

FROM ILIA CHAVCHAVADZE'S ECONOMIC VIEWS: COMPETITION, PRIVATE PROPERTY AND INTERNATIONAL TRADE**Shota VESHAPIDZE**IvaneJavakhishvili Tbilisi State University, Georgia
*shota46@yahoo.com***Zurabi MCHEDLISHVILI**IvaneJavakhishvili Tbilisi State University, Georgia
*zuramchedlishvili728@gmail.com***Abstract**

Ilia Chavchavadze was born in Georgia when the country was part of the Russian Empire. He received a thorough legal and economic education. Ilia developed a national economic doctrine, which demonstrated the necessity of his country's independent existence, participation in international labor division, good relations with other countries, the protection of human rights and the ways to achieve them. The theoretical provisions and principles developed by Ilia have now acquired pragmatic significance for the country.

Important constituents of Georgian national economic doctrine developed by Ilia Chavchavadze - protection of human rights, competition, private property, and free trade - are considered as stimulants to economic development. In a reasoned argument, Ilia Chavchavadze supports state intervention in the economy to the extent that it protects the competitive environment and positively affects the performance of its participants. Ilia's path was mainly aimed at improving the welfare of the citizens of the country and protecting their rights. He paid particular attention to creating a free economic environment for entrepreneurship, protecting property rights, developing an open market, science, development of active, creative activities.

Ilia argued that "without good relations with other countries, there is no way to salvage Georgia." Therefore, he saw it as a necessary condition for the country's economic development to participate in world processes and strengthen integrative ties with the civilized world.

Keywords: Georgia, competition, private property, property rights, free trade, international economic relations.

JEL Classification: F10, F15, F18, F19

I. INTRODUCTION

Ilia Chavchavadze (1837-1907) was born in Kvareli, Georgia. He received his higher education in the fields of law and economics at the University of St. Petersburg. In the late 60s and early 70s, the development of National Liberation Movement began, led by prominent Georgian public figures, ideally led by Ilia Chavchavadze. The journal "Moambe of Georgia," founded by Ilia Chavchavadze in 1863, played a major role in this matter. In the same year, Ilia married the prince's daughter Olga Guramishvili, who was a great inspiration and contributor to Ilia's work.

In 1864, Ilia began working as the Extraordinary and Plenipotentiary of the Governor-General of Kutaisi and later as a conciliatory mediator in Eastern Georgia in connection with the peasant reform in Georgia. In 1868-1873 Ilia worked as a judge of the Dusheti District. In 1873 Ilia moved to Tbilisi. Here, in 1875, he was elected Chairman of the Nobleman and Patriotic Bank, the establishment of which he led himself. The bank was headed by Ilia until 1905. It was the only bank in the entire Russian Empire which contributed a significant portion of its profits to the nation's cultural-educational and economic interests.

In 1877, Ilia founded the progressive periodical "Iveria," which had been one of the main centers of Georgia's national, spiritual and intellectual life for over three decades. In 1873, together with I. Machabeli, Ilia translated Shakespeare's "King Lear" into Georgian. Ilia had close friendships and business relationship with German public figure Arthur Laist, English diplomat Oliver Wardrop, and his sister Marjory, who translated Shota Rustaveli's poem "The Knight in the Panther's Skin" into English.

Ilia Chavchavadze also made a special contribution to the establishment and development of economic thinking in Georgia. In the late 19th and early 20th centuries, Ilia Chavchavadze and the great public figure Niko Nikoladze established the Georgian National Economic Doctrine in Georgia.

Ilia Chavchavadze's creative work is very big. He was a researcher of a wide range. There had been virtually no issue, not only in Georgia or the Russian Empire, but also in Europe of that time, which Ilia did not touch on or discuss. He attached great importance to the economy and related matters. Ilia Chavchavadze's economic views are set out in his enormous works (20 volumes in total).

