

EDUCATION AND DEVELOPMENT PROGRAMME

*Development and the Role of the State;  
Visions of Post-Revolutionary Georgian Government*

(Working Paper)

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**Contents**

Introduction ..... 3

Chapter 1. Theory- Concept Definition ..... 6

Chapter 2, Stage I - Minimal state, 2004-2007 ..... 13

Chapter 3 Stage II - Concerned State, 2008-2012..... 20

Conclusions ..... 29

Bibliography ..... 32

## Introduction

### *Research Aims*

Almost a decade has passed since Georgia's Rose Revolution of 2003. Arguably much has changed in Georgia's social and political life throughout these years. Before analyzing post-revolutionary achievements or drawbacks, it is important to examine what has been promised by the government to the national and international audiences. Additionally, studying governmental vision on development is important in the context of upcoming elections. The recent electoral campaign is based on the socially oriented rhetoric that promises the electorate resolution of unemployment and other social problems. Commentators sometimes see this development as a drastic change in Georgia's post-revolutionary government's rhetoric of economic liberalism and minimal state involvement in social sphere.

The current research is a part of broad research agenda concerning Georgia's post-revolutionary development trajectory. Current paper aims to examine what was the vision of Georgian government concerning social and economic development of the state and what kind of role did the government assume in development.

This research by no means looks at what were actual governmental policies and their developmental outcomes, but instead it looks at which visions and what kind of discourse on development was communicated by Georgian government to national and international communities; what were the promises about development, and what kind of interpretation of undertaken reforms was made by the government. The research is primarily focused on social and economic policy. Despite the fact that issues like democratization, security, ethnic relations and conflicts, foreign relations are obviously affecting developmental outcomes, this research will limit itself to social and economic targets, reforms and achievements of post-revolutionary government.

The paper intends to outline how Georgian state views, and presents its vision of:

1. The development
2. The means, policy and institutional choices to be made for achieving development
3. The role of the state in Georgia's social and economic development.

### *Research Questions*

The central research questions are:

- What was the developmental trajectory communicated by the Georgian government since 2003 to domestic and international audiences?

- What kind of role did the Georgian government assume in social and economic development?

In order to respond to these broad questions, the guiding questions are also identified:

- What were broad developmental aims?
- How were the social and economic problems identified and formulated?
- What solutions did the government offer to resolve identified problems?
- Which changes were seen as governmental achievements?
- How does governmental discourse change over time?

### *Data and Methodology*

In order address identified questions I have analyzed presidential annual reports, speeches and statements available on official presidential website.<sup>1</sup> Focus on the presidential speeches is justified due to the fact that President of Georgia not only enjoys extensive executive power and represents the government and ruling political party, but also has served as a key speaker on the behalf of the government to the domestic as well as international audiences. Thus presidential speeches are supposed to reflect and denote the position of Georgian government and communicate governmental position. Therefore the paper discusses the governmental position, even if based on only presidential speeches.

The selection criteria for the speeches have been guided by the principle of choosing the speeches that discuss social and economic policies or wider developmental goals and strategies. All of the available presidential annual reports to the parliament from 2005-2012 are used as the key texts of analyzes, while over 50 presidential speeches for domestic and international audiences are used as an important supplementary material.

The paper uses discourse analyses to uncover the meanings of the stories and visions depicted in the presidential speeches. It analyses proposed policies and interprets the meaning of these policies to show what kind of development and governmental role is communicated by the government to the audiences. It follows the simple scheme proposed by Fischer to make narrative analysis of public policy. According to Fischer, each narrative in public policy is constructed around three basic pillars – it discusses the problem, offers the solution and shows what are/or might be the outcomes. Different elements are employed in narrative creation to construct ‘narrative rationality’: “various elements – such as facts, values, structural coherence and metaphors – systematically come together in the logic

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<sup>1</sup> The Administration of The President of Georgia, Press Office, Available at: <http://president.gov.ge/en/> Accessed 16 September 16, 2012

of narrative form”<sup>2</sup>.

### *Structure of the paper and summary of conclusions*

The paper is divided in three chapters. The first chapter offers the clarification of concepts and theoretical considerations of what is development, what are developmental aims, how development can be achieved and why do we use term development instead of transition to analyze changes in post- communist Georgia. The second chapter discusses discourse on development in the years of 2004-2007, while the third chapter offers the analyses of discourse on developmental trajectory and role of the state in development throughout 2008-2012.

The way Georgian government envisions development and the role of the state in developmental matters can be roughly divided into two periods: pre- war and pre-election period of 2004-2007 and post-2008. Number of events occurred in 2007-2008 period that defined the shift in governmental rhetoric concerning development. Because of the war of August 2008, global financial crisis, political instability since November 2007 and elections of 2008 Georgian government was faced with various challenges that influenced the ways government viewed its role in social and economic matters. Upcoming elections of 2012 can be viewed as the third stage. This arbitrary division does not mean that there were no other observable small scale shifts and changes over last nine years, but only points out to major revisions of the ways post-revolutionary government views social and economic development.

Based on undertaken research we can make observations concerning the developmental targets and the ways to achieve these targets.

The years of 2004-2007 can be named a stage of minimal state. In this period government outlines modernization and becoming a European like state as major goals for Georgia’s development. Development is largely equated to economic growth. The state reserves only minimal social functions of providing public sector salaries and supporting the most vulnerable like pensioners and extremely poor. In economic terms state is guided by principles of economic liberalism, restrains its involvement in economy, reduces taxes and regulations and thus opening the space to private sector to drive economic success as well as resolving social problems of poverty and unemployment. Governmental choice of establishing minimal state is justified and legitimized by the overall economic recovery and the international approval of governmental economic policies. In these years governmental discourse can be seen as firm and relatively consistent.

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<sup>2</sup> Fischer, Frank. "Public Policy as Narrative: Stories, Frames and Metanarratives." In *Reframing Public Policy: Discursive Politics and Deliberative Practices*, by Frank Fischer, 161-80. Oxford : Oxford University Press, 2003

The years of 2008-2012 can be viewed as a stage of concerned and confused state. On this stage Georgian government reconsiders its views on development as well as its responsibilities for development. Instead of equating development to the growth, government reformulates developmental goals into reduction of poverty and unemployment. Therefore government assumes itself responsible for resolving the problems of not only most vulnerable but of all social groups present in Georgians society. Even if modernization and European likeness remain as broad goals, specific problems are redefined. However on this stage governmental discourse does not change while outlining solutions to social problems. The government still proposes support of private sector as the core solution for unemployment and poverty. Additionally short term projects are introduced here and there, which appear and disappear from year to year in the presidential speeches. Economic policies are aiming to retain liberal direction, but also are subjected to numerous interventions. The rhetoric of the 'state becoming the biggest investor' as well as state helping private sector are combined with the rhetoric minimal state. Throughout 2008-2012, despite reformulation of problems, the government is unable to report about its achievements concerning social problems, therefore it repeatedly takes pride in infrastructural development. Besides, it starts making more and more promises for the future and extends own deadlines for resolution of social problems.

## **Chapter 1. Theory- Concept Definition**

The meanings of the concepts like development, economic and social policy, are disputed in academic circles. As the current paper discusses not what development actually means but how Georgian government thinks of development, the various theories and approaches discussed in this chapter will not be directly applied to the analyses. However, to illustrate what is the starting point of the author while discussing development and social economic matters, here I will present the short summary of theoretical debates concerning the topic.

