

Economics

History of Georgian Economic Thought: Relation between the Center and the Region

Avtandil Silagadze

Academy Member, Faculty of Economics and Business, Ivane Javakhishvili Tbilisi State University, Tbilisi Georgia

ABSTRACT. The term “economy” originated in ancient Greece but it took centuries before the economics as a science developed. Different people and legal documents contributed a lot to its development. Georgian economic thinking also contributed to its development in some way. Before the formation of the first doctrine of economic development many economic views were presented in feudal Georgia exemplified by Shota Rustaveli’s “The Knight in Panther’s Skin” (12th century). In the present paper the economic views of Beka and Aghbougha formulated in the Code of Law (13th-14th cc) are considered. The Code of Law established legal and economic norms of governance in one region of Georgia long before the mercantilist and protectionist doctrines developed. The Code is valuable for understanding the theoretical and practical issues of market economy, which developed centuries later. The Code presented certain approaches to the principles of economy, in particular, to agriculture, industry, financial-credit relations and employment. Although the Code regulated the issues of governance of an independent region, it was based on the credo and state interests of Georgia. In modern sense this means that the stronger the regions the stronger the state is. Concentration of legal and financial power in the “center” ultimately diminishes the strength of the country causing many problems. According to the research, weakening of the country is often related to irrational and assymetric distribution of resources identified with: concentration of business activities and investments mainly in the capital city; accumulaton of basic revenues in the central budget; controversial method of defining the unemployment level; intensification of migration flows. At present, the absolute majority (43.7%) of registered business entities are concentrated in the capital city, while there is only 2.9% in Samtskhe-Javakheti region. Therefore, the major part of GDP is produced in Tbilisi and only 2.5% in Samtskhe-Javakheti region. Under the existing law all the owners of the land plot are considered as employed. Thus, according to the official statistics the level of unemployment in the regions is considerably low. However, the landowners cannot cultivate the land due to lack of necessary resources. In the rural places, over a half of the labor force statistically considered to be employed actually produce just 9% of GDP. An absolute majority of the revenue (over 90%) is concentrated in the central budget controlled by the central government and the regions depend on it. Globalization determined the expected tendency in migration policy: along with the increase of the rate of emigration the number of immigrants also increases substituting the local labor force. The fact is especially noticeable in Georgia. © 2017 Bull. Georg. Natl. Acad. Sci.

Key words: “Code of Law”, Beka and Aghbougha, mercantilism, protectionism, regions

To the development of economics as science the people of different professions as well as legal norms of certain countries contributed a lot [1-4]. In Feudal Georgia, Shota Rustaveli's "The Knight in Panther's Skin" and the Code (13th-14th cc) of Beka (the ruler of Samtskhe) and Aghbougha (Beka's grandson) are worth mentioning. In the present work we consider the above-mentioned Code, which was created for regulating the legal and economic problems of governance in one region. It should be noted that the Code contained clearly formulated new economic ideas long before the mercantilist and protectionist doctrines appeared in the world [5-8]. The Code is valuable for fundamental understanding of theoretical and practical issues of market economy, which developed centuries later. It contained the principles of economy, agriculture, industry, financial-credit relationship, employment and considered the role of the state in economy and legal relations. Although the Code regulated the issues of governance of one independent region, it was based on the credo and state interests of Georgia [9-12]. In modern sense the strong region means the strong state. Concentration of legal and financial power in the "center" ultimately diminishes the unity of the country.

The Code was created for one of the oldest regions of Georgia, the feudal Principality of Samtskhe-Saatabago, which was fully independent in those days. It occupied a large territory of Georgia: Akhaltsikhe, Akhalkalaki, Artaani and Chorokhi gorge, from Tashiskari (now Khashuri) to Karnu City (now Erzurum) and the Black Sea. The Code consists of 98 Articles. Of them Articles 1 - 65 are written in the days of Beka (about 1240 -1306), while Articles 66-68 are written by his grandson Aghbougha (14th century). In addition to "pure legal norms" the Code of Beka and Aghbougha [1,3] contains the rules of property, mortgage, borrowing, trade and finances, land leasing, labor relations and other rules.