Ilia Chavchavadze's publicist letters show that he was well-versed in the economic policies of European countries, the views of world-class economists, philosophers, lawyers, and others. Ilia greatly valued the views of William Petty, Adam Smith, Ricardo, J. Stuart Mill, Sismondi, Francis Bacon, H. Spencer, Gustav Schmoller, Cobden, Bright, Robert Peel, Bastia, Lebock, Taylor, Weber, Lennorman, Sayas, Hinks, Claport, Schrader, Uslar, Brock, Talbot, Garnier, Chevalier, Paige, McCulloch, Mordvinov and others.

II. GENERAL ANALYSIS

Ilia Chavchavadze's economic views are not expressed in any of his specific works. They are scattered throughout Ilia's enormous creation. We can say that Ilia Chavchavadze's economic views are mainly consistent with the classical economic doctrine, which implies free, open market economy, free trade, competition and private property. However, Ilia believed that the formation of the economy (and not just the economy) required many factors to be taken into account, among which the national features and peculiarities occupy a special place. He thought that national features, peculiarities, are a very important factor and in order to achieve a positive result they need to be taken into account, including in pursuing economic policy.

Ilia believed that the main goal of economic policy should be to maximize the well-being of the public. Achieving public happiness for the country and its society was his principle. But universal happiness is unthinkable without independence (including state independence) and freedom (which includes economic freedom).

As early as the late nineteenth century, Ilia Chavchavadze pointed out that economic policy in many cases did not depend on economic rationalism, and that economic policy makers and practitioners might be driven by different motives. For the aforementioned reason, Ilia Chavchavadze opposed excessive interference by the state in the economy. He advocated free market, competition, free economic development, as far as it would be possible without excessive state interference and regulation of the economy. This does not mean that Ilia Chavchavadze was critical of the state role. On the contrary, he believed that the state should primarily fulfill its primary function - to protect the rights of its citizens, especially the right to private property.

We should definitely consider Ilia Chavchavadze's view on decentralization of the country. Ilia paid special attention to the importance of the balance of national and regional interests. He considered that all the "local particulars" should be handled by the local authorities, and that the State at national level should consider "the production of common law," that is, common law-making activities, "the common income and expenditures, that is, the country's finances and the defense of the country.

Ilia Chavchavadze's work clearly shows that he considered private ownership and competition as the cornerstone of economic development. According to Ilia's arguments, "private property is the cornerstone of the entire state and public order, the life of the advanced countries in the whole world." These words perfectly echo the saying of the famous libertarian Richard Pipes: "While it is possible to have some form of property without freedom, the existence of freedom without property is completely unthinkable" (Richard Pipes. Property and Freedom. Editors: ArmazAkhvlediani, MikheilNishnianidze, publishing house "Diogenes"). Ilia Chavchavadze stated that competitive environment is important for the development of Georgian economy and in any sphere of the country and its protection. Competition, competitive environmental conditions distribute economic resources, and they fall into the hands of more hard-working people with innovative ideas who make effective use of these resources.

Ilia Chavchavadze did not discuss any issues unilaterally. His economic research methodology was based on an exhaustive examination of issues, identifying their pros and cons, evaluating them, predicting the causes and possible outcomes. Competition was no exception. Along with the importance of the competition and its positive results, Ilia Chavchavadze pointed to some of its disadvantages. He believed that completely free competition would bring about a positive outcome before it could increase product quality and / or reduce prices.

But when competition breaks down, manufacturers, especially small firms that lack the financial means, in order to stay in the market, try to deceive consumers. At the same time, large companies with great financial possibilities are trying to capture the market, or most of it, by often setting prices lower than competitively priced products.

The action of the state in the economy should serve to overcome such challenges. Ilia Chavchavadze believed that the state should intervene only in economic activities if the competitive environment is restricted, public interests are undermined and their well-being is reduced. However, the state should not begin to manage competition. The state should allow the market to establish competitive market equilibrium. If the competitive environment in the market is threatened and violated for some reason, only then the state should adequately protect and stimulate competition.

