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## The Role of the State in the Anti-Crisis Management of the Economy In Georgia

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### Abstract

The government's role in pulling the country out of the crisis is critical. It has the main responsibilities in: maintaining peace in society, normal living and working conditions; fostering business growth, attracting investment, increasing productivity and exports.

Proper anti-crisis management can mitigate challenges by aligning the interests of both owners and employees, the public and the state, and by sustaining the long-term balance of the economy..

The source of economic development is technological progress, which should be stimulated by the state and big business with the support of broad sections of society. Technological advancement requires massive amounts of capital owned by large corporations and monopolies. Even in a free market environment, without state regulation, technological progress would be counterproductive. Research in universities should be developed and support is required for this. The fundamental values of the State should be: the rule of law, the establishment of order; the development of democracy and the protection of property rights.

The short-term goal of the Georgian government's economic policy should be: to minimize the losses caused by the Covid-19 pandemic; to recover and ensure rapid economic growth.

In the medium term, the ultimate objectives should be: enhancing regional and international competitiveness; facilitating truly sustainable production and exports; promoting domestic and foreign investment.

It is vital to maintain the goodwill of the society and to satisfy their needs. The powers should be clearly dispersed in a crisis situation. Public interests must be granted preference over private interests. Minor injustices will lead to a socioeconomic explosion unless jobs are preserved as much as possible

in order to achieve the stability of the internal climate. The public should trust and continually feel the support of government initiatives. Otherwise, fluctuations will become inevitable.

### **The Main Part**

At the present stage, it is critical for the recovery of the socioeconomic system of Georgia that the Government, business and society jointly coordinate crisis situations to achieve effective results. The crisis jeopardizes the viability of the economic system. Therefore, the role of the Government in bringing the country out of the crisis is vital. Its primary responsibilities include: to maintain peace in the society, normal living and working conditions; Promote business development, attract investment, increase production and exports.

Proper anti-crisis management can alleviate issues by harmonizing the interests of owners and employees, the public and the state, and through maintaining long-term economic balance. It is key to preserve goodwill and to address their needs. In times of crisis, authority should be clearly distributed. Priority should be given to public interests over private interests. To sustain as many jobs as possible in order to ensure a healthy and stable internal environment, minor injustices may trigger a social explosion. The public should trust and have confidence in government measures and should continually feel its support. Otherwise volatility will become inevitable.

J. Mayo and F. Rothlisbergel, two of management science's most eminent representatives, argued persuasively for the supremacy of human interactions in anti-crisis management. It is critical for each member of the community to be adequately and effectively informed about current issues, which professionals play a significant role in resolving.

The modern epidemic in the socioeconomic system has resulted in economic, social, organizational, and psychological crisis. Due to difficulties in the manufacture and sale of goods, it is difficult to retain competitiveness and has a negative effect on solvency. Financial imbalances have a detrimental effect on economic growth, which is why GDP growth in 2020 is negative 5%. The financial and economic balances are disturbed. The national currency is increasingly devalued. . The National Bank spends a sizable portion of its reserves, despite the fact that the consequence is negligible. Lenders have difficulty repaying the loan, which has an adverse impact on the functioning of commercial banks. Government external debt is increasing, reaching 6 billion 143 million in 2020. Our solvency was dependent mostly on foreign remittances and the tourism sector, which was a mistake wrong approach from the outset. Tourism has plummeted worldwide as a result of the pandemic, not just in our country. Unemployment grew, incomes declined, as shown in the negative multiplier effect of the aggregate demand contraction. The government's policy of import substitution and promotion of domestic production proved to be fairly late.

The escalation of the economic crisis inevitably results in a social crisis. The relation between society, business, and the state is deteriorating. The public's trust in government is eroding, further complicating governance processes. The state can use leverage more actively through property taxes, profit taxes, progressive taxes, and dividends. The tax system is a critical tool for mobilizing resources to expand social protection. Although 721 thousand citizens received social aid, many remained in need of support. We need to strengthen our ties with international organizations as well as major local enterprises.