The Code shows that the peasants had free and temporary contractual relation with the landowners. The fine for a peasant's killing was 400 Tetri. How-

ever, if that peasant was significant for his master, the fines amounted to 1000 Tetri (1; Article 11, p. 429). Being a prisoner, having an unpaid debt etc were considered to be the reason of becoming a serf. According to the feudal relations established in Saatabago (municipality), the feudal lord was the ruler of everything in his "feud" and the peasant had to be obedient and serve faithfully to become a feoffee and to own land.

The first part of the Code [1] established:

- The rule of feoffment and the amount of payment (Article 42-44, pp. 440-441);
- The terms of sale of the mortgaged property providing the owner with the opportunity to redeem it at a reduced price (Article 43, 45, pp. 440, 441);
- The rule of temporary use of the unowned land, which would be returned to its owner together with the income received from it (excluding the expenses) in case the owner appeared (Article 53, pp. 444);
- Penalty sanctions for the noncultivated land given for exploitation (Article 54. pp. 445);
- Liability for providing the buyer with full information on the goods for sale (an example of selling a horse is provided - Article 64, p. 448). If this were not the case the buyer had the right to return the goods back and demand refunding;
- Sanctions against the robbery of the foreign merchants providing return of all the robbed property (Article 65, p. 449) et al.

The second, final part of the Code (Aghbougha's Code) stated [1]:

- The borrower of 1000 Tetri was obliged to pay back 1200 Tetri a year. In case of backlog in payment the borrower would pay 5% of the principal sum during three years in addition to the interest. The borrower of two loaves of bread would return three loaves of bread to the lender (Article 83, 93. pp. 457-458; 461-462), i.e. in case of bread the interest was 50%, while in case of money (Tetri) it was 20%. The latter is much less compared to the interest rate existing in Georgia over the years;
- There were specific regulations for the issues of

