

## ABOUT REGIONAL ECONOMIC THOUGHT

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*Georgia is a small country but it is one of the ancient states in the world that has its unique alphabeth. Unfortunately, a considerable part of its territory has been occupied. The country lacks the experience in building the market economy. Interesting economic thoughts originated in Georgia in various historical epochs, which still deserve close attention. In particular, the feudal age in Georgia gave way to multiple economic thoughts that are still significant these days. One of them is a Code of Laws of Beka and Agbug (XIII-XIV cc.) published in Georgian, which, first of all, covers the issues of regional governance. Some mercantilist ideas expressed in the Code precede the creation of the School of Mercantilism. The Code is an important historical source for market economy researchers, because it determined several essential issues of the economy in general, and agriculture, industry and financial-credit relations, in particular. The Code includes several noteworthy opinions concerning the possibility to hire a labour force and labour remuneration, which to some extent was an innovation for the thinking of that age.*

*Economic ideas expressed in one of the important written sources of Georgian (and not only Georgian) economic thinking correspond not only to regional interests, but to the national and, in some instances, broader-scale interests. The Code was created for one of the oldest regions of Georgia which was of particular strategic, spiritual and economic significance for the country. In spite of certain independence, the region always acted in favour of national interests of the country. In this light, the Code of Laws analyzed in this article is one of the valuable written sources about mercantilism (even long before its foundation), the first doctrine of economic development of society, and certain elements of market economy doctrines.*

**Keywords:** *Georgia, The Code of Laws by Beka and Agbuga, Mercantilism*

**JEL Classification:** *B10, B20*

**I. INTRODUCTION**

Interesting economic ideas originated in feudal Georgia deserve close attention of specialists even today. In this case, we are not going to refer to extremely interesting economic ideas given in *The Knight in the Tiger Skin* by Shota Rustaveli, but we are going to talk about *The Code of Laws of Beka and Agbuga*. The Code is especially interesting because of the mercantilist ideas it conveyed long before the School of Mercantilism was found. Although, the Code addresses vaster area of economic issues.

The Code of Laws of Beka and Agbuga, written in Georgian (XIII-XIV cc), was intended for one of the oldest parts of Georgia, the feudal principedom of Samtskhe-Saatabago, and implied political independence of the region. The Code consists of 98 articles. (<http://www.qim.ge/agbuga.html>). Besides purely legal regulations, The Code determines the rules for property, mortgage, credit relations, inheritance (<http://tsulawstudents.blogspot.com/2012/11/1-2-3-4.html>), financial and trade, and hired work relations, etc. I believe international community will find it interesting to get familiarized with them. These issues are more or less analyzed in the works of different scientists. [1-27].

**II. ABOUT TRADE, PROFIT AND HIRED LABOUR**

Atabag Beka II (1361-1391), the governor of Samtskhe, governed the principedom during invasion of Tamerlane, and his grandson Agbuga filled the same post in the first half of the 15<sup>th</sup> century (1444-1451). Agbuga expanded and embellished the code of laws his grandfather had started until it became what is known today as *The Code of Laws of Beka and Agbuga*. It was intended for Meskheta, a large area that covered about one-third of Georgian territory of that time (Akhaltzikhe, Akhalkalaki, the Artaan region, and the Chorokh Gorge). In 1334, George V the Illustrious expanded the territory of Georgia to include the Principedom of Samtskhe. From that time on, the Georgian kings appointed governors (atabags) to this area who had the authority to establish the rules of law.

The Laws of Beka and Agbuga depict the political aspirations of the feudal region. However, the region expressed its respect towards the central government, too. The Code of Laws provides us the valuable information on political and social situation in South Georgia of the time (most of the region is no longer part of

Georgia today), legal status of the region, types of offences, institutes of law of obligations (<http://teona-giorgelashvili.blogspot.com/2013/09/blog-post.html>), property-related and financial and trade relations, etc. (Atanelishvili and Silagadze, N., 2016; Zubiashvili and Atanelishvili, 2017; Silagadze, A. and Atanelishvili, 2010; Silagadze, A., 2010)

The Code (<http://teona-giorgelashvili.blogspot.com/2013/09/blog-post.html>) differentiates between the rights of members of the society according to the status they held in the society. In particular,

- punishment for infringement of rights of a member of higher society was ten times stricter than that for infringement of rights of other class members;

- the master was authorized to get the fled peasant back, if the master found the peasant within 30 years;

- The Code protected the landowners' ownership of land;

- determined the standards of relations between the master and the peasant;

- to retain the integrity of family, son was not allowed to divide his father's property;

- thief was obliged to return the stolen property in twice the amount.