We think that Ilia Chavchavadze's attitude to the importance of competition is best illustrated by two papers published in 1982 on Meisner's project. In the second half of the nineteenth century, a wealthy businessman, Meisner intended to create a joint venture producing wine and vodka in Georgia, for which he would invest 2.5 million roubles. At the time, that amount was a huge financial resource. Ilia Chavchavadze

examined the challenges of this project for the Georgian economy. Ilia also covers a wide range of economic terms and categories such as product (commodity), exchange (simple product-product and complex product-money-product), money, market, price level, investment, monopoly, competition.

Ilia Chavchavadze argued that the implementation of the Meisner project would limit competition in the local market. Due to the large financial resources, this project would have a monopoly status, which would have a negative impact on society. Therefore, the MeisnerState should not be given any guarantees and should not be supported.

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Based on the discussion of the Meisner project, Ilia argued that it was important to create a competitive environment for the country's economic development and to find the necessary investments. The emergence of monopolies was an obstacle. Common economic prosperity is significantly hampered by insecurity, bureaucracy, corruption, inadequate economic reform, lack of professionalism, and neglect of local peculiarities.

In Ilia's view, in order to enhance the factory production, we need to accumulate the "necessary knowledge and experience," it is necessary not to let others to do before us and to occupy our niche ourselves, that is to say, as Ilia called it, "a place free and not occupied by others."

According to Ilia Chavchavadze, economy and economic activity are impossible without international economic relations, international economic integration, open economy. Ilia does not consider the "usefulness" of the most developed country, England and its "goodness" independently and separately, but in a regional, global context. In the same way he considers Georgia, which is seen as the gateway between Europe and Asia, through which we are always needed to foster mutually beneficial cooperation between Asia and Europe.

According to Ilia, international trade is important for any country to increase the well-being of its inhabitants. Without it, the international division of labor, or economic specialization, is unthinkable. Ilia Chavchavadze has explored the essence, causes, directions and consequences of international trade and trade policy, to which in 1887 he devoted many papers.

International trade depends on trade policy. The country's trade policy is a deliberate act aimed at regulating the import of foreign products into the domestic market and local production in foreign markets. Two polar opposing trade policies - liberal and protectionist are outlined.

The main purpose of any trade policy is to boost the country's economy and exploit additional sales markets, which will ensure a high level of employment, foreign currency inflows, stability of local currency and, of course, ultimately improve the welfare of the population.

Protectionist policies are aimed at restricting foreign production on the domestic market to protect local producers from foreign competitors and competition. Different barriers are applied to protectionist policies.

According to Ilia, liberal trade policy implies the abolition of all tariff or non-tariff barriers, the free entry of foreign products into the domestic market, and the free trade.

Ilia Chavchavadze discussed the motives of protectionist policies aimed at economic enhancement and development of the country. Ilia noted that protectionists believe that the protection of relatively weak domestic production from foreign competition strengthens it and allows it to flourish, further boosting the country's economic growth. But, according to Ilia, restricting foreign competition in the market will result in already monopolized local production.

To achieve the main goal of trade policy, countries often resort to protectionist policies. However, protectionist policies do not only limit foreign production (tariff and non-tariff barriers). Protectionism is also subsidized by export sectors. Some economists believe that protectionism is justified only in the short run in times of crisis, and / or if any branch of the economy needs help. It should be noted, however, that both tariff and non-tariff barriers exacerbate the situation of consumers as they are either heavily supplied (tariff barrier – customs dues) or insufficiently supplied (non-tariff barriers - quotas, "voluntary" restrictions on exports, export subsidies).

Ilia Chavchavadze supported the free trade policy with well-reasoned arguments and judgement. Since the state's primary goal is to care for its citizens and their well-being, the state must choose a liberal policy. As free trade contributes to competition, a competitive environment improves the condition of consumers. They are supplied with quality products at a low price.