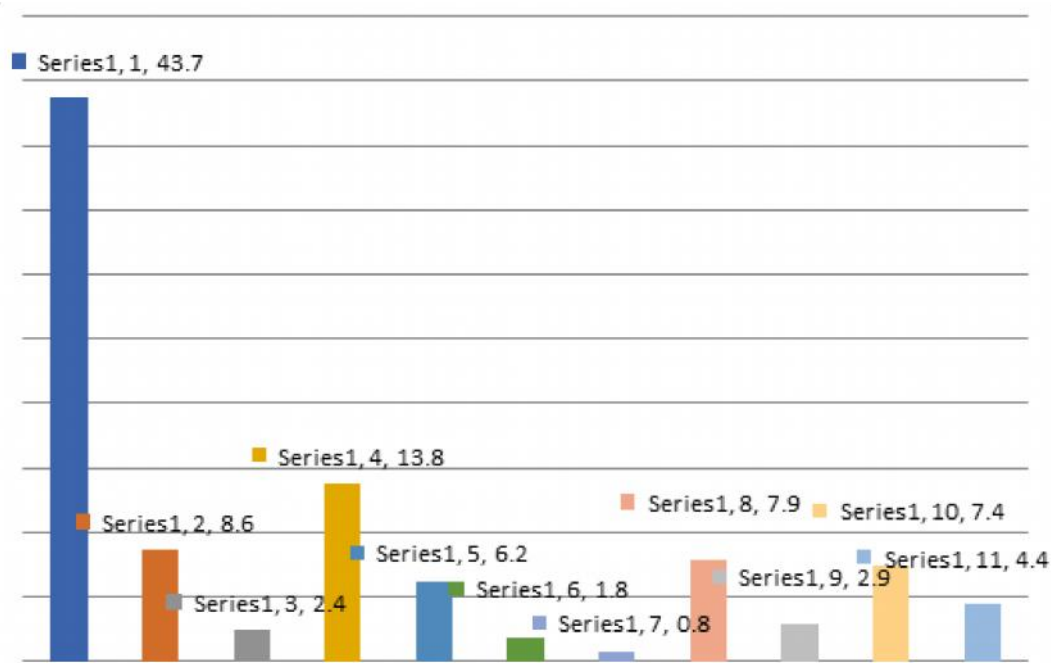


Fig. 1. Registered active business entities (100%,2017). 1 - Tbilisi; 2 - Adjara AR; 3-Guria; 4-Imereti; 5-Kakheti; 6 Mtskheta-Mtianeti; 7-Racha-Lechkhumi and Kvemo Svaneti; 8-Samegrelo-Zemo Svaneti; 9-Samtskhe-Javakheti; 10-Kvemo Kartli; 11- Shida Kartli.

guarantees. In case the debtor did not pay the debt, the guarantee was also imposed responsibility. [Article 68-70, p. 452], i.e., in case the breach of promise by the debtor (borrower), the creditor (lender) could demand the debt payment from the guarantee. It was, of course, less problematic for the representatives of the upper classes to give a guarantee;

- The employer was not allowed to treat the employee badly. However, if the employee died, the employer was responsible for paying only the hire (Article 80; p. 456). The hired labor could be used for any work including manufacture. However, the amount of hire was defined in the contract in advance. In those days, the opportunity of hiring the labor force with negotiated terms and conditions was a clear step forward.

- Trade support, especially development of the foreign trade, and protection of big merchants had priority. The penalty fine for killing the merchant was twelve thousand Tetri, while for the peasant six thousand Tetri. The penalty for the robbery of the merchant's property was a double compensation (Article 96-97, pp. 463) etc.

Defining the legal and economic issues of one particular region the Code of Beka and Aghbougha considered the mercantilist, protectionist, hired labor, credit relations and other issues and outstripped the economic thought of that epoch.

Very often the attempt of individual countries to demark their national boundaries causes asymmetric and irrational distribution of resources. The situation in Georgia with respect to the distribution and use of resources is not favorable [13-18]. Samtskhe-Javakheti, which is rich in resources, has insignificant share in modern Georgian economy. The same can be said about many other regions. At present the region has significant resources (energy, water, diatomite, transit resources) for development. Moreover, a new railway line leading to Europe will pass through this region [8, 10-14, 16-17].

Business activity with most of the investments is mainly concentrated in the capital and the main part of the revenues is concentrated in the central budget:

1. Absolute majority of registered business entities (43.7%) are concentrated in the capital city with only 2.9% in the Samtskhe-Javakheti region (Fig. 1).

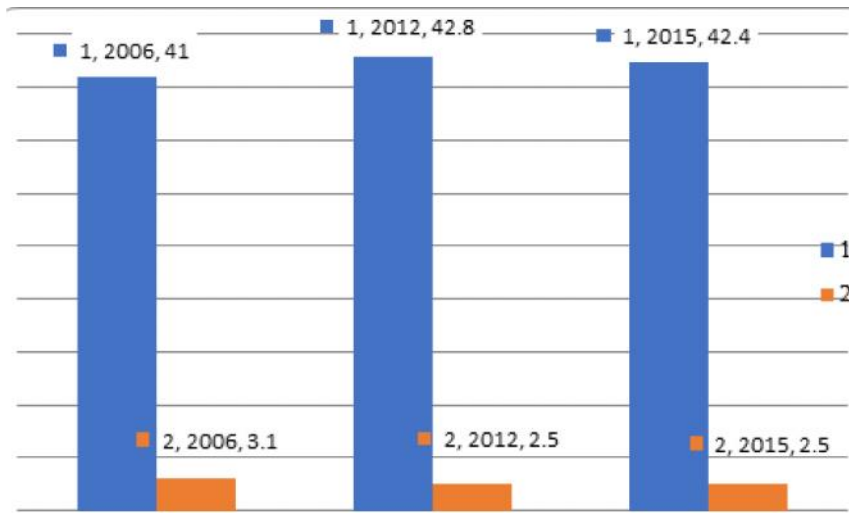


Fig. 2. GDP at market prices and some regions (%). 1 - Tbilisi; 2 - Samtskhe-Javakheti.