### *1.1 Why focus on Development instead of Transition?*

The changes that occurred since 1990s in post-communist countries of central and Eastern Europe, Caucasus and Central Asia, have predominantly been studied through the theories of transition. Recently the relevance of discussing the processes in the region as transition has been challenged. According to Burawoy and Verdery there are two dominant theories of transition. One is rooted in totalitarian school, viewing communist past as something that should be erased in a revolutionary ways and based on neoclassical economies promising the only future for the transition countries which is textbook capitalism and democracy. The contending institutionalism theories suggest evolutionary transition, stress necessity

of ‘a stable institutional environment’ but lacks the capacity to show how these acclaimed institutions securing property rights and rule of law can take roots in process of transition<sup>3</sup>.

Thus both versions of transition theories suffer from being based on arguably wage assumptions. Firstly, these theories assume that ultimate end for post-communist transition is becoming capitalistic and democratic societies; while transition is a temporary period that sooner or later will result in achieving outlined goals. All the changes that occur in post-communist countries are measured only in relation to becoming closer to being capitalistic and democratic. Second loose assumption is that either through shock therapy or gradually, suggested institutions can be inserted in various communities and these communities will shortly become “west like” countries. Third assumption, that transition studies carries is that political and economic liberalization can be sufficient to eliminate social costs of transition and thus avoids focusing on necessity of social welfare development.

Now, that more than twenty years have passed after dissolution of socialist block, USSR and Yugoslavia, it becomes clear that many of the states never managed consolidating democratic regimes. Instead diverse and sometimes stable authoritarian, semi-authoritarian or hybrid regimes are established. The planned economic system has everywhere been replaced by market economy; however various states differ in economic performance as well as types of capitalist rule. Moreover, large number of these countries continues to suffer from poverty, unemployment and raising inequality.

In this context I argue that political, economic and social processes in post-communist countries should be studied as development instead of transition. Development studies that emerge since 1950s much like transition studies are based on certain normative assumptions concerning human prosperity. However its advantage relative to transition studies is that it gives more space to contest what are desired goals of system changes, what are the ways to achieve these goals. Instead of looking at how close is the country to textbook democracy and capitalism ideals, development studies focuses on the outcomes of any change on human wellbeing. Beyond, development studies offer much richer time/space horizons to observe experiences of different types of changes that have occurred in multiple regions since 1950s.

## *1.2 What is Development?*

There is no single definition of development and understanding of the concept varies over time and across the different schools of development. However, all the diverse concepts share the vision that development, broadly defined, is about transformative social changes: “Even within individually contested conceptualizations there is space for considerable diversity of views, and differing schools of thought also tend to overlap. This overall multiplicity of definitional debates includes a general agreement

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<sup>3</sup> Burawoy, Michael, and Katherine Verdery. Uncertain transition, *Ethnographies of Change in Post-socialist World*.

on the view that ‘development’ encompasses continuous ‘change’ in a variety of aspects of human society”.<sup>4</sup>

Sumner identifies three major conceptions of development: ‘Development’ as a long-term process of structural societal transformation; ‘Development’ as a short- to medium-term outcome of desirable targets; and ‘Development’ as a dominant ‘discourse’ of Western modernity.

The first conception tries to avoid normative judgments and sees development as a long term societal change. Sumner argues that even though it claims to be a value-free approach, it is rooted in ‘meta-narratives’ of post war era and often equates development to modernization or economic prosperity.

Second approach identifies clear short and medium-term goals, like poverty reduction or MDGs and is driven by the need to measure development and observe specific progress. “This is somewhat problematic to many of the more academic members of the development community because it presupposes a set of (essentially bureaucratic or government) goals or objectives which may not be shared by many of the people who are supposedly benefiting from development. This means that there is a paternalistic assumption as to what is good for people’s wellbeing based on a set of universal values and characteristics”<sup>5</sup>.

The third, postmodernist approach concerning development is criticizing previously dominant understandings. Postmodernists argue that development in itself is a discourse, which is dominated by western understanding of what is a positive change and imposition of this understanding on the rest of the world. This approach intends to increase contestation of goals and essence of development.

Even though postmodernist critics question existing approaches rather than propose any ready solutions, their thought has significantly influenced the field: “Partly as a result, development theory is today less programmatic, and more concerned with flexibility and adaptability...This kind of localized, particularistic, and flexible approach to development is, in the end, not that far from what post-development thought has advocated”.<sup>6</sup>

### *1.3 What are the Goals of Development?*

What should be the outcomes of the development or how should we measure the development is contested just as conceptions of development. We can roughly outline two views concerning what are the

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Lanham, Boulder, New York, Oxford: Rowman & Littlefield Publishers, 1999.

<sup>4</sup> Sumner Andy, Tribe Michael, International Development Studies, Theories and Methods in Research and Practice, Los Angeles, New York, New Delhi, Singapore: Sage, 2008.

<sup>5</sup> Sumner, p.13

<sup>6</sup> Rapley, John, Understanding Development: Theory and Practice in the Third World, Boulder: Lynne Rienner Publishers, 2007. p.5



goals of development. The old, traditional view would equate development to economic growth: “Its ultimate goal was fairly clear: to raise incomes and in the process give poor people access to the range of goods and services then widespread in developed societies. It was, in short, about getting richer or more prosperous; and prosperity was measured in dollar figures”.<sup>7</sup>(Ralpley1)

Even if traditionally economic growth was commonly named as major goal of development, it was only because there was a belief that economic growth would increase people’s wellbeing. Therefore, growth appears only as an instrument to achieve other, supposedly socially oriented goals. “Economic growth for its own sake cannot be a sensible final objective of society... at best it plays a role as an intermediate objective which may in turn lead to the achievement of the final objective if other things happen”.(soc econ growth). Problem with the traditional understanding of development is that it doesn’t attempt to identify what were the goals beyond the growth, goals that would be achieved if the growth occurred.

Development is even today many times measured based on economic growth. However, this approach has been challenged consistently since 1970s. As many developing countries were experiencing growth but problem of poverty and inequality was persisting or deepening scholars and practitioners revised the targets of development.

The questions to ask about a country’s development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all of these three have become less severe, then beyond doubt this has been a period of development for the country concerned... .. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result ‘development’, even if per capita income has soared.<sup>8</sup>

Thus the reduction of poverty, unemployment, inequality became the main goals of development. Next issue that has been problematic for development studies is to actually measure poverty. It has been argued that income based measures of poverty are insufficient to capture the social conditions of the poor and instead capability approach was offered by Amartya Sen, which was in practice translated into human development index devised by United Nations.

Sen argues that poverty cannot be properly measured by income or even by utility as conventionally understood; what matters fundamentally is not the things a person has—or the feelings these provide—but what a person *is*, or can be, and does, or *can do*. What matters for

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<sup>7</sup> Rapley, p.1

<sup>8</sup> Seers 1972, in Sumner, p.21

well-being is not just the characteristics of commodities consumed, as in the utility approach, but what use the consumer can and does make of commodities.<sup>9</sup>

Thus the new conceptions of developmental goals put more emphasis on human development, wellbeing, and education, healthcare and other social welfare policies that can enhance human capabilities. Todaro identifies three major objectives of development which perfectly summarized the shift that occurred since 1970s in thinking of development:

1. *To increase the availability and widen the distribution of basic life-sustaining goods* such as food, shelter, health, and protection
2. *To raise levels of living*, including, in addition to higher incomes, the provision of more jobs, better education, and greater attention to cultural and human values, all of which will serve not only to enhance material wellbeing but also to generate greater individual and national self-esteem
3. *To expand the range of economic and social choices* available to individuals and nations by freeing them from servitude and dependence not only in relation to other people and nation-states but also to the forces of ignorance and human misery .<sup>10</sup>

#### *1.4 How can Development be achieved?*

The next question for development studies is to ask how development can be achieved, or what the factors that influence developmental outcomes are. Depending on what is meant by development, there are continuous debates concerning what brings about development. Among these disputes we could identify two major and interrelated debates: first concerned with asking if it is increase of asset productivity or better institutions that bring about growth; second contesting if the state or the market should be a main actor of the change.