Organizational relationships are strained. Conflicts and unrest erupt, which the opposition forces conveniently use to their advantage. Increased irresponsibility makes system control more challenging. The state's role in this direction becomes even more critical. The "privileges" of some unscrupulous enterprises operating under governmental protection in the health industry should be eliminated. International organizations have allocated the equivalent of 3.5 billion GEL in dollars to deal with the economic crisis, the allocation and management of which are not transparent. There is interest lobbying, which is employed by some unscrupulous "businesses." Additionally, there is no transparency about the allocation of the \$ 4 billion received following the August war. The public requires specific information about the distribution's purpose and priority, which is unfortunately lacking. Lobbying and nepotism must be abolished. (However, the manner in which this will occur in Georgia is uncertain.)

All of this culminates in a psychological crisis. Society is continually subjected to stress and panic, as well as anxiety of social insecurity and uncertainty.

The anti-crisis strategy establishes the correct vector for financing small farms, which is a social approach, albeit there is some ambiguity here as well... The social component of the anti-crisis strategy is committed to addressing the issue of unemployment. It is unclear how the coronavirus crisis will impact the labor market. Unfortunately, we only have a subsistence allowance system at present; nevertheless, the transition to unemployment benefits is costly and nearly unattainable in the current budget. Furthermore, there is no registration of individuals working in the informal sector currently, which explains why these people regularly remain outside the social security system. Similarly, bureaucratic procedures are cumbersome. Indeed, there is no clear data on those who have lost their jobs, complicating their access to immediate assistance.

Therefore our country requires radical reforms, particularly in terms of unemployment and poverty reduction. While some positive reforms have been implemented, the underlying problems persist. The government's objective of inclusive economic growth continues to be unattainable.

According to the economic development strategy's central tenet, the private sector is the primary engine and the driving force of economic development. And the state ensures each individual's right to development and well-being. Along with efficiency, the country's economic policy ensures social security, including access to education and health care, as well as the inclusion of fundamental social

security systems. The degree to which an economy is socially oriented is critical, and it is determined by a variety of factors, including the composition of the consumer basket, the ratio of average wages to subsistence, the number of people living below the poverty line, the share of social program spending in GDP, income inequality and more. Their ignorance has a detrimental negative effect on the economy's development and impedes the preservation of national independence. Environmental and dietary difficulties have a significant impact on the country's statehood. Maintaining economic equilibrium becomes more challenging, which has been aggravated by the modern pandemic.

Humankind's development has reached a certain point, and the degradation of nature caused by agricultural operations, combined with the deepening of the world's unequal development, has culminated in the current epidemic, which may have irreversible consequences for humanity. We have corrupted the planet by poisoning it spiritually and environmentally.

Regional development plays a critical part in ensuring overall national success in any given situation, which entails identifying the comparative advantages of specific regions and the proper allocation of priorities.

According to 2020, the economic development strategy aimed to achieve the following indicators: GDP per capita nominally 13 000 GEL, today's value is 13 239 GEL; GDP per capita at constant prices is 9,200 GEL, today's value is the same, indicating that inflation has boosted this rate, while it has remained nearly unchanged at constant prices. The Gini coefficient should have been 0.35; it is currently 0.41; Inflation should have been under 3.0 percent, but it is currently 5.2 percent; Unemployment was predicted to be less than 12%, however it is now 17.6%; Exports were supposed to account for 65 percent of GDP; the current account deficit was planned to account for 6% of GDP; however, it stands at more than 9.1 percent; The ratio of public debt to GDP should have been reduced to 40%, but it is currently 59.9 %.

Among other factors, these challenges were exacerbated by the Covid-19 pandemic crisis, which wreaked havoc on the country's economy and practically every facet of public life.

The tax revenues of the 2020 budget alone were reduced by GEL 1.3 billion. Additional budgetary expenditures totaled 1.6 billion GEL. In aggregate, the 2020 budget deficit has increased to 9.1% of GDP.