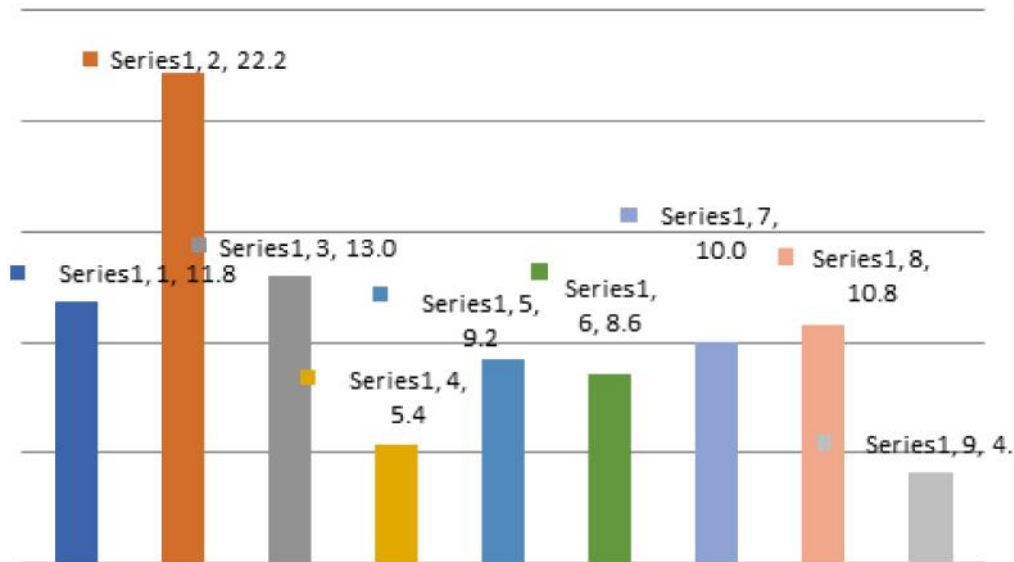


Fig. 3. Unemployment rate (%), 2016.

1-Georgia; 2- Tbilisi; 3 - Adjara AR; 4-Kakheti; 5 Shida Kartli; 6-Kvemo Kartli; 7- Samegrelo-Zemo Svaneti; 8- Imereti (including Racha-Lechkhumi and Kvemo Svaneti); 9 - The rest of the regions (Samtskhe-Javakheti, Guria, Mtskheta-Mtianeti).

2. The main part of GDP is also created in Tbilisi with only 2.5% in the Samtskhe-Javakheti region (Fig. 2).

3. According to the official statistics, the rate of unemployment is significantly low in the regions because under the current law, the owners of the land plot are considered as employed (Fig. 3). However, they are often unable to cultivate the land because of the lack of money and, actually, they are unemployed. Therefore, more than half of the labor force of the

country employed in rural areas produce about 9% of GDP (Fig. 3);

4. Absolute majority of state revenues is concentrated in the central budget, which is disposed by the government of the country, and the regions remain dependent on it (Fig. 4).