Thus first debate disputes if it is institutions or human and physical capital accumulation that influences the level or speed of development. As Paldam and Gudlach label them, these views can be referred to as Grand Transition (GT) view and Primacy of Institutions view (PoI).<sup>11</sup> The classical as well as neoclassical growth theories argued that it is the productivity of human and physical capital that affects economic outcomes. The later, neoclassical approaches focused more on research and development as one of the vital factors driving growth.

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<sup>9</sup> Todaro, Michael P., Smith, Stephen C., Economic Development, Boston Columbus Indianapolis New York San Francisco Upper Saddle River: Addison-Wesley, 2010, p.16

<sup>10</sup> Todaro, p.22

<sup>11</sup> Paldam, Martin, and Erich Gundlach. "Two Views on Institutions and Development: The Grand Transition vs the Primacy of Institutions." *Kyklos*, 2008: 65-100

On the contrary, new institutionalists argue that it is differences in institutional arrangements that accounts for the variation in developmental outcomes. The institutionalist approaches that emerged since 1990s formed the paradigm of thinking of development, which remains dominant till today. They argue that secure property rights, and less distortionary policies will support the investment in human and physical capital. Through the exogenous differences in institutions they explain different outcomes in development.<sup>12</sup> Many authors emphasize that institutional improvements can occur due to the policy choices made by ‘good’ policy makers<sup>13</sup>. Thus the state often appears to be the agent of introducing and enforcing right institutions like private property defense, rule of law, etc. Some of the authors find the debate futile, and argue that it is hard to establish primacy in causality: “wealth, its distribution, and the institutions that allocate factors and distribute incomes are mutually interdependent and evolve together... Institutions and development are mutually endogenous and the most we can hope for is to identify their reciprocal impacts”<sup>14</sup>.

The other major debate is disputing if it should be the state that should drive the development or the development should be left to be driven by the market forces. In 1950-70 the development theorists as well as practitioners of developing world were investing their hopes in state capacity to enhance development through maintaining a strong hand in governing economy. By 1980s the scholars started talking of government failures and started advocating for increased market role in development. The Washington Consensus that envisioned privatization, deregulation and liberalization of economy became a dominant paradigm. The constant failures of this latter approach lead scholars to argue that both markets and the states fail. In this condition arguing for complete reliance on either markets or the states loses sense and discussion is focused on what sort of government or what sort of market relations are preferable.

Discussions of the state, particularly the large body of literature that flows from the World Bank and aid community, revolve less around the question of whether more or less state is good for development; rather, there is a widening agreement that “better,” rather than more or less, is what matters when it comes to the public sector, and the literature has turned to the more mundane but

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<sup>12</sup> Acemoglu, Daron, Simon Jonson, and James A. Robinson. "The Colonial Origins of Comparative Development: An Empirical Investigation." *The American Economic Review*, 2001: 1369-1401

<sup>13</sup> Glaeser, Edward, Rafael La Porta, Florencio Lopez-de\_Silanes, and Andrei Shleifer. "Do Institutions Cause Growth." *Journal of Economic Growth*, 2004: 271-303 .

<sup>14</sup> Przeworski, Adam. "The last instance: Are Institutions the Primary Cause of Economic Development?" *Archive Europeen de Sociologie*, 2004: 165-188.

all-important matter of how to improve administrative and technical capacity in third-world public sectors.<sup>15</sup>(Rapley5)

Big part of the literature that drive these debates are acknowledging and measuring development as growth. In the previous sections we saw how the targets of development were replaced from economic measures towards social wellbeing measures. The means for development range from institutions to economic policies, asset productivity, research and development, etc. The institutionalists have broadened the discussion on the means of success from purely economic measures towards various social and political institutions that influence development. Beyond this, recently many scholars acknowledge the role of social policy in development, and outline that social equality, education and raised living standards are not only the targets of development but also the means for developmental progress.

### *1.5 What Role of Social Policy for Development?*

The tendency of stressing importance of economic institutions and policies for development is gradually replaced by increased emphasis on social policy. If it is claimed that education matters for growth, than the social policies supporting education and equality become not only as ends but also as means for development. “Social policy should be conceived as involving overall and prior concerns with social development and as a key instrument that works in tandem with economic policy to ensure equitable and socially sustainable development”.<sup>16</sup>

The distinction between social and economic policies is a loose and blurry one. In economic policies one can envision fiscal, monetary policies, exchange rate, tariffs and quotas, capital account controls, etc. Obviously most of these policies directly affect social wellbeing, define fluctuations in employment and inflation, therefore they dully are perceived also as intervention tools for social policy. Problem with simply focusing on economic policy or economic institutions is that this approach sometimes underestimates the importance of social welfare, labor, health and education policies; or envisions them as simply compensatory ones. Therefore acknowledgement of social policy as important means of development in its own right is vital on the way of rethinking development.

So what is social policy and what are its aims. The broad definition of social policy is defining is as: “as collective interventions directly affecting transformation<sup>1</sup> in social welfare, social institutions and social relations”.<sup>17</sup>

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<sup>15</sup> Rapley, p.5

<sup>16</sup> Mkandawire, Thandika, Social Policy in a Development Context, United Nations Research Institute for Social Development, Social Policy and Development Programme Paper N 7, 2001

<sup>17</sup> Mkandawire, p.1

More narrow definitions outline specific areas, other than general economic measures that are vital for achieving human development. According to these definitions social policy:

is concerned, in part, with the social policies that governments have in relation to such things as social security, health, education, housing and the personal social services... Its goal is to maximize people's chances of a good life. Its substance, therefore, lies in the theoretical debate and practical definition of what constitutes the good life and the fundamental nature of human need.<sup>18</sup>

Much of what we consider to be developed world has actually been investing largely in social policies. For the poorer countries traditionally economic reforms have been primary focus while they have had less luxury to focus on developing welfare systems. The recent reorientation of developmental discourse towards acknowledgement of social policy both as means and ends for development should alter this previously dominant way of thinking about development. Thus social policies are seen not only as means to ensure that economic growth will 'reach the poor' but also as core and vital ways to achieve development. This envisions also rethinking the governmental role from ensuring rule of law and defense private property to active and extensively engaged agent in providing education, healthcare, labor policies, etc.

## **Chapter 2, Stage I - Minimal state, 2004-2007**

### *2.1 Broad Developmental Aims*

In the years of 2004-2007 post-revolutionary Georgian government depicts becoming a developed economy as a long-term aim. Georgian state aims to modernize and find its place among European, democratic, developed nations. Even if the formulation of goals varies in different speeches, the core vision of the government is consistently and repeatedly outlined in presidential speeches: "Our long term plan is to make Georgia a developed, modern and successful country".

This broad and ambitious set of aims is sometimes better defined, and shows the character or the type of development Georgian government is envisioning: "Our developmental formula is to achieve political freedom for the state, and economic freedom and equality of opportunities for our citizens."

This summary of developmental goals is made by the president of Georgia on 2006 annual report to the parliament. It defines three pillars of developmental aims in short and precise manner: political pillar focuses on "freedom" that can be understood as retaining sovereignty and regaining territorial integrity;

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<sup>18</sup> Dean, Hartley, *Social Policy*, Cambridge, Malden, Polity Press, 2006 p.11-12

the second, economic pillar stresses economic freedom, illustrating that principles of free market economy are the priority; and the social pillar aims towards equality of opportunities, which stresses that state wishes to create fair playground for the citizens to achieve their personal goals.

