 of the program.

169 In 1990-1996 years, sharp slump in the production of agricultural and industrial products and in the volume
170 of investments in noticed in Georgia. Property transformation process, as irreplaceable element of period
171 of transition to market economy, was brought foreground as the first-priority issue among economic reforms.
172 However, privatization process was accompanied by big infractions.

173 Considerable movements in the process of macroeconomic stabilization in Georgia were started in 1996. Share
174 of industrial products in GDP was decreased in this period, but at the same time, the share of agricultural
175 products was increased. Structure of production had undergone serious changes.

176 After passing the first phase of adapting to new economic conditions, enterprises went on second stage of
177 economic transformation. In the structural policy of the country's economic development accent was made on
178 such sectors of industry as heating and energy, light industry, timber processing, construction, chemical industry
179 and machine building.

180 In the context of transformation, various strategies for Georgia's development were being discussed. The first
181 one was based on the traditional value system however it does not meet contemporary pace of political and
182 economic development; there is another model according to which Georgia can be seen as a Singapore open to
183 world investments with minimal economic regulations.

184 The European Union is the third means for Georgia's economic development. Georgia aspires to build their
185 state based on European values and to integrate into Europe both politically and economically (ENP Action Plan
186 2011; p. 88). Consecutive and effective execution of measures included in the EU-Georgia Association Agreement
187 and the EU-Georgia deep and comprehensive Free Trade Agreement serve as a basis for further development of
188 the European integration process.

189 The Georgian government aims to execute an economic policy that can ensure the country's stable development.
190 The economic policy must be based on unequivocal respect for and protection of economic liberty and property
191 rights. The state will simultaneously undertake the role of a guarantor of justice in economic processes (Georgia's
192 social-economic development strategy 2020; p. 2).

193 5 b) International Assessments of Systemic Transformation of 194 Georgia

195 The transformational economic policy and initiated reforms, the purposes of which were economic liberalization,
196 institutional changes and macroeconomic stability, at some point produced a stable result , though members
197 of the society benefited from the reform unequally. Foreign investments were allocated for such sectors of the
198 economy as banks and real estate business. This produced only a few jobs. Pensions and social welfare subsidies
199 remained low (Gvelesiani and Gogorishvili 2012; p. 6).

200 In order to identify factors hindering the effectiveness of the Transformational Policy, we analyzed some
201 internationally accepted indexes: The Bertelsmann Transformation Index, the Democracy, Human Development
202 and Global Competitiveness Indexes and their dynamics.

203 The Bertelsmann Transformation Index (BTI 2014) (11) analyzes and assesses how developing and transition
204 countries manage changes in terms of democracy and market economy. The Bertelsmann Transformation
205 Index unites transformation processes and the comprehensive study of political management into two indexes:
206 Status/Position Index and Management Index. The first index is used to assess a country's political
207 transformation and the latter is used to assess a country's economic transformation. 129 countries are involved in
208 the study. The study focuses on the principles of efficiency of justice and market economy in terms of reflecting
209 them on the quality of state administration, decision making and political and democratic processes. The index
210 includes 17 criteria grouped in three main subindexes: political transformation, economic transformation and
211 transformation management. For a more reliable and deeper analysis, these 17 criteria are broken down into 52
212 indicators the range of which varies from 1 (being minimal) to 10 (max). In 2014, Georgia's BTI status index was
213 6.16 (ranking 48 th), political transformation -6.50 (ranking 52 nd), economic transformation 5.82 (ranking 57 th
214) and management index -5.78 (ranking 41 st). It is noteworthy that there are no major changes in the dynamics
215 of the index. Georgia's status index is within the framework of limited transformation and is characterized by
216 low-quality democracy; functional flaws can be observed in the market economy; the management index has a
217 good evaluation; issue of statehood is within reasonable limits. Neo-liberal economic reforms are still in operation
218 and the social policy is better presented in the new budget. There is an ongoing steady tendency of shifting to
219 democracy and market economy in the country. From 2006 through 2016, the status index increased only by 0.58
220 points, management index increased by 0.18 and market economy index increased by 0.57 points which shows
221 that at this point transformation is being operated slowly by the means of a gradual strategy. It is noteworthy
222 that the analysis of these criteria emphasized problems related to prioritization of social capital, parties and social
223 groups. This kind of slow progress in transformation is probably caused by undetermined goals. In addition, a
224 high level of corruption in Georgia, weak antimonopoly regulations and lack of respect for property rights also
225 affect citizens' economic welfare.