Eventually, all these have a negative impact on the population of the country and its regions. It is not surprising that in 2016 natural decrease of popu-

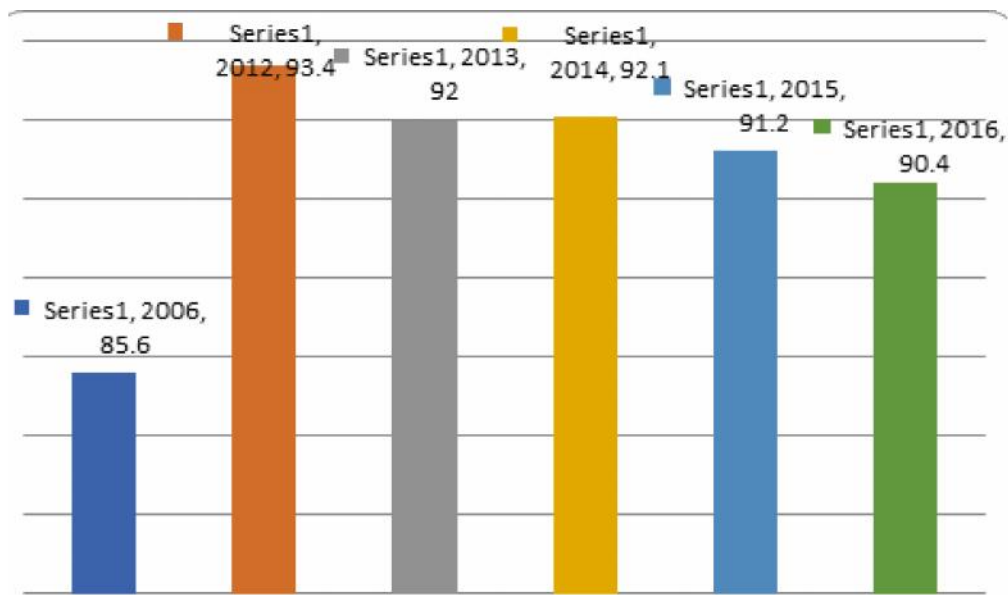


Fig. 4. The ratio of Revenues of the Government Budget and the Union Budget (%).

Table 1. The number of emigrants and immigrants in Georgia and its neighboring countries according to citizenship, 2012, 2015-2016 (person)

	2012		2015		2016	
	emigrant	immigrant	emigrant	immigrant	emigrant	immigrant
Georgia	60307	29173	67,452	50,924	64,705	47,086
Azerbaijan	1101	1883	1,574	2,839	1,772	3,420
Armenia	11131	11	3,331	4,143	7,887	6,241
Russia	5797	6959	6,160	10,552	8,379	11,185
Turkey	4797	7	3,631	5,810	4,200	6,294

lation was observed in Kakheti, Mtskheta-Mtianeti, Guria, Racha-Lechkhumi and Kvemo Svaneti, Samegrelo, Svaneti and Imereti regions. In the same period, natural increase in Samtskhe-Javakheti was only 296 [9-17].

When it is difficult or impossible to find a decent job in the native country, the scales of migration increase. The problem turned out to be most acute in Georgia (Table 1).

The above mentioned data gives ground to conclude that current globalization outlined the following tendency in migration policy: along with the increase of the emigration of national labor force it is

replaced by the flow of foreign immigrants. That is especially noticeable in Georgia.

Beka and Aghbougha's Code is a valuable source in the history of economic thought as it was created before the mercantilist-protectionist doctrine, the first doctrine of economic development was formed. It is also a valuable source for analyzing the separate elements of the market economy and for formulating the principles of equal development of the center and the regions of the country.

The data are taken from the databases of the World Bank, National Bank of Georgia and National Statistics office of Georgia (Figs. 1-4).

ეკონომიკა

ქართული ეკონომიკური აზროვნების ისტორიიდან: ცენტრისა და რეგიონის ურთიერთდამოკიდებულების შესახებ

ა. სილაგაძე

აკადემიის წევრი, ივანე ჯავახიშვილის სახელობის თბილისის სახელმწიფო უნივერსიტეტი, ეკონომიკისა და ბიზნესის ფაკულტეტი, თბილისი, საქართველო

