

2. Main obstacles for development of oil and gas production are the still underdeveloped infrastructure and lasting disputes over status of the Caspian Sea.
3. Azerbaijan is still considered to be the main oil producer in the region. Yet, its production will reach its peak in the near future and the oil boom there will be relatively short-lived. Kazakhstan is more promising in this respect, but it shows an increasingly stricter attitude toward international oil companies.
4. With the exception of Turkmenistan, where future development is inextricably linked to natural gas, perspectives of production and export of this commodity are largely unclear at the moment, as the focus of foreign investment is still predominantly on the oil sector.

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**POSTCOMMUNIST CAPITALISM AND  
TRANSITION CULTURE  
IN GEORGIA**

**Essay on *Necroeconomics*:**

***The Political Economy of Post-Communist Capitalism  
(Lessons from Georgia)* by Vladimer Papava  
(New York, Lincoln, Shanghai: Universe, Inc. 2005)**

**V**ladimer Papava, former Minister of Economy in Georgia between 1994 and 2000 and now a Fulbright Scholar at the Central Asia-Caucasus Institute at the School of Advanced International Studies (SAIS), is just the kind of person you want in your intellectual company, and probably in your government too. Widely read and articulate, able to fashion vivid images in conver-

sation or in text, he communicates effectively and knows what he thinks. And while many economists already know his work, this volume brings both his disciplinary accomplishment and practical experience to a broader community of scholars and policy makers. It's a good read, and a provocative challenge to what Kennedy has called transition culture.<sup>1</sup>

This culture of course emphasizes the opposition of socialism and capitalism, with the exhaustion of the former and both the normative and institutional superiority of the latter; it also highlights the value of generalizing expertise around the workings of market economies and democratic polities. Papava contributes enormously on these grounds, significantly extending general theories of postcommunist capitalism. He also contributes importantly at the empirical level, by considering Georgian economic reform on its own terms, as well as in its resemblance and contrast to Polish transformations. By combining good theoretical sense and practical experience, Papava invites us to rethink the best elements of transition culture's tool kit, especially when it comes to contextual expertise.

Contextual expertise is not especially valued in transition culture, at least by those whose principal claims to competence lie in abstract theory and general comparisons. However, over time one should expect that those who understand both transnational arguments and their contextual transformations ought to be the most effective proponents of consequential change, as Papava himself represents.

One of the book's most intriguing sections comes in his discussion of IMF "mistakes," in which Papava notes how the Fund "often disregards the history, cultural traditions, and national peculiarities of the countries in which it operates."<sup>2</sup> That predisposition helps us understand why the Fund would recommend something so outrageous to their Georgian negotiators in 1992 as to stay in the ruble zone. That very suggestion hardly fits with Georgian post-Soviet ambitions to rid themselves of Soviet and then Russian imperial domination. Of course there may have been other technical and political reasons for the IMF ruble preference, as Papava himself discusses, but this only reinforces the point about the transnational/contextual imbalance of expertise in transition culture.

Despite his criticism of the IMF's relative ignorance of contextual factors, Papava emphasizes the centrality of the IMF and other transnational institutions to assuring effective transition; were they to avoid all mistakes, no doubt reforms would be more effective and efficient. Reading Papava's book could thus help transnational actors, but it might be even more helpful for their national partners in transition culture to take heed of what Papava has to say.

Papava's sociological sense is terrific in recognizing the double bind governments put themselves in when they attribute unpopular changes to IMF pressure. After all, commitments are only made when government negotiators agree to IMF terms (Papava doesn't consider the power relations shaping the voluntarism of this agreement, however). By passing off responsibility to the IMF, government actors help to delegitimize good IMF advice among the public, and make themselves look even more ineffective or incompetent in negotiations. Maybe they are bad at that negotiating table, however; Papava recalls occasional Georgian failures to assemble good teams of negotiators, which in turn led IMF actors to overlook even good Georgian arguments. In short, Papava's reflections can help governments think more critically about how to represent national/transnational negotiations in public and how to constitute them better in private. Indeed, one might even consider him an ideal partner in helping to figure more effectively those public reverberations and expert negotiations.

His contributions to expert negotiations are especially apparent in the ways in which he addresses government finance. Although we are not sufficiently expert in this branch of economics to assess

<sup>1</sup> See: M.D. Kennedy, *Cultural Formations of Postcommunism: Emancipation, Transition, Nation, and War*, University of Minnesota Press, Minneapolis, 2002.

<sup>2</sup> V. Papava, *Necroeconomics: The Political Economy of Post-Communist Capitalism (Lessons from Georgia)*, iUniverse, Inc., New York, Lincoln, Shanghai, 2005, p. 144.

his arguments, he offers both sensible rhetorical and formulaic justifications for why we should be thinking of some kind of Laffer-Keynesian synthesis for postcommunist capitalism's "tax therapy"<sup>3</sup> and for thinking about the state as a fifth factor of production in postcommunist public finance. Experts will find his arguments useful.

Beyond his own disciplinary expertise, he shows his own sociological sense when it comes to his theory of economic actors. So much of economics depends on homo economicus for its theory, but Papava rightly argues that such actors are not sufficiently common in postcommunist capitalism to provide a good foundation for the theory and design of transition. One cannot assume that actors are simply motivated, even in modeling behavior, to maximize profit for one's company or benefits for one's household. But it is also wrong to model postcommunist economic behavior on homo sovieticus, for actors are no longer entirely dependent on or oppressed by the state. Rather, the disposition of subjects is in transition too, and combines elements of both types of subjects. If we therefore take his notion of "homo transformativus" seriously, we might improve our theories of change by ceasing to think of economic agents in post-Soviet, especially Georgian space, as entrepreneurs. Papava proposes calling them *deltsy* based on the Russian word *delets*, for it properly connotes the shadow economy in which they work.