226 The Democracy Index by the Economist Intelligence Unit is based on five criteria: election process and

227 pluralism, civil rights, operation of the government, political activity and political culture. Countries are grouped
228 according to the types of democracy:

229 Complete democracy, incomplete democracy, hybrid, i.e. transitional regime and authoritarian regime.
230 According to the Democratization Index, in 2015 Georgia ranked 82th out of 167 units (countries, territories).
231 It is included in the group of countries with hybrid regimes (in the 4-6-point range). Its total score amounts to
232 5.88 (10 being the highest and 0 being the lowest). According to the indexes, the assessments are as follows:
233 election process and pluralism-8.25; operation of the government -4.29; civil rights -5.88; political activity -5.56;
234 political culture -5.00. Dynamics of the Democracy Index show that the highest point was achieved in 2015, and
235 the lowest was observed in 2010 (??12; p. 13). The indexes show that the operation of the government is a
236 problematic area. This, on the other hand, indicates the government's inefficient management of operative and
237 strategic challenges under the given condition of transformation.

238 The Index of Economic Freedom which plays a big role in attracting potential investments is developed by a
239 leading research institution of US politics "The Heritage Foundation" and "The Wall Street Journal" (Heritage
240 2016; p. 4). The Index of Economic Freedom is based on 10 criteria: Business freedom, trade freedom, fiscal
241 freedom, governmental costs, financial freedom, investment freedom, property rights, freedom from corruption
242 and labor freedom. Georgia falls in the "Basically Free Countries" category of the Economic Freedom Rating. It
243 ranks 23d with 72.6

244 **6 points out of 186 economies. According to the criteria, prop-**
245 **erty rights -the fundamental criterion for the economic order**
246 **-are not well protected, and corruption remains the most**
247 **problematic area in terms of the Order of Transformation**
248 **in Georgia. These two indicators show that in the context of**
249 **the Transformational Economic Policy, solving the problems**
250 **related to corruption and property rights are still being con-**
251 **sidered in the form of fallout of the communist experiment.**

252 The competitive regulatory framework is conducive to entrepreneurial activity. It takes only two procedures to
253 launch a business, and no minimum capital is required. The non-salary cost of hiring a worker is moderate, and
254 regulations on work hours are flexible.

255 Despite global and regional challenges, Georgia's economy has demonstrated considerable resilience. Efforts
256 to eliminate corruption and restore fiscal soundness by revitalizing the commitment to limited government
257 have borne fruit. Two years of fiscal consolidation has kept government spending under control and ensured
258 macroeconomic stability. Georgia's pursuit of greater economic freedom, reinforced by relative political stability,
259 has made its entrepreneurial environment one of the best in the region. Large-scale privatization has advanced,
260 and anti-corruption efforts have yielded tangible results. Deeper institutional reforms to enhance judicial
261 independence and effectiveness remain critical.

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265 **9 B**

266 International Assessments Analyses of Systemic Transformation of Georgia's Economy Foreign and domestic
267 investors are treated equally under the law, and there is little screening of foreign investment. Most state-owned
268 enterprises have been privatized. The growing banking sector offers improved access to financing, but the stock
269 exchange remains small and underdeveloped.

270 The following similar index calculated annually by Freedom House in reference to 29 transition countries (??FH
271 2016) is the National Democracy Index. This index is calculated based on the average point of the following:
272 election process, civil society, freedom of the press, national democratic governance, local democratic governance,
273 legal framework, independence and corruption. In terms of democracy ???-

329 of globalization on the country's development. A well-formed state policy contributes to achieving internal and
330 external goals. In addition, under conditions of globalization, national interests grow more and more controversial
331 on the one hand, and on the other hand the degree of interdependence among countries increases. It should
332 be noted that the latter bears risks and poses threats especially when an economic crisis occurs. Economic
333 fluctuations affect foreign trade, monetary and social sectors, investments, factors of production, and goods and
334 services market. It is obvious that the country's international economic integration and intensity of globalization
335 should constantly be observed and assessed in order to form the right economic policy framework. On the basis
336 of the analysis it is possible to set achievable and effective national goals (Lekashvili 2011; ?? 93).