ტერმინი “ეკონომიკა” ანტიკური პერიოდის საბერძნეთში წარმოიშვა, მაგრამ ეკონომიკის, როგორც მეცნიერების ჩამოყალიბებას შემდგომში საუკუნეები დასჭირდა. მის ჩამოყალიბებაში განუზომლად დიდია, როგორც სხვადასხვა პროფესიის მქონე ადამიანთა, ასევე წერილობითი სამართლებრივი დოკუმენტების წვლილი. მასში მოკრძალებული წვლილი ქართულ ეკონომიკურ აზროვნებამაც შეიტანა. ეკონომიკური განვითარების პირველი დოქტრინის ჩამოყალიბებამდე ფეოდალურ საქართველოში ბევრი საყურადღებო ეკონომიკური მოსაზრება დაფიქსირდა (მაგალითად, შოთა რუსთაველის „ვეფხისტყაოსანში“ და სხვ.). წინამდებარე ნაშრომში კი განხილულია მხოლოდ ბექასა და აღბუღას „სამართლის კოდექსში“ (მე-13, მე-14 სს.) ჩამოყალიბებული ეკონომიკური შეხედულებები. იგი, უპირველეს ყოვლისა, ადგენს განცალკევებული ქართული რეგიონის მართვის სამართლებრივ-ეკონომიკურ ნორმებს მერკანტილისტურ-პროტექციონისტული დოქტრინის ჩამოყალიბებამდე; იგი ასევე ფასეულია საუკუნეების შემდეგ ჩამოყალიბებული საბაზრო ეკონომიკის თეორიული და პრაქტიკული საკითხების გასააზრებლად. მხედველობაში გვაქვს მიდგომები ზოგადად ეკონომიკის, ეკონომიკურ-სამართლებრივ ურთიერთობებში სახელმწიფოს როლის, უფრო კონკრეტულად, სოფლის მეურნეობის, მრეწველობის და ფინანსურ-საკრედიტო ურთიერთობების, მუშახელის დაქირავების პრინციპებზე. „კოდექსი“, მართალია, განცალკევებული რეგიონის მართვის საკითხებს არგულობს, მაგრამ ქართული სულიერების, სახელმწიფოებრივი ინტერესებიდან გამომდინარე. თანამედროვე გაგებით, ეს ნიშნავს, რომ ქვეყნის სიძლიერე მისი რეგიონების სიძლიერეშია და პირიქით; სამართლებრივ-ფინანსური კონცენტრაცია „ცენტრში“ საბოლოო ჯამში ასუსტებს ქვეყნის სიძლიერეს, რაც განაპირობებს თანამედროვე განვითარებაში არსებულ ბევრ პრობლემას.

კვლევის შედეგად მიღებული დასკვნით, ქვეყნის დასუსტება ხშირად რესურსების არარაციონალურ-ასიმეტრიულ გადანაწილებასთანაა დაკავშირებული, რაც გამოვლინდება: ბიზნეს-აქტიურობის, ინვესტიციების ძირითადად დედაქალაქში კონცენტრირებაში, ძირითადი შემოსავლების ცენტრალურ ბიუჯეტში აკუმულირებაში, უმუშევრობის დონის გაანგარიშების სადავო მეთოდის არსებობაში, მიგრაციული ნაკადების გაძლიერებაში. კერძოდ, რეგისტრირებული ბიზნესსუბიექტების აბსოლუტური უმრავლესობა (43,7%) დედაქალაქშია კონცენტრირებული, სამცხე-ჯავახეთის რეგიონში კი მხოლოდ 2,9%; GDP-ის ძირითადი ნაწილიც თბილისში იქმნება, სამცხე-ჯავახეთის რეგიონში მხოლოდ 2,5%; ოფიციალური სტატისტიკის მიხედვით, რეგიონებში მნიშვნელოვნად დაბალია უმუშევრობის დონე, მაგრამ მოქმედი კანონმდებლობის მიხედვით, დასაქმებულებად ითვლება მიწის ნაკვეთის მფლობელი, რომელიც ფაქტობრივად უმუშევარია მიწის დასამუშავებელი თანხების უქონლობის გამო; სტატისტიკურად, სოფლად დასაქმებულია სამუშაო ძალის ნახევარზე