The government carried out a rapid mobilization of international aid in the amount of \$ 1.7 billion. These funds were utilized to cover the shortfall in budget revenues and crisis-related expenditures, resulting in a rise in the public debt-to-GDP ratio to 59.9 %. This is a critical sign. The government is trying to keep the debt ratio below 40% in the coming years.

According to the International Monetary Fund, Georgia's economy will resume positive growth by 2021, reaching 4.3 percent. To this purpose, the Government of Georgia's short-term economic

policy priority will be: mitigating the losses caused by the Covid-19 outbreak; and restoring and ensuring quick economic growth.

The medium-term priorities will be to strengthen the country's regional and international competitiveness; to promote competitive domestic production and exports; and to encourage domestic and foreign investment.

In 2020, there were 330 943 households registered in the database of targeted social programs, and 146 619 families receiving subsistence benefits. Tbilisi had the highest number of registered families by region, at 63.1 thousand, and the number of recipients at 32.7 thousand. The overall number of social package recipients was 174,612, with 35.0 percent being women and 65.0 percent being men. 72.5 percent of social package recipients are disabled, 12.6 percent are family members who have lost their breadwinners, 8.9 percent are war veterans, 5.7 percent are state compensation recipients, and 0.3 percent - recipients of other types of social packages.<sup>1</sup>

Despite the pandemic and global economic crisis, Fitch maintained Georgia's sovereign credit rating at "BB."<sup>2</sup>

It is known that "Fitch" downgraded Armenia's credit rating in October-November 2020, as well as the outlook for Slovakia, Belarus, and Latvia. Additionally, the government's commitment to maintain a deficit of less than 3.0% of GDP by 2024 will contribute to medium-term debt reduction.

## Conclusion

While the forecast is encouraging, achieving it will be challenged by government measures. It is critical to involve large businesses actively in these processes. Georgia, in particular, had prominent patrons who played a significant role in helping impoverished families. The Sarajishvilis, Zubalashvilis, and others should serve as role models of charity for modern businessmen. The emergence of a culture of social responsibility is critical at the moment.

Through their endeavors, various generations of Zubalashvilis have demonstrated their ability, vitality, and usefulness. Numerous students were educated thanks to the generosity of philanthropic brothers, Alexander Janelidze, Sargis Kakabadze, Alexander Paghava, Geronti Kikodze, Pavle Ingorokva, and Leo Kiacheli were among those.

David Sarajishvili was another prominent patron. His countrymen contended that wealth was a servant, not a master, to him. He was the first in the Caucasus to start distilling cognac alcohol and aging it in oak barrels employing French technology. He was a pioneer and founder of cognac production. Many young people were educated overseas with David's sponsorship, including Dimitri Arakishvili, Meliton Balanchivadze, Professors Solomon Cholokashvili, Mikheil Shalamberidze, Sargis

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<sup>1</sup> <https://www.geostat.ge/media/36401>

<sup>2</sup> <http://gov.ge/index.php>

Kakabadze, Filipe Gogichaishvili, and Ilia Kipshidze, who eventually became Catholicos-Patriarch Kalistrate. He aided Akaki Shanidze, Davit Kasradze, Tedo Sakhokia, and Geronti Kikodze financially, among others. Davit Sarajishvili was well aware that educated citizens contribute to the development of a society. He was instrumental in the establishment of Tbilisi State University. His ambition was to foster civic awareness, an upright way of life, and the principles espoused by Ilia the Great and his associates.

The merit of Niko Nikoladze is immense. He transformed Poti from a filthy, muddy wasteland into a beautiful city, relocating the city's lifeblood. However, his letter to the newspaper "Imereti" in March 1913 demonstrates unequivocally that we are Georgians: "I am being held accountable. The helper is nowhere to be found throughout this hardship; else, the anguish is endless. Each nettle, lizard, and undergrowth can be harmed, even by telling lies through the eyes... " He was accused of accepting a bribe, which he never considered. Although he was acquitted in court, his heart was breaking.