337 The KOF Index of Globalization is used to assess the degree of a country's international integration (KOF
338 2016). It is an aggregated indicator and includes social, economic and political aspects based on which the overall
339 KOF Index of Globalization is calculated. The Economic Index of Globalization makes up 36 % of the KOF
340 Index of Globalization, Social Index of Globalization makes up 37 % and Political Index of Globalization makes
341 up 26 % (25).

342 According to the KOF Index of Globalization 2015, Georgia ranks 63 rd (63.84) among 207 countries; according
343 to the Economic Index of Globalization, it ranks 19 th (81.04); according to the Social Index of Globalization
344 -77 th (56.90) and according to the Political Index of Globalization -142 nd (50.15). Analysis of subindicators
345 show that the country is becoming more and more integrated into the global economy but is still left behind in
346 terms of political globalization. This indicates that despite the collapse of the isolated political system of the
347 Soviet Union, the country was still unable to carry out an efficient policy and to take advantage of the positive
348 results of globalization, unlike economic and social globalization. Dynamics of the KOF Index of Globalization
349 for Georgia clearly shows the tendency of shifting from a closed economy to an open one. This means that
350 freedom in economic, political and social sectors is yet to be achieved in many aspects. However, a low degree of
351 political freedom implies a low degree of democratization (Lekashvili 2011; ?? 93).

352 11 III. Findings

353 Thus, analysis of internationally recognized data show that inefficient state governance, bureaucracy, corruption,
354 weak anti-monopoly regulation and property right protection among other challenges in the transformational
355 policy of Georgia remain invincible problems. A big part of the problems can be seen as a holdover from the
356 communist experiment. Importantly, for the stability of the Order Policy it is essential to form "competent and
357 apolitical state administrative bodies which means that positions in the state administration should be distributed
358 not according to parties but rather according to professions" (LATF 2013; p. 33).

359 Georgia is the only country in Eurasia to have earned a recent improvement in the electoral process rating.
360 Free and more competitive elections in 2012 and 2013 led to increased pluralism at the national level, and in 2014
361 Georgian cities held direct mayoral elections for the first time, with five major parties actively campaigning for
362 seats. Still, the ruling Georgian Dream bloc won every directly elected mayoral seat and majority control over
363 every legislature.

364 Positions in the top management team are usually occupied by former leading members of the communist
365 party whose world outlook and management skills have barely changed and are inflexible. Elite changes have not
366 occurred in Georgia since the collapse of the Soviet Union which results in long-term stagnation in the country.

367 The non-democratic regime and low level of competition fuel conformist tendencies and contributes to retaining
368 a clan system within ruling circles. The clan system aspires to stagnation while there is an illusion of changes
369 taking place in the country. The clan system is firmly embedded in every organizational entity: parties, teams
370 and interest groups. The strong nature of the clan system in Georgia is influenced by the 70-year-long experiment,
371 isolation of economy and politics. The clan governance in the soviet period is in no way different from today's clan
372 governance. It is the clan system that slows down reforms, interrupts strong political support of transformation
373 as well as causes conflicts of interest, different speed of transformation within different institutions, a low
374 degree of democratization and unfair competition (businesses are often secretly controlled by people involved
375 in politics); for example, leading positions in the educational sphere are usually occupied by same groups of
376 people. They are initiators of education reforms, heads of governmental and simultaneously non-governmental
377 education organizations as well as jury members of the funds and competitions in charge of distribution of
378 finances in the educational sphere. The high level of the clan system ruins any motivation for development and
379 research. Other fields are also run in line with analogous clan strategies. In order to overcome this challenge,

12 IV. SUMMARY

391 identified in the transformation process. Inefficiency of the opposition is noticeable. There are several but small
392 opposing parties in Georgia; they are isolated from one another, usually ruled by one leader (FH 2015; p 18).

393 Under present conditions, we are facing the result of the communist experiment -an inability to use the rights
394 set out by the constitution which once again leads us to conformism. Moreover, informal institutions still have
395 a bigger influence than formal ones in social relations.

396 Despite shifting to the market economic system, entities still do not have complete autonomy. It is the state
397 planning work rules, salaries and programmes for public organizations. Reforms are not initiated at low levels of
398 hierarchy when necessary. This kind of approach can also be considered a Soviet holdover while public society is
399 still inadequate and changes are predominantly imposed from above.