This group is quite effective at using their networks to make money, rather than using their managerial or entrepreneurial activities to develop better or cheaper products. The range of examples Papava offers is daunting; but more consequential for our sense of postcommunist transformations, it's not obvious how effective reform will ever diminish this sector when this elite of *deltsy* retains such influential network locations. Clearly political will is a necessary if not sufficient condition for this, and it was apparently quite lacking in Shevardnadze's later years (evidenced by his failure to implement the Economic Development and Poverty Reduction Program of Georgia in 2003). It's more difficult to tell what is lacking in the post-Rose revolutionary government.

Papava notes some of the improvements: The IMF withdrew its programs from Georgia in 2002, and then, after the Rose revolution, the IMF returned in the summer of 2004. The 6 May, 2004 revolution in Ajaria also brought better relations between that rebellious province and the center, and more tax revenues for the government. A new tax code has been introduced as well. Major campaigns against corruption have also been initiated. Papava thus gives the new government credit where credit is due, but the IMF itself goes further. They praise the new post-Rose revolutionary government: «Since the Rose Revolution in November 2003, the government has accelerated the transition to an open, market-based economy, most visibly in the reform of the tax code, the privatization drive, and supporting steps to improve the business climate. Turning around the fiscal position was a remarkable success. More broadly, Georgia is on a promising path toward sustained growth and the alleviation of poverty.»<sup>4</sup> Later, they continue to note the "impressive turnaround in the fiscal position that was underpinned by a decisive attack on corruption."<sup>5</sup> Papava counters that all is not so rosy, but we miss this in part because the conditionality the IMF imposes is no longer as strict as it was in the 1990s, and the critiques the IMF and World Bank offer are no longer as audible or consequential. For example, despite IMF advice to the contrary, the revenues brought from this anti-corruption initiative are not being managed with normal accounting procedures, and are leading to a new kind of discretionary power beyond parliamentary or governmental oversight. And while privatization might be desirable, most of those purchases are being made by

<sup>3</sup> Ibid., p. 108.

<sup>4</sup> *International Monetary Fund Press Release No. 05/140, 13 June, 2005, Statement by IMF Managing Director Rodrigo de Rato at the Conclusion of His Visit to Georgia*, available at [<http://www.imf.org/external/np/sec/pr/2005/pr05140.htm>].

<sup>5</sup> *International Monetary Fund Press Release No. 05/165, 20 July, 2005, "IMF Executive Board Completes Second Review of Georgia's PRGF Arrangement and Approves US\$20.2 Million Disbursement"*, available at [<http://www.imf.org/external/np/sec/pr/2005/pr05165.htm>].

Russian firms, with direct or indirect Russian state ties. Papava worries therefore about a new kind of arbitrary power in Tbilisi, and about a new kind of imperialism from abroad, except this time made through Russian capital rather than Soviet power. Of course these geopolitical issues always lay at the heart of transition culture. Kennedy has recently begun to reconsider the force foundations and energy security underlying 1990s transition culture,<sup>6</sup> but Papava is way ahead of him. Papava relies on a good deal of formal market theory to elaborate his argument. Indeed, his term "necroeconomy" acquires its sense in opposition to "vitaconomy", for while both produce goods, only in the latter is there demand; "those produced in necroeconomy (because of their poor quality and/or expense) cannot cause any demand."<sup>7</sup> Much of state policy depends on preserving that dead space despite the lack of living demand for its goods. By recognizing this reality of postcommunist capitalist political economy, Papava invites new and creative economic theory and intervention. But it is not clear what the relationship is between necroeconomy and imperialism, and that, it seems, is a central question for both economic theory and practical policy. Does increasing Russian ownership of Georgian economy, and attempts by Russians to increase control over the energy infrastructure of the Southern Caucasus, matter for developing an effective market economy? Does American support for the Baku-Tbilisi-Ceyhan pipeline reflect only an interest in diversifying energy supplies from the Caspian Sea, or a particular kind of geopolitical contest with Russia? Georgia sits clearly in the middle of these strategic questions, but we also have, in Papava, someone who is himself at the center of this kind of intellectual and policy consideration.<sup>8</sup> It seems that we need, in addition to a consideration of necroeconomy and vitaconomy in the analysis of transition, a new sensibility that articulates the development of the market and democracy alongside a new approach to the ways in which Russian, European, American, and transnational institutions use their influence to integrate the world in complementary, and competitive, fashions. We would bet on Papava paving the way, with this book as the first volume in just such a theory.

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<sup>6</sup> See: M.D. Kennedy, "From Transition to Hegemony: Extending the Cultural Politics of Military Alliances and Energy Security," in: *Transnational and National Politics in Postcommunist Europe*, ed. by Mitchell Orenstein and Steven Bloom (under review).

<sup>7</sup> V. Papava, op. cit., p. 32.

<sup>8</sup> See, for example: V. Papava, "The Baku-Tbilisi-Ceyhan Pipeline: Implications for Georgia," in: *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, ed. by Frederick Starr and Svante E. Cornell, Central Asia-Caucasus Institute & Silk Road Studies Program—A Joint Transatlantic Research and Policy Center, Washington DC, 2005.

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