These broadly outlined aims uncover their meaning better when examine specific problem formulation and policy solutions are examined.

## *2.2 Problem Identification*

The post-revolutionary government had clearly ambitious, far reaching aims and in order to offer solutions the first step is to identify problems. Problem identification is a particularly important part as the way problem is identified defines the type of solutions that will be applied. By 2003 there were numerous problems that Georgian state and society faced and it was the choice of incoming government to define which of the problems were of primary importance; to establish the hierarchy of problems and decide on the amount of effort that had to be spent to solve each of them.

In the first years after coming in office the president of Georgia, as the main speaker of government, stressed the problems that Georgia had inherited from pre-revolutionary period. The faults of previous government were repeatedly outlined in order to justify and legitimize the actions that new government was taking for resolving old problems.

The most important problem that new government saw was shortcomings in state building. The state under Shevardnadze's rule was perceived as weak or almost failing. Thus the major problem was that there existed no strong and 'dignified' state. This caused the set of next problems like ineffective bureaucracy, which was too corrupted to manage raising revenues; in turn the state budget was low and state's social responsibilities were not fulfilled; defense of territorial integrity was impossible and Georgia's international reputation was poor.

I suggest we recall what Georgia was like a year ago. Georgia was a failed state - disintegrated, demoralized and humiliated. It was a country that had lost all attributes of statehood; a country where corruption, lawlessness and injustice reigned supreme; a country where ordinary citizens were routinely cheated by the state; a country where the state and its representatives were constantly extorting money from ordinary citizens; a country that had no budget and that never fulfilled social pledges to its citizens; a country where human rights were blatantly violated; a country that had no defense capabilities, not a single working tank or enough ammunition to last for just an hour in battle <sup>19</sup>.

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<sup>19</sup> The Administration of The President of Georgia, Press Office, Annual Report ,2005, Available at: <http://president.gov.ge/en/> Accessed 16 September 16, 2012

We can break down these speeches, as well as the other speeches by the president of Georgia into identifying what were economic and social problems.

The poor performance of economy, low GDP and low budget are perceived as major problems of Georgian state. Here again the corruption and underperforming bureaucracy are seen as root causes of economic failures. Besides budgetary and growth problems, the weak state was unable to succeed in economic liberalization, and process of privatization was held in improper manner. Unfair privatization process is sometimes referred by the president as “Prikhvatzation”, meaning that state assets were acquired by corrupted officials in unjust manner. The major concern of the post- revolutionary government is to change the economic development status of Georgia from poor to middle income or rich country. We have to note here that while saying that Georgia is a poor country new government is not particularly talking of the level of poverty, but the measurement of country’s overall economic performance.

On the social side the post- revolutionary government sees problems in two directions: firstly, the state must be able to meet social responsibilities and secondly the state must ensure that citizens are not preferentially treated, in other words, citizens have equal opportunities to succeed. Under state’s social responsibility commonly mentioned areas are pensions, salaries of civil servants, provision of power supplies, helping the vulnerable and defense of human rights. On the other hand, problems arise from inexistence of rule of law; citizens did not have a chance to succeed based on their capacities but were treated rather unfairly and arbitrarily because of corrupted state system. Most frequent example here is the university entrance exams where young people were discriminated based on their social stance and available connections. One of the social problems that Georgian post revolutionary government starts stressing since 2006 is the unemployment. This problem comes relatively late on the agenda and is commonly perceived as the problem that will be solved through general economic recovery of the state. Even later by 2007 poverty is also appearing as one of the major challenges.

### *2.3 Problem solution - Economic reforms and achievements*

In order to achieve identified long-term goals and cope with challenges Georgian government presents the specific vision of what should be done in terms of economic and social life. How does government proceed with solutions is visible through observing on one hand governmental plans and on the other hand already fulfilled goals, or achievements.

Throughout 2004-2007 Georgian government communicates a very consistent view of what should be done to address economic problems. As the state weakness is envisioned to be the core problem of Georgia the first and the most important task for new Georgian government is to strengthen governmental institutions, reform state administration, decrease the corruption and restore order through fighting crime.

By 2005 the presidential speeches are consistently outlining that the new government's hierarchy of priorities was the following:

- Firstly, reforming state apparatus
- Secondly, resolving energy problems and investing in infrastructure
- Thirdly, reforming economy and increasing employment opportunities

The specific economic reforms are also thoroughly envisioned and discussed. New Georgian state wishes to liberalize economy – reduce the taxes and enhance the state capacity of rent extraction; privatize state assets, reduce regulations, defend private property, liberalize labor code, financial and banking systems. These steps are expected to improve environment of business making in the country and attract foreign direct investments. Government wishes to benefit from Georgia's geo-strategic position and open Georgian economy for international trade and economic exchange.

Throughout the four years under discussion presidential speeches also identify what are the priority sectors for Georgian economy. Development of infrastructure and strengthening of construction sector is envisioned as first and major step for economic success; diversification of energy sources as well as development of internal capacity to produce the energy is seen as another priority. Besides, tourism and agriculture are seen as vital sectors that need to be supported.

Fast and effective implementations of these goals are seen as achievements that Georgian government constantly takes pride in.

Instead of a stagnating and backward country, we now live in a new Georgia which has been recognized by the world as the leading country in terms of reforms. Instead of a completely corrupt country, we now live in a new Georgia that is a world-leader as far as the pace of the struggle against corruption and its results are concerned...

Economic “shock therapy” works well and is indeed the only way to move from a criminal economy to a market economy<sup>20</sup>.

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<sup>20</sup> “... Last year was a year of major economic progress and also a turning point. Last year was the beginning of a major geopolitical revolution and it was Georgia that started it.

...Last year was the year of a major and, most importantly, successful struggle against crime and corruption.

...Let us look at where we were in 2003 and where we will be in 2010. In 2003, when the people brought us to this hall, the real expenditure part of the Georgian state budget was 600m-650m lari. The per capita Gross Domestic Product was 800 dollars. This year our budget expenditure will exceed 6bn lari, or maybe even 7bn, while the Gross Domestic Product per capita will rise to 2,000 dollars. Georgia's budget expenditure for 2010 should be at least 8bn lari. Furthermore, at the end of this year Georgia will be taken off the list of low-income countries, or - to say it directly - poor countries (which was completely unacceptable given our country's potential), and put on the list of medium-income countries, which is a category that includes all of the world's fastest developing economies.



These and numerous other passages illustrate that Georgian government sees the reformation strategy as an extremely triumphant one. On one hand administrative, anti-corruption, economic reforms and infrastructural projects are successfully accomplished; on the other hand outcomes are visible in terms of extensive external approval of governmental reforms and improved economic indicators.

#### *2.4 Problem Solution - Social Policy*

Throughout 2004-2007 Georgian government sees increase of pensions and civil service salaries as major target for improving social conditions. Besides, healthcare and education reforms are of vital importance. Here one target of Georgian state is to restore social justice and provide equal opportunities for people. Therefore government takes pride in the reform of university entrance exams which is one of the least corrupted newly establishes systems and gives chance to the students to demonstrate their capacities. In healthcare system, speeches outline establishment of free access to emergency and birth giving. Second dominant target concerning healthcare and education is to rebuild and reconstruct the facilities and bring them up to international standards.

Once and for all Georgia must not be viewed as a legged-behind and the poorest country. Education is the most prestigious field. Georgian education and healthcare system should resemble the systems of the well-developed countries and we should seriously prepare for that<sup>21</sup>.

The issues of unemployment and poverty also arise towards 2006-2007 on governmental agenda. However, the extent and depth of these problems is never fully discussed. As we see from presidential discourse of talking about unemployment, the problem is many times seen as a hindrance to “full realization” of capabilities rather than widespread and life threatening phenomenon. These issues are commonly expected to be resolved through general economic success and educational programs, establishment of new enterprises and development of tourism and agriculture.