Maecenas will continue to undertake charitable work since it is necessary for our survival. It will be feasible to address the challenges that have accumulated throughout this time period with the cooperation of the state and business, as well as popular support.

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# სახელმწიფოს როლი ეკონომიკის ანტიკრიზისულ მართვაში

## ქეთევან შენგელია

საქართველოს ტექნიკური უნივერსიტეტის ბიზნესტექნოლოგიების ფაკულტეტის ასოცირებული პროფესორი

### ანოტაცია

ხელისუფლების როლი ქვეყნის კრიზისიდან გამოყვანაში უმნიშვნელოვანესია. მას აქვს ძირითადი ვალდებულებები: შეუნარჩუნოს საზოგადოებას მშვიდობა, ნორმალური ცხოვრების და მუშაობის პირობები; ხელი შეუწყოს ბიზნესის განვითარებას, ინვესტიციების მოზიდვას, წარმოების და ექსპორტის ზრდას.

სწორ ანტიკრიზისულ მართვას შეუძლია პრობლემების შერბილება, როგორც მესაკუთრეთა, ისე პერსონალის, საზოგადოების და სახელმწიფოს ინტერესების შესაბამისობაში მოყვანა და ეკონომიკის წონასწორობის შენარჩუნება გრძელვადიანი პერიოდისათვის.

ეკონომიკური ზრდის საფუძველი ტექნოლოგიურ პროგრესში მდგომარეობს, რომელსაც უნდა ასტიმულირებდეს სახელმწიფო და მსხვილი ბიზნესი საზოგადოების ფართო ფენების მხარდაჭერით. ტექნოლოგიური განვითარებისათვის საჭიროა დიდი ოდენობით კაპიტალი, რაც მსხვილ კორპორაციებს და მონოპოლიებს გააჩნიათ. თავისუფალი ბაზრის პირობებში კი ტექნოლოგიური პროგრესი არაეფექტიანი იქნება სახელმწიფო რეგულირების გარეშე. უნდა განვითარდეს კვლევები უნივერსიტეტებში და მათ ამისათვის დაფინანსება სჭირდებათ. სახელმწიფოს ძირითადი პრინციპები უნდა გახდეს: კანონის უზენაესობა, წესრიგის დამყარება; დემოკრატიის განვითარება და საკუთრების უფლებების დაცვა.

საქართველოს მთავრობის ეკონომიკური პოლიტიკის მოკლევადიანი პრიორიტეტი უნდა იქნეს: Covid-19-ის პანდემიით გამოწვეული დანაკარგების მინიმიზაცია; აღდგენა და სწრაფი ეკონომიკური ზრდის უზრუნველყოფა.

საშუალოვადიან პერიოდში მთავარი პრიორიტეტი უნდა გახდეს: ქვეყნის რეგიონული და საერთაშორისო კონკურენტუნარიანობის გაუმჯობესება; კონკურენტუნარიანი ადგილობრივი წარმოებისა და ექსპორტის ხელშეწყობა; შიდა და უცხოური ინვესტიციების ხელშეწყობა.

სასიცოცხლოდ მნიშვნელოვანია საზოგადოების კეთილგანწყობის შენარჩუნება და მათი მოთხოვნების დაკმაყოფილება. კრიზისულ სიტუაციაში მკაფიოდ უნდა იყოს განაწილებული უფლებამოსილებანი. საზოგადოებრივი ინტერესები უნდა გახდეს პრიორიტეტული კერძო ინტერესებთან შედარებით. მაქსიმალურად შენარჩუნდეს სამუშაო ადგილები, რათა მიღწეულ იქნას შიდა გარემოს სტაბილიზაცია, მცირე უსამართლობამ შეიძლება სოციალური აფეთქება გამოიწვიოს. საზოგადოება უნდა ენდობოდეს სამთავრობო ღონისძიებებს და მუდმივად გრძნობდეს მის მხარდაჭერას. წინააღმდეგ შემთხვევაში რყევები გარდაუვალი გახდება.