From the civil law point of view, The Code addressed the issues of ownership right, mortgage, family relations, etc.

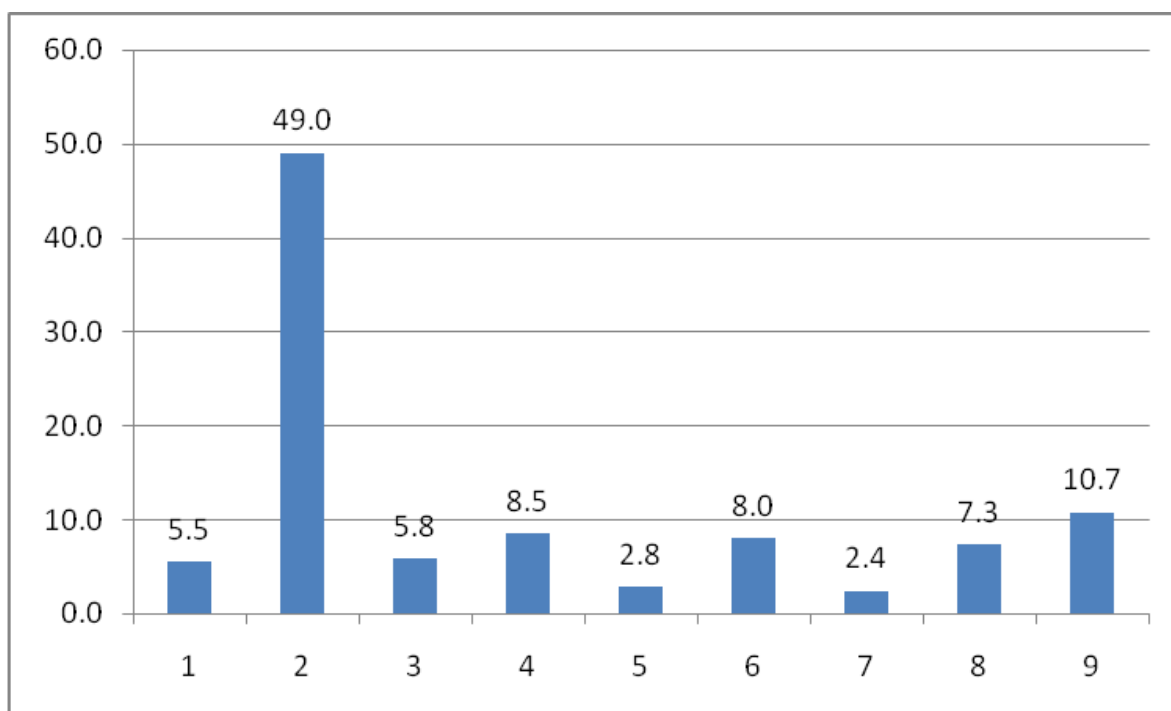
The Code of Laws reveals that the peasants were free and their relations with landowners were temporary; they were commoners with land of their own. Relations between the peasants and the landowners were ruled by contract; prisoners-of-war and those who could not pay debts were sources of slavery. According to the feudal relations in Saatabago, the fief belonged to the master, and those who wanted to acquire land and own it had to be submissive and dedicated servants; the master was a sole ruler of the feud. (Silagadze, A. and Atanelishvili, 2010; Silagadze, A., 2010).