400 12 IV. Summary

401 In addition, the Transformational Economic Policy in Georgia with its advantages and disadvantages need to
402 be reviewed ever after 1991. Economic scientific fiction is dominated by papers authored by those who were
403 actively involved in the activities carried out by the reformative government; thus, it is plausible that tendencies
404 of the Transformation policy in Georgia and study results can be biased. Since flaws in the economic processes
405 interrupted the actual economic progress in the country for decades, results got stretched out; it is necessary
406 to review the goals, instruments, persons and institutions of the Reformative Economic Policy for the sake of
407 an objective and undistorted history. Certainly, there is a reason why there are no critical study works: In the
408 context of the lack of qualified human resources in the market economy, processes were not alternatively analyzed.
409 In addition, educational programmes and research directions specializing in studying the history of the Georgian
410 economy including the transformation period have been discontinued. These processes contributed to the given
411 situation, which means that years later the assessment of the transformational economic policy needs to be
412 revisited, and we believe that studying the transformational economic policy will become an important direction
413 for young research economists at university. Thus, in case of Georgia, lack of highly qualified professionals in
414 charge of putting transformation processes on the right track and assessing flaws in the Transformation Policy to
415 ensure effectiveness should be included among the basic problems considered in the theory of Transformational
416 Economic Order.

417 Thus, efficiency of the Transformational Economic Order can be increased through the transformation of public
418 society's outlook (Todua 2010; p. 14). This requires establishment of the freedom of culture in society which can
419 be achieved at the expense of intellectual fights. ^{1 2}

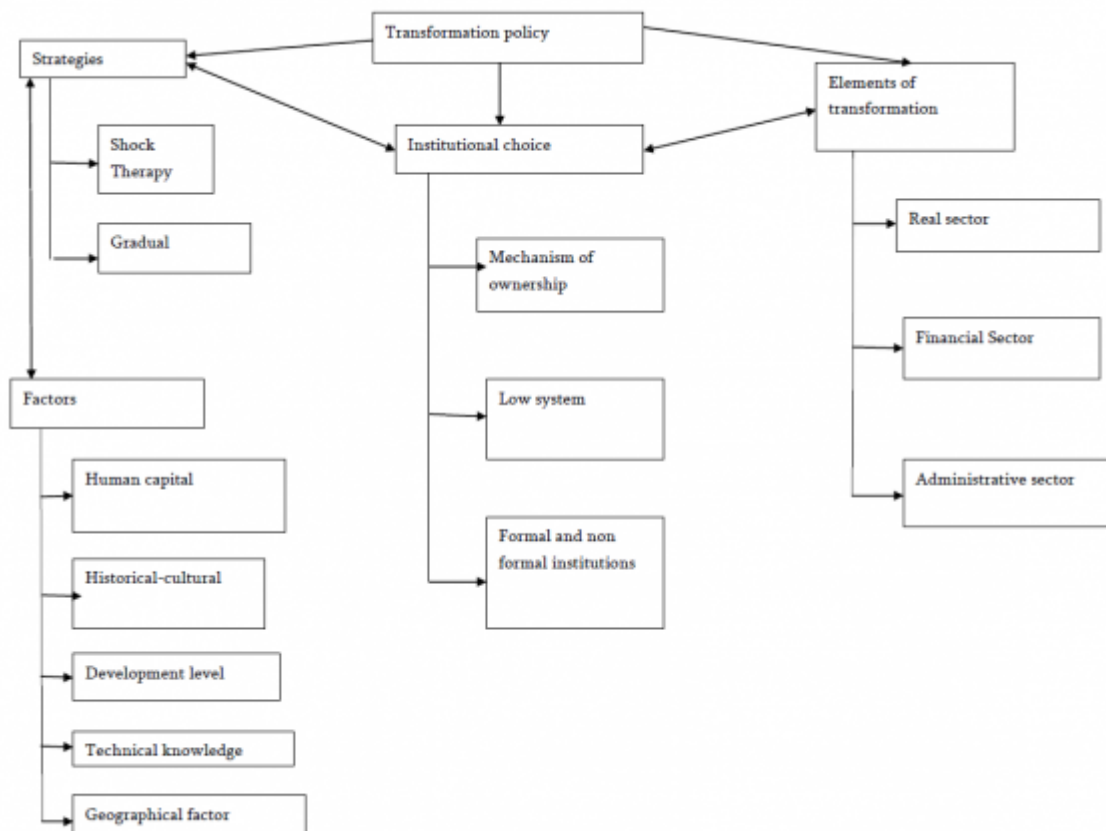


Figure 1:

12 IV. SUMMARY

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