It is also important from Ilia's economic point of view that by the end of the 19th century he was well-versed in the division of labor (by specialization) and subsequently already in the opportunities to benefit from international trade. However, he was careful to deal with these issues. In December of 1982, in the internal review of Mr. Meisner's project, Ilia indicated that the country becomes depended on foreign (often monopolistic) suppliers, and second, that the sales market are depended on the foreign market. That is why launching the country's international economic (including trade) relations requires a great deal of caution and attention. Unfortunately, Georgia has a bitter experience. After the collapse of the Soviet Union, the Russian

Federation became one of the major partners of Georgia's foreign trade. Much of Georgia's exports (22.8% on average from 1995 to 2005) came from Russia.

On March 27, 2006, Russia banned the import of Georgian and Moldovan wines (in May also banned the import of Georgian mineral waters). The ban has had a negative impact on Georgian exports as well as viticulture and winemaking. By 2005, Georgian wine exports stood at US \$ 81.328 million, compared with US \$ 41.050 and US \$ 29.197 million in 2006 and 2007 respectively.

We think that the current situation is very interesting. One of the key principles of Georgia's economic policy is liberal foreign trade policy. The Georgian government has implemented reforms in both tariff policy and technical regulation; as a result, Georgia today has one of the most liberal foreign trade policies in the world, implying a simplified foreign trade regime and customs procedures, low import tariffs and minimal non-tariff regulation.

Georgia has a free trade regime with all CIS countries, Turkey and the European Union, the People's Republic of China and the European Free Trade Association. In 2019, about 88% of Georgia's net exports (without re-exports) come from countries with a free trade regime. It is also very important that the links with one of Georgia's most important strategic partners - the European Union, are strengthening. As of 2019, 31% of Georgia's net exports came from the European Union. For comparison, the analogous indicator was 23% in 2014.

In 2019, Georgia ranked 16th out of 180 countries in the Index of Economic Freedom with 75.9 points and is in the group of free countries. It should also be noted that Georgia is ranked 8th out of 45 European countries. Only 5 out of 12 indicators improved in 2019, compared to the previous year. These are: the right to property; tax burden; government spending; fiscal health; financial freedom.

A very important rating is doing business, which is set by the World Bank. The noted rating includes ten indicators that assess the adjustments that enhance or hinder business. Georgia is ranked 83.7 out of 190 countries in the 2020 ranking.

It is also interesting to see the World Economic Freedom Index, where Georgia ranks 12th out of 162 countries. As for the Corruption Perceptions Index, Georgia with 56 points ranks 44th out of 180 countries.

III. CONCLUSION

In the end, we can say that in his works Ilia Chavchavadze attached great importance to the economy, because he believed that improvement of public life and the well-being of the population was depended on it. And economic growth and development is unthinkable without private ownership and competition. The competitive environment is conducive to all changes and developments in public life. Ilia was also well-versed in the essence and direction of trade policy.

He was well aware that a logical economic policy is very important for the country and for its economic enhancement. In his view, the design and implementation of economic policy requires many factors to be taken into account.

Ilia Chavchavadze opposed excessive state interference in economic activity. In his view, the state must fulfill its functions, including in the economy. But these interventions and regulations should not restrict competition. Interference is justified only by the need to protect a competitive environment that the market cannot resolve independently

Ilia formulated a rational vision for adopting the advanced experience of Europe and others. For this reason, it was important for us not to lose our traditions, customs and take into account someone else's advanced experience, too. To achieve its optimal synthesis.

Ilia argued that "without good relations with other countries, there is no way to salvage Georgia." Therefore, he saw it as a necessary condition for the country's economic development to participate in world processes and strengthen integrative ties with the civilized world.

According to Ilia's concept, special attention is paid to rich human, natural and fossil resources, climate, water resources, development of good roads, effective use of the Baku-Batumi railway, development of all types of transportation, pipeline construction from Baku to the Black Sea and efficient utilization of large oil fields in the Caucasus, creating favorable conditions for export of wine and other agricultural products to the world market.

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