მეტი, რომლებიც ქმნიან შპს-ს დაახლოებით 9%-ს; სახელმწიფო შემოსავლების აბსოლუტური უმრავლესობა (90%-ზე მეტი) კონცენტრირდება ცენტრალურ ბიუჯეტში, რომელსაც განკარგავს ცენტრალური მთავრობა, რეგიონები კი მასზე დიდად დამოკიდებულნი რჩებიან; გლობალიზაციამ მიგრაციულ პოლიტიკაში მოსალოდნელი ტენდენცია გამოკვეთა - ეროვნული სამუშაო ძალის ემიგრაციის ნაკადის ზრდის კვალდაკვალ, მათ ადგილს იმიგრანტები იკავებენ, რაც განსაკუთრებით შესამჩნევია საქართველოში.

REFERENCES

1. Code of Law by Beka and Aghbougha. Georgian Legal Monuments/Codes. **I**, Collection of Low Books by Vakhtang VI, Ed. Isidore Dolidze, pp. 423-463, Tbilisi (in Georgian).
2. Silagadze A., Atanelishvili T., Silagadze N. (2010) Economic Doctrines. Georgian National Academy of Sciences. Tbilisi (in Georgian).
3. Urbneli N. (1890) Atabags Beka and Aghbougha and their Code of Law. Tbilisi (in Georgian).
4. Silagadze A. (2007) Economic Doctrine of the Middle Ages. Publication of Tbilisi University, Tbilisi.
5. Beradze S., Tchanukvadze G., Kvartsov I. (1973) History of Economic Doctrines. Part 1, Tbilisi (in Georgian).
6. Silagadze A. (2017) About regional economic thought. *Ecoforum Journal*. **5**, 2.
7. Kharitonashvili J. (1997) Retrospective of Economic Doctrines and Modern Problems. Book 1. Tbilisi (in Georgian).
8. Silagadze A. (2017) From the history of Georgian economic thinking: structural and innovative problems of economic development. *Proceedings of Materials of International Scientific Conference Dedicated to the 65th birth anniversary of Professor George Tsereteli*. pp.78-80. Tbilisi (In Georgian).
9. Metreveli R. (1972) Essays from the History of Feudal Georgia. Tbilisi (in Georgian).
10. Silagadze A., Atanelishvili T. (2010) Aspects of Economic Doctrines in Georgia. Peninsula University of Technology, Business and Informatics. San Francisco (USA).
11. Silagadze A. (2010) Economic thought in Feudal Georgia. *The Caucasus & Globalization*. **4**, 3- 4:57–66. CA&CC Press, Sweden.
12. Silagadze A., Atanelishvili T. (2007) Mercantilist Economic Doctrine. “Innovation”, Tbilisi.
13. Tvalchrelidze A., Silagadze A. (2012) Capitalization of Mineral Commodities -World and Georgian Experiences. *Bull. Georg. Acad. Sci.* **6**, 2, :170-173.
14. Zubiashvili T., Silagadze L. (2016) Some aspects of the Georgian Economy at the contemporary stage. *Ecoforum Journal*. **5**, 2:70-73.
15. Mekvabishvili E., Atanelishvili T. (2017) Globalization: emigration and transformation. *Ecoforum Journal*, **6**, 2.
16. Silagadze A. (2017) “Post-Soviet paradoxes” of unemployment rate. *Bull. Georg. Natl. Acad. Sci.*, **11**, 1: 136-141.
17. Silagadze A. (2013) Priorities for the economy of post-communist Georgia in the context of the world financial crisis. *J. Problems of Economic Transition (USA)*. **56**, 8: 3–16.
18. Mekvabishvili E., Atanelishvili T. (2017) Personal remittances in post-Soviet countries (comparative analysis). *Bull. Georg. Acad. Sci.*, **11**, 3 : 157-163.

Received August, 2017