Our main task is to reduce level of unemployment minimum twice during the following years.. with stimulation of economics... What is necessary for stimulation of economics? First of all, we must improve business environment, then increase qualifications of employed and unemployed people<sup>22</sup>.

Thus the solution to poverty problem is seen through raising employment, while raising employment should be achieved through development of private sector. Another way through which government

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Our goal is, by achieving a high level of economic development, to ensure that the main problem in Georgia in 2010 should be not unemployment, but other concerns such as salaries and so on.”

The Administration of The President of Georgia, Press Office, Annual Report ,2005

<sup>21</sup> The Administration of The President of Georgia, Press Office, Speeches and Statements, 2006

envisions to ease the social problems is the increased pensions and programs for extremely poor. Thus state takes the responsibility only on extremely vulnerable but doesn't attempt to develop a comprehensive welfare system.

### *2.5 Role of the state in social and economic spheres*

Based on the ways that post-revolutionary government formulates challenges to Georgian state and talks of the solutions we can discuss what kind of state role the government assumes in resolving social problems on one hand and economic problems on the other hand.

Throughout the first term in power Georgian ruling elite is offering a minimal state, whose role is to create equal opportunities, while it is up to the initiative of the individuals to solve their social problems or succeed in their carriers. The presidential speeches make it clear on every step that the state should no longer be expected to systematically take care of social security, it will only facilitate that citizens can make good use of their capacities.

Even now people have the false belief that the government should be a major economic player.

The government is not able to feed its citizens the way they were fed, and everybody has to accept this fact, since it's a normal market relationship.

No single state body will treat you badly. The rest is up to people<sup>23</sup>.

However, the government does assume some of minimalistic social responsibility which is addressed majorly through giving pensions, raising civil service salaries, and supporting health and education.

At the same time the government should not forget its main function ... there are certain spheres in education and culture that can't develop without investment and cant adopt to the market economy<sup>24</sup>.

As outlined in previous subchapters, the role of the state in education and healthcare is mainly seen in developing infrastructure. These spheres are seen as part of the reconstruction project and aim to modernize these systems, but the approach hardly ever focuses on the underlining problems of poverty and social insecurity which surely hampers the access of the citizens to the modernized structures that state is creating.

Even if poverty and unemployment issues are sometimes made visible they are assumed to be resolved through overall economic success of the state. Some of the speeches outline very vividly the way Georgian government conceptualizes what social welfare means.

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<sup>22</sup> The Administration of The President of Georgia, Press Office, Speeches and Statements, 2006

<sup>23</sup> The Administration of The President of Georgia, Annual Speech,2005

We have a very good relation with Azerbaijan and Armenia, which means that as soon as the economy of these countries boosts as more investments will be made in our economy and more tourists will come to Georgia. But first of all it means new working places and social welfare.

Role of the state is to defend the law, create equal opportunities and help the vulnerable. Creation of jobs is the prerogative of private businesses<sup>25</sup>.

State doesn't assume direct or primary role in resolving social problems, the poverty and unemployment should be solved as a result of enhanced investments, and development of sectors like tourism, construction and agriculture. Support of social welfare is equalized with support of business development which in its turn should employ people and poverty should be resolved through increased employment of population. The only part of the society where state directly gets involved is the support projects of extremely poor. This means only the middle class, or the poor are not seen as the targets of social welfare but only the small most vulnerable part of the society is the one that will get direct assistance from the state.

In economic sphere state is also saying that it abstains from intervention and it is up to the entrepreneurs to use good business making environment. However, here there are the signs that business is getting special treatment from the state and are viewed as allies.

Business Today, as never before, we need our government and business to work together as partners and friends in order to break this agricultural embargo, establish ourselves in new markets and realign our agricultural industry<sup>26</sup>.

Furthermore, as the government bases biggest hopes on business in terms of: firstly raising state income, secondly helping overall economic growth, thirdly resolving unemployment and poverty problems, business emerges as a clear priority for the state. This sometimes means that social consequences of liberalization are given secondary importance in the name of all the perceived benefits that favoring good business environment might bring. The way Georgian government talks of the labor code is one of the examples of how liberalization is the priority which is assumed to solve also social problems in long run<sup>27</sup>. Presidential speeches sometimes clearly outline the special status of businesses through making opens statement that whole governmental body is in service of the business interests.

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<sup>24</sup> Ibid

<sup>25</sup> The Administration of The President of Georgia, Press Office, Annual Report, 2006

<sup>26</sup> The Administration of The President of Georgia, Press Office, Speeches and Statements, 2006

<sup>27</sup> "The same thing can be said about the labor law – we are not affecting the rights of the pregnant and the vulnerable people. Georgia is neither France nor Norway and we need to get our people employed. If we want to have new jobs and opportunities we should not artificially constrain Georgian businesses. Many such things can't be regulated by law. Freedom first of all means that individuals feel free in their contractual relations". The

The businesses already saw that there is a good environment in Georgia to achieve success. Now we have to make the see that whole state system is fully devoted to their success<sup>28</sup>.

However this approach of supporting business and seeing social welfare as a consequence of economic growth has its own exceptions. Mostly exceptions are one term projects that serve social purposes. These one- shot projects are either projects for employment where government gives subsidies to different industries to employ people for 3 months; of presidential projects for “patrioti camps” and etc. Most of these projects appear only briefly and neither aim, neither is able to tackle any systemic problems.

These kind of very ambiguous and unclear plans appear from time to time in presidential speeches and disappear after one mentioning. Thus the overall approach of how state sees its role in social and economic matters seems more or less consistent throughout 2004-2007. Government envisions a small and effective state whose role is to ensure rule of law and liberalize economy so that investments are made in Georgian economy and business can benefit from it; and as a secondary implication whole society will benefit from enhanced entrepreneur activities. Additional social programs which deviate from government approach are only exceptions and can be viewed as populist projects that do not change the overall governmental vision of its role in social affairs.

The significant economic success and international recognition of the reforms of initial years are used as a strong devise to legitimize existing governmental approach. Government has list of things to be proud of and to avoid thinking of more elaborate social welfare provisioning.

## **Chapter 3 Stage II - Concerned State, 2008-2012**

### *3.1 Long- Term vision of Georgia’s developmental Goals*

Throughout 2008- 2012 the broad developmental targets of Georgian state remain basically the same as before. The key word which is used to describe general aim of Georgia’s development is still modernization. <sup>29</sup>

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Administration of The President of Georgia, Press Office, Speeches and Statements, 2006

<sup>28</sup> The Administration of The President of Georgia, Press Office, Annual Report, 2007

<sup>29</sup> “We will overcome economic difficulties, create modern economy and within next 10 years we will turn Georgia into modern European country and with our development outrun some of European Union with right now are ahead of us.

...But what matters most is that despite all of these obstacles, we managed to move ever closer to our goal-to create a modern and European Georgia.

...The revolution which began back then is still going on; our aspiration towards changes, reforms, and

Now, more than before the presidential speeches stress will to become a European state, and furthermore promises are made that Georgia will outrun some of the European states. The definition of what is meant under being modernized and European are again to be found in short or medium term plans, which usually again focus on liberalization of economy, accomplishing infrastructural problems and for the first time since four years in the office target to resolve social problems.

### *3.2 Problem identification*

If the revolution of 2003 was claimed to return hopes to the society, after the war the major challenge is that society lost hopes. Since 2008 Georgian government asks its domestic audiences to retain hope in the future: “In general, the life of our people became harder and pessimism spread in parts of our society”<sup>30</sup>.