In line with the mercantilist doctrine, the Code of Laws concentrated on the development of trade, and especially, on the protection of rich merchants. If a merchant was murdered or wounded, the offender was to pay for the blood of a rich merchant twice the amount than that for the blood of a medium merchant, and triple the amount than that for the blood of a peasant (The Code of Laws, Article 96). Introduction of such regulations was not occasional, because in the 12th century, kings encouraged trade, including foreign trade and merchants, who were considered a distinguished part of the society. Ortak, a trade organization, was set up to manage foreign trade and also, it dealt with credit business and issued loans under real estate mortgage. (Metreveli, 1972; Silagadze, A. and Atanelishvili, 2007; Silagadze, A., Atanelishvili, Goshadze, Demetrashvili, Zurabishvili, 2005; Kharitonashvili, 1997).

The Code dwells in details on the credit obligations. Under one of the laws, one could borrow silver or grain. If one took a loan and promised to pay it back with grain, he would pay 50% more with grain in addition to the main debt. This meant that maximum interest on lent goods was 50% and on money (tetri) - 20 %. The Code also spoke of certain privileges in credit relations. (Atanelishvili and Silagadze, N., Beradze, chanukvadze, Kvartsov, 1973; Silagadze, A., 2010; Силагадзе, А., Атанелишвили, Т., 2010; Kharitonashvili, 1997). The Code determined the following: to retain the stability of estates, mortgaged estate was to be sold at a lower price that enabled the owner to redeem his property; it was obligatory to act honestly in sales of goods: the buyer was authorized to receive full information about the goods, otherwise, he could return the bought goods and claim for damages. The Code addressed the institute of guarantee which is of considerable importance today. In case of failure to pay debts, the responsibility was assumed by the guarantor, too. For instance, if the debtor did not pay the debt, the creditor could address the guarantor and demand him to pay. It was easy for higher social groups to act as guarantors, while members of lower classes of society faced problems in this light. (Urbneli, 1890).

The Code dealt with the "lease" and "rental agreement", which were not limited to intimate objects but they were used in relations with people, too. The ideas of hired work in the feudal era preceded the thinking of the time; one could use hired work in any type of job, including crafts, but the price was specified by the contract. The employer was not allowed to treat the employee badly. (Urbneli, 1890). It's evident that such ideas and approaches were quite innovative for the feudal relations. The Code of Laws also determined the conditions of mortgaging. (Article 43). (Atanelishvili and Silagadze, N., 2016). To retain the stability of estates, mortgaged estates were to be sold at a lower price in order so that the owner could redeem it. (Urbneli, 1890).

Unfortunately, Samtskhe-Javakheti, which is rich in resources, does not play significant role in Georgian economy (2.8% as per added value). (Chart 1). Despite the fact that the territories that we covered in this work considerably differ from the territories that exist today, the region still has resources (energy, water, diatomite...) that are quite important for the economic development. Considering the fact that Samtskhe-Javakheti is a borderline region across which a new railroad line to Europe passes.



**Chart 1. Total added value created in the territorial units of Georgia (except the occupied regions), %**

1. Kakheti; 2. Tbilisi; 3. Shida Kartli and Mtskheta-Mtianeti; 4. Kvemo Kartli;
5. Samtskhe-Javakheti ; 6. Adjara; 7. Guria; 8. Samegrelo-Zemo Svaneti;
9. Imereti, Racha-Lechkhumi, Kvemo Svaneti .

Compiled based on: [http://geostat.ge/?action=page&p\\_id=118&lang=geo](http://geostat.ge/?action=page&p_id=118&lang=geo) 15.03.2017.

Thus, as we can see, Samtskhe-Javakheti holds the second to last position despite its potentials. It's evident, that the region lacks direct foreign investments.

### III. CONCLUSION

The Code of Laws of Beka and Agbuga is one of the most important works in the Georgian economic thought. It was created for one of the oldest regions of Georgia which was of particular strategic, spiritual and economic significance for the country. In spite of certain independence, the region always acted in favour of national interests of the country. In this light, the Code of Laws analyzed in this article is one of the valuable written sources about mercantilism (even long before its foundation), the first doctrine of economic development of society, and certain elements of market economy doctrines.

It covers issues relevant for modern times regarding economics and, particularly, agriculture, industry and financial and credit relations. Mercantilist ideas about merchants and encouragement of trade are set forth far earlier than the School of Mercantilism was created. It deals with the terms of mortgaging, and the possibility to hire labour force and to determine the lease was a true innovation in the feudal era.

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