The radical breakaway from past years is felt in governmental discourse on developmental issues in the ways government sees the problems. Since 2008 onwards, presidential speeches identify social problems, mostly poverty and unemployment as the most important challenges for Georgian state.

Social problems are acknowledged and also put forward as most important issues in majority of presidential speeches. If previously the presidential speeches would start by outlining what kind of hard legacies Georgia inherited from Shevardnadze period, now each speech starts with stating that fighting poverty and unemployment is of outmost importance.

In 2008, shortly after the war presidential annual speech starts up with mentioning the problem of poverty and unemployment and explains that even if war hampered the programs fighting poverty, the promises that government made will still be fulfilled. Thus social problems even get mentioned earlier than the destructive results of the 2008 August war.

I was elected by my nation, which has huge problems to solve. We had to create many jobs for our people, because many Georgians are unemployed and many still fight with poverty. We had to improve the living conditions, because many of our families suffer greatly.

Over the next five years, our priority will be to ensure that the benefits of that liberation reach every family of Georgia<sup>31</sup>.

By 2008 governmental concern becomes dissemination of the fruits of economic success to wider population. Not only government starts talking of poverty and unemployment as hazardous problems, but

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modernization is still our top priority”.

The Administration of The President of Georgia, Press Office, 2008, 2010, 2012

<sup>30</sup> The Administration of The President of Georgia, Press Office, Annual Report 2010

<sup>31</sup> The Administration of The President of Georgia, Press Office, Speeches and Statements, 2008

it also starts acknowledging the social needs and problems of middle class or even average citizen. The introduction of the annual speech to the parliament is a good illustration of how president tries to communicate to variety of social groups that government is aware of their concerns. The speech starts with addressing the most deprived, poor, jobless, goes on discussing problems of pensioners, teachers, and civil servants and ends up with discussing problems of business people, thus covering whole spectrum of groups. Presidential speeches outline awareness of not only general economic problems but of specific problems of people in various social standing, among them middle class<sup>32</sup>.

During years of 2008-2010 three events are viewed as the causes of Georgia's social and economic problems. These troubles are economic crisis, war with Russia, and internal political instability. Obviously these events had numerous concerning effects on Georgian society; however it is worth mentioning that government mostly focuses on discussing the social consequences of war and crisis.

Social problems are not the only ones that Georgian government discovers since 2008. By this time it appears that state fears of the contestation of chosen economic path, and wants to prove to international and national audiences that government is devoted to economic liberalism even after crisis and focusing on pressing social problems: "The governments of developing countries suffer a lot of financial deficit,

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<sup>32</sup> "Today, in such tough period of time for Georgia, I address the whole Georgia, the whole society that is fighting with hardship in this very tough period of time for Georgia from here....

I address the most deprived part of the society. I address each family that has to fight with poverty and hopelessness daily...

I address each displaced person, who were thrown out of their houses, villages and towns earlier or after this new aggression...

I address each and every unemployed person, there are many of them. They cannot make their aims real, because they have no stable income...

I address those people who were finally employed during last several years, but lost their jobs during this world economic crisis and still are losing...

I address people below the edge of poverty, every single person living in poverty, those who are obliged to live and survive on state assistance, which is very low - ...

I address all pensioners, who served all their lives for their homeland, but today have very low pensions ...

I address farmers, who are not yet able to find market to sale their products...We need to solve so many problems in the villages. We all know very well, that we will not be able to build strong Georgia without strong village...

I address teachers and professors, people who work in medical sphere, these people raise generations with their honest service and hard work, people who are trying to treat our people. They need better working conditions, assistance and more appreciation...

I address soldiers and policemen, who are ready to sacrifice their lives to protect their homeland ...

I address businesspeople, who employ and give jobs to our people who do not have easy days today. They are fighting with very difficult results of the world economic crisis. They need more assistance from the Georgian government...

I address these groups of the society. First of all we are accountable before them and our priority is to take care of these people...

Our efforts should be directed not towards the political wrangling, but towards overcoming unemployment in the process of global financial crisis..."

The Administration of The President of Georgia, Press Office, Annual Report, 2009

because investors have a fear that major economic policy may change very soon”<sup>33</sup>.

Thus government is expressing its understanding of private sector problems as well. Government admits that focusing on punishing might have negative consequences on businesses and is willing to show support and understanding.

Thus the changes compared to 2004-2007 in the way problems are identified are several: firstly, social problems are becoming acknowledged; secondly, they acquire primary importance over other problems; thirdly, state extends the concern from businesses on one hand and the most vulnerable, or the poorest on the other hand to covering whole population, variety of social groups; lastly, in economic policy state envisions challenges as chosen liberalization path is contested, so now economic liberalism is in need of state defense.

The last, worth considering aspect about problem identification is that throughout 2008-2012 focus from social problems is not drifting away, rather the rhetoric of acknowledgement of poor and average citizen’s social concerns is steadily escalating. Besides, for five years in row government doesn’t reformulate the problem, or manage to identify specific reasons of continued social misery; it does not discuss the causes of persistent poverty, neither talks of qualitative or quantitative character of social challenges. Therefore the problems remain restated in the similar wage, unspecific and sometimes poetic manner<sup>34</sup>.

### *3.3 Problem solution - Economic Policy and achievements*

Throughout 2008-2012 Georgian government tries to continue economic policy that it had chosen in previous years. The rhetoric of adhering to liberal economic principles becomes more ambivalent; still Georgian government tries to justify previously chosen strategy and carry on the further economic reforms for liberalization.

Since 2008 government’s chosen rhetoric about its minimal involvement in economy is altered. As the

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<sup>33</sup> The Administration of The President of Georgia, Press Office, Speeches and Statements, 2009

<sup>34</sup> “In speaking with people throughout Georgia, I discover what they think. And what they think is that the government takes care of our country, but not of our people

Their condition underscores the importance of our chief obligation – not only to develop the country, but also expand the circle of people who are benefiting from this development.

Every small result within our plan strengthens our faith in the fact that Georgia is advancing. But it is a fact that a lot of citizens of our country, in the cities and villages of Georgia, still do not feel this advancement in terms of their family conditions.

Not only create a richer country, but expand the circle of the people who will benefit from these riches; a wider circle of developed villages, accessibility of healthcare, citizen involvement, optimism, and success”. The Administration of The President of Georgia, Press Office, 2011,2012

government acknowledged that global financial crisis as well as the war had negative effect on Georgia's economy, it also offers the solution out of the crisis situation. The solution is focused on activating "economic diplomacy" , meaning receiving a considerable amount of international aid to invest in Georgia's economy. Government elaborates economic stimulus project, which makes Georgian government the biggest investor in economy and serves the aim of saving and creating jobs. The economic stimulus package of 2.2 million Gel was aimed to job creation and was majorly invested in construction sector.

Construction is the backbone of the economy, constructions and infrastructural projects employ our companies, which have huge problems because of the global crisis. Construction gives work to many parallel industries like -transportation, enterprises of construction materials, cement and other construction materials. They are employing workers, engineers, legal workers, accountants, logistic managers, and architects, transport specialists. Wide scale construction makes the whole economy work and employs many people.<sup>35</sup>

The logical contradiction of 'becoming the biggest investor' rhetoric with 'government doesn't intervene in economic matters' rhetoric is accommodated through 2 major strategies. Firstly it is constantly outlined that the crisis situation is the exceptional situation when state needs to be more involved, and secondly, Georgian government tries to give numerous signals to let the audiences know that government is defending liberal economic principles. To prove devotedness to liberal economic principles the government makes various steps, among them makes constitutional changes to make economic liberalism irreversible.

These proposals will turn Georgia into a country, where the irreversibility of the liberal economic course is protected by the superior law.

Our main emphasis will now be on the continuation of the liberal economic reforms and ensuring that they are irreversible, in order to maintain our position and make progress in attracting investments...<sup>36</sup>

Thus presidential speeches that were presenting governmental initiatives are consistently stressing that Georgian state remains devoted to chosen economic path. Beyond, the government retains the vision of which sectors are the priority sectors for Georgia's development and since the Rose revolution these sectors remain to be the construction, tourism and agriculture.

In order to facilitate private sector development government was coming up with numerous plans and

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<sup>35</sup> The Administration of The President of Georgia, Press Office, Annual Report, 2009

<sup>36</sup> The Administration of The President of Georgia, Press Office, 2009,2010



initiatives that aimed at improving business environment and in 2011 new economic course was proposed to serve the old goals of creating good business environment, but instead of punishing focus on “serving” the businesses.

Thus Georgian government majorly retains already established course of supporting economic liberalism throughout 2008-2012. Compared to previous years government also shows some ambivalence in defining how far can the state be involved in economic matters but majorly the rhetoric of minimal state that is supporting private initiatives, foreign and domestic investments, and takes care of improving environment for doing business is retained. Throughout these years the government takes pride in managing to avoid major economic collapse after the war and global financial crisis hit Georgian economy. In post war years presidential speeches stress how macroeconomic stability was maintained, and how relative to neighboring countries Georgia was performing well. Since 2009 as the indicators of Georgia’s economic success recovered growth rates, and flourishing of construction and tourism were pointed out. Thus, Georgian government is freely talking of economic achievements which in its turn are justifying chosen economic policy direction.

### *3.4 Problem solution - Social Policy*

Since 2008 Georgian government embarks on heavily socially oriented rhetoric. The second term in the office is envisioned as the second stage of reforms in Georgia that should redistribute the fruits of economic success of previous years to the whole population or each family. Therefore government also attempts to present numerous plans and initiatives that serve resolving the social problems. However, throughout these five years government appears very inconsistent about its own plans. The president presents new plans each year but much of the initiatives from previous years are never mentioned since, and some of the plans are contradicting the previously made proposals. Despite the fact that resolving poverty and unemployment become much bigger priority for the government than before 2008, the ways to resolve these issues are never actually revised. The solution for joblessness and poverty, as well as vulnerability of the middle class are heavily conditioned on the overall economic plans of strengthening private sector, that in its turn will employ more and more people and employment will resolve the problem of poverty.

Already since 2004 Georgian government acknowledges its responsibility to reform healthcare and education. However, throughout 2004-2007 the reforms are mostly focused on strengthening of infrastructure. Since 2008 the government enounces the second wave of reforms and promises to focus more on content of educational reforms and accessibility of healthcare and education.

However, the plans that were presented to the citizens as a solution of are changing from year to year, and many times these new plans stress infrastructural development again, instead of solving accessibility

problem as promised. Good example of inconsistent approach of the government is the healthcare insurance. By 2009 Georgian government presents the cheap medical insurance program. Based on this program government should have subsidized the medical insurance for any citizen, and the citizens would have to pay less than 2 Gel for being ensured, while the rest would be subsidized by the state social funds. By 2010 there is no mentioning of the program announced in the previous year and instead, presidential speeches start outlining completely different approach for resolving medical insurance related problems. In this case, presidential speeches redefine the problem from medical insurances being unaffordable into medical insurances coming short to satisfying customer's needs and offer the governmental mediation between citizens and insurance companies.

By 2011 the plans that were outlined in 2010 are once more forgotten and governmental discourse focuses on increasing the numbers of ensured. In this case government was promising that by 2015 one more million people will be ensured, or every second person will be ensured. However, little specifications were given about the ways these goals would be attained. The discursive focus shifts towards infrastructural development and building of more and more high standard hospitals.

Somewhat similar inconsistency is visible concerning the educational reforms. Even if the government promised to take care of the quality of studies and affordability of education, the solutions focus on security or privatizing food provision in schools.

As productivity of Georgia's agricultural sector is low, but over 50 percent of the population is dependent on this sector, poverty is especially deep in the rural parts of Georgia. Therefore support of agriculture can be discussed as part of social policy. Georgian government shows its understanding of deep problems of rural communities and attempts to help the agricultural sector. These plans are changing year by year and are mostly based on temporary or one term aid. In 2009 government announces "money to every village" project, distributes 20 million Gel to the villages, and village population would decide how to spend the money. In 2011 new initiative offers Georgian farmers to use high-yield wheat and maize seeds, with the hope that Georgian maize could be exported.

Besides supporting education, healthcare and agriculture, the state assumes new role since 2008 and starts talking of resolving unemployment and poverty problems. However even if state reinvents its role, it's not capable to reinvent its strategy of resolving these problems and much like before 2008 relies heavily on development of private sector, and particularly supporting construction sector. By 2011-2012 the inconsistent plans turned into more and more exaggerated promises concerning the future achievements, and the timeline for resolving specific social problems increases. The presidential speeches focus on

ambitious plans for 2015, which majorly presented same recipes to solve old problems<sup>37</sup>.

Thus the understanding of social welfare remains linked with economic development in general. Georgian government either constantly offers temporary interventions, one-term programs and aid, or focuses on the infrastructural development. It is rarely able to point out significant achievements in social policy. The declarations about achievements remain concentrated on infrastructural projects, building of hospitals and schools, timely provision of pensions and salaries; while very little could be reported in terms of decreasing poverty and unemployment. Therefore the rhetoric is becoming heavily future oriented: “There are concrete signs of recovery, important indicators to show that we are on the right track and have better prospects for the future. We have created tens of thousands of jobs for the coming years”<sup>38</sup>.

Social problems thus become more and more linked with vague hopes and promises for the future, and government becomes less able to talk of specific and concrete improvements in the lives of poor or average citizens.

### *3.5 Role of the state*

Since 2008 Georgian government rethinks what development means for Georgian state and partially redefines its role in social and economic matters.

It can be said that before 2008 Georgian government was guided by traditional understanding of development, which equates development to economic performance. Afterwards Georgian government discovers what development scholars discovered in 1970s; that major targets of development are reduction of poverty, unemployment and inequality.

The clearest change occurs in problem definition and scope of envisioned governmental responsibilities. Throughout 2004-2007 bad legacies, corruption, weak government and poor economic performance were

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<sup>37</sup> “Nothing will be considered a success until we break unemployment.

That is why we are continuing to invest in major infrastructure projects, to build new roads, new railway lines, and continue to supply Georgia with gas.

with our infrastructure development plan, by 2015:

Every city in Georgia will be connected by a road of international standards.

- The Tbilisi-Batumi railway rehabilitation will be completed and travel time will decrease from 8-10 hours to just 3.
- Construction of the Tbilisi bypass railway will be completed.
- Construction of the railway connecting Georgia to Europe (Baku-Tbilisi-Karsi) will be completed, and freight will then travel from Beijing via Georgia to London.
- More than 70% of the population will have natural gas (including village populations).

And most important of all, we seek to develop our tourism not only so that we can show off our country to foreign visitors, but, above all, to improve the welfare of our citizens and to spur rapid economic growth, to create jobs and increase the income of our people”.The Administration of The President of Georgia, Press Office, Annual Report,2011

<sup>38</sup> The Administration of The President of Georgia, Press Office, Annual Report,2009

seen by post-revolutionary government as core problems, and the governmental saw itself responsible to establish rule of law; create small, efficient state where private sector is strengthened so that it can facilitate resolution of social problems; government only intervenes to support the most vulnerable part of the society. In contrast to this previous vision, since 2008 government reformulates the problem and focuses on the poverty and unemployment; besides, it also extends its social responsibilities from taking care of the most vulnerable to wide range of social groups.

Governmental rhetoric changes concerning the problem definition but the rhetoric about solutions remains largely the same. Georgian state never proposes establishment of the institutions that would take care of social problems. Rather, it relies in its promises on strengthening the private sector which would pull out the society from poverty. Besides government proposes various short-term projects, that appear and disappear from the agenda, and it over time it becomes harder and harder to report the success of these one-shot projects. Therefore towards 2012 government is only able to restate the social problems in the similar manner to the way they were defined by 2008, and extend the timelines for resolving these problems.

Throughout its second term in power Georgian government also partially changes its discourse concerning the role of the government in economic matters. On one hand the government starts investing in Georgian economy and claims it became the largest investor to help the crisis hit economy; on the other hand it claims to retain the path of economic liberalism.

Being said that government is devoted to minimal state intervention in economy and to liberal economic principles, there are several deviations from this rule. Firstly government becomes the main investor and chooses which sectors will absorb governmental investment, thus facilitates development of some sectors (mostly construction sector) over others. Secondly, the government initiates various interventions in agriculture, and sometimes presents the plans for coming years concerning how much will be the agricultural output, export etc.

This is why we have decided to increase the Government involvement in developing agriculture, based on the principle of partnering with business.

Our minimum goals are as follows: Georgian agricultural production will double by 2015, agricultural exports will double as well, and the number of bottles of wine produced in Georgia will reach 50 million annually<sup>39</sup>.

The government is also willing to extend its support to private sector. Previous rhetoric of creation good environment for doing business, where the state reduces regulations, tax burden and intervention, the

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<sup>39</sup> The Administration of The President of Georgia, Press Office, Annual Report, 2011

government shifts towards more involvement in private sector: “The state should not be some kind of punitive body, but rather a service center”.

Thus the governmental discourse on the development and state role in development changes since 2008 and becomes somewhat inconsistent and confused. In social matters government focuses on poverty, unemployment and wellbeing of “ordinary people”, but fails to propose new solutions to these problems. In economic matters the government retains the rhetoric of minimal intervention in economy, but on the other hand proposes number of interventionist moves.

## Conclusions

Throughout 2004-2007 Georgian government was consistent and firm concerning the visions of development. The general aim was to make successful modernized and developed/reach country from Georgia. The major problem that was identified on this stage was state weakness during Shevardnadze period. Therefore all the efforts were made to fight corruption, reform and strengthen state administration. These changes were supposed to facilitate economic development and make the government capable of fulfilling social responsibilities. Georgian government outlined that it chose to follow principles of economic liberalism: create small and effective government, strengthen rule of law, pursue privatization and deregulate economy, create environment conducive to doing business. On the side of social welfare state also chose to take minimal responsibilities. The government promised to make sure that civil service salaries and pensions would be increased and regularly delivered, and that infrastructure would be developed for education and healthcare. The state promised that citizens would have “equal opportunities” which meant that government would ensure there is no corruption and everybody is equal against the law, however the citizens would have to take care of own wellbeing. Throughout this first stage Georgian government was able to point out various achievements that chosen developmental path brought about. Mainly the achievements were expressed in economic growth, decrease in corruption, increase of governmental effectiveness, development of infrastructure, and appreciation of Georgian reforms by the international community. Besides, Georgian government was able to point out that the state became able to fulfill the basic social responsibilities like increase of salaries and pensions; accessibility of emergency healthcare; resolution of energy problems, development of previously inexistent infrastructure, etc. Thus throughout 2004-2007 Georgian state was able to identify targets, accomplish reforms and report the success of chosen reforms.

Since 2008 the rhetoric of Georgian government changes incredibly. Even if the major developmental targets like modernization, and making Georgia a developed European type country remain, the problem definition changes radically. Since 2008 government started paying attention to social problems, mostly

to unemployment and poverty. The medium term target of the state since 2008 was to support Georgian population in times of crisis, and to disseminate the fruits of previous economic success so that each citizen of Georgia would feel relief. If previously state took responsibility on the most vulnerable groups like pensioners and extremely poor, now it started addressing the problems of average citizen and increased caring of unemployment, inflation pressures and other problems which were concern of wide population. However even if state was able to reformulate the problems facing Georgian society and envision increased role of the state in social affairs, it was largely unable to reinvent or change the means for addressing social problems. Discourse concerning economic policy changed only slightly with state increasing its role in times of crisis, creating economic stimulus package and becoming the major investor in economy. Despite this, Georgian government did not envision major changes in chosen path of economic liberalism. Furthermore it continued reaffirming and reassuring the audiences that economic liberalism is the only right way to follow, this way had helped Georgia succeed before 2007 and it would also help the country to overcome destructive effects of war and economic crisis. On the other hand, promises concerning resolving social issues were much less consistent. Firstly, much like before, Georgian state continued viewing improvement of social welfare as a natural consequence of economic growth, attracting foreign direct investments, and strengthening of private sector. Thus if government was talking of helping unemployment it was constantly pointing towards general economic plans that would in long run create jobs. This obviously meant that state never took the responsibility to provide active or passive labor politics, provide unemployment aid or create stable institutions for supporting unemployed. Instead focus was made on supporting the business which in its turn would create jobs and job creation would resolve poverty problems. Besides the plans over unemployment and poverty, Georgian government promised that after 2008 the approach would be changed concerning healthcare and education and instead of infrastructural development, rehabilitation and construction of new schools and hospitals, the focused would be made on accessibility and quality of education and healthcare. The promises as well as plans that were communicated by the government to the audiences were instable and inconsistent while achieving these aims. Numerous initiatives would be made but they were changing from year to year and much of them were forgotten or not finished. The focus would shift back to rehabilitation, or strengthening rule of law and plans that were aiming to increase affordability of healthcare and education were suppressed or forgotten. Besides, the numbers of clearly populist one term projects like nationwide vouchers, employment plans were increased. However, these sort of projects could hardly be reported as systemic changes, therefore they were from time to time announced as the demonstration that government is taking care of its nation.

Throughout 2008-2012 Georgian government was hardly able to report successful resolution of the problems that it outlined since 2008. What government was taking pride in was again economic recovery,

decrease of corruption, infrastructural development, positive assessment of Georgia's reforms by international institutions. The social problems like unemployment and poverty were year after year remaining to be solved in unsatisfactory manner, therefore Georgian government's rhetoric decreased in reporting achievements and increased in terms of making promises and asking for "keeping the hope".

By the year 2015 - based on our calculations and taking into consideration the current conditions - the population of Georgia will reach 5 million again. By this time, the budget of Georgia will double, unemployment will have been cut in half, the average salary will increase by 50%, and Georgia will be one of the fast-growing economies in the Europe. All the projects, all the programs and all the reforms we implement today and undertake perform in the future will serve to fulfill these goals.<sup>40</sup>

The timeline of fulfilling promises also increased from year to year and old timelines were forgotten. The 50 month plan presented in 2008 to eliminate poverty was no longer mentioned by 2011 and new plans were made to address the old problems.

Examining the developmental promises and visions of Georgian government gives us an opportunity to think of the third stage, post June 2012 stage as continuation of already accelerating socially oriented rhetoric of the state. This time however the government seems to alter more radically its vision of the role of the state in social problems and becomes the main and active actor in resolving unemployment. If previously unemployment and poverty would be the consequences of strengthened private sector activities, now state is willing to engage itself directly. However, we shouldn't be misguided to think that it is the first time when state attempts to get directly involved. The attempts have been made many times, but only in form of short term projects that would change or disappear over the years. It is hard to assume that recent, pre-election promises

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<sup>40</sup> The Administration of The President of Georgia, Press Office, Annual Report, 2011

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