

Georgia's Libertarian Revolution

Part one: Georgia as a model

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“Like many others in the first generation of Russian free-market thinkers, Bendukidze knew the absurdities of Soviet planning first hand. He had experienced the suffocating authoritarianism of the communist party. He was in favour of the rapid dismantling of the old system, and believed in the gamble that Russians would respond to market incentives like people in other capitalist economies. He also knew how to navigate the turbulent waters of the post-Soviet political economy, becoming one of the biggest beneficiaries of the radical reforms of the early Yeltsin years. He harboured a profound scepticism about often redundant “expertise,” displaying the confidence of a man who had emerged from the years of Russia’s wild capitalism with wealth and influence. He shared in the spirit of Russia’s new gilded age. Bendukidze emerged from the collapse of communism with a deep distrust of bureaucratic decision making - including in the European Union and its member states.”

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1. John Galt in the Caucasus

Atlas Shrugged, a 1957 novel by the libertarian thinker Ayn Rand, is an ode to the free market, the minimalist state and the sovereignty of the individual.¹ It is also a useful text to read if one wishes to understand the worldview of Georgia's most influential policy makers.

The main character in the novel, the engineer John Galt, escapes from an America that has become a breeding ground for socialist ideas. Galt calls on other men and women of talent and ambition to follow him to the remote mountains of Colorado in order to establish a utopia of pure capitalism. For Galt, the engineer, the scientist and the entrepreneur are the true heroes of mankind. In the end, America discovers that it cannot survive without the talents of Galt and his fellow libertarians. They return from Colorado, defeat the collectivist morality of the grey, submissive masses and bring down the oppressive state. As Galt puts it, triumphantly,

“With the sign of the dollar as our symbol – the sign of free trade and free minds – we will move to reclaim this country once more from the impotent savages who never discovered its nature, its meaning, its splendour. Those who choose to join us, will join us; those who don't will not have the power to stop us...”²

Ayn Rand's philosophy has for decades made her one of the most popular authors in America and an icon of the American right.³ Her ideas owe much to her personal experiences as a child in Russia at the time of the 1917 Bolshevik revolution. John Galt's America is in fact reminiscent of the Petrograd of Rand's youth. Her horror of collectivism stems from the memory of her father's shop taken over by communist revolutionaries. She left post-revolutionary Russia for the US in 1926, never to return.

Today, some of Ayn Rand's most committed followers are in fact found very close to Rand's native Russia. Georgia, a republic in the Southern Caucasus, has in recent years styled itself as a modern-day capitalist utopia in Europe's highest mountains. In 2008, Georgia's prime minister was Lado Gurgenedze, who had made his fortune as an investment banker and named his private firm *Galt and Taggart*, after the two protagonists of Rand's novel. Georgia's president Mikheil Saakashvili recently informed the Georgian parliament that the 19th-century national hero (and saint) Iliia Chavchavadze was in fact “the first Georgian libertarian.”⁴ Georgia also has its own John Galt, a philosopher-entrepreneur with a mission. His name is Kakha Bendukidze, and this is his story.

Bendukidze's biography offers ample material for a full-length novel. Born in 1956, he spent most of his adult years in Moscow. Making his fortune in Russia in the 1990's, he rose to become one of country's top twenty oligarchs⁵ and an influential voice on economic policy. However, by 2004, as Putin's regime tightened its grip on strategic industries, Bendukidze

¹ Ayn Rand Institute, “A Brief Biography of Ayn Rand”, http://www.aynrand.org/site/PageServer?pagename=about_ayn_rand_aynrand_biography.

² Ayn Rand, *Atlas Shrugged*, p. 1067.

³ Oliver Burkeman, “Look out for number one - America turns to prophet of self-interest as crash hits”, *The Guardian*, 10 March 2009, <http://www.guardian.co.uk/world/2009/mar/10/ayn-rand-atlas-shrugged>

⁴ “The President of Georgia Mikheil Saakashvili presented economic package to the Parliament of Georgia,” Speech in the Georgian Parliament, 6 October 2009.

<http://www.president.gov.ge/?l=E&m=0&sm=3&st=10&id=3052>

⁵ Guriev and Rachinsky, “Oligarchs: The Past or the Future of Russian Capitalism?” July 2004.

found that his options in Russia were becoming limited. He began disposing of assets and moved to Georgia. In the opinion of Russian oligarch Boris Berezovsky, already in exile,

“Bendukidze does not belong to Putin’s circle of friends and he understood sooner than everyone else that everything would be taken away from him... Bendukidze by far hasn’t exhausted his potential but right now the Russian authorities do not need such talented people.”⁶

At the time, some Russian liberals even hoped that one day Bendukidze, like John Galt, might return, when libertarian ideas regained favour in Moscow. As columnist Vitaliy Tretyakov wrote in *Rossiiskaya Gazeta*:

“What can be said with absolute certainty is that Russia is highly interested in the success of Bendukidze’s truly historical mission... The liberal economic experiment that Kakha Bendukidze will certainly try to carry out in Georgia would (if successful) rehabilitate Russian liberalism (if this is at all possible).”⁷

Bendukidze took up Georgian citizenship and became one of Tbilisi’s most influential and effective policy makers. From June 2004 to February 2009, he held three positions in the government: Minister of Economy (June-December 2004), State Minister for Reform Coordination (December 2004 – January 2008), and Head of the Chancellery (January 2008 - February 2009). His experience with Russia’s transition shaped the reforms he now set out to implement.

At the same time, Bendukidze also struck up a close relationship with the inventor of the World Bank’s *Ease of Doing Business Index*, Simeon Djankov, currently the Bulgarian minister of finance. Their joint efforts saw Georgia move in this ranking from 100th position in the world into 11th place, an unprecedented rise for a country as poor as Georgia. USAID, which supported Bendukidze’s efforts, effusively praised Georgia’s reforms as “the broadest, deepest, fastest business climate reforms of any country in the last 50 years.”⁸ The conservative Heritage Foundation in Washington DC found Georgia to be “mostly free” in 2010, a status which in its view the majority of EU member states have not obtained. During Bendukidze’s period, Georgia became the darling of libertarians the world over.

Like John Galt, Bendukidze is articulate about his vision of creating a capitalist paradise. Like Ayn Rand’s character, he developed a devoted following of committed libertarians who helped him with his ambitious reforms, and who continue to shape the Georgian policy agenda. Bendukidze is also a polarising figure. The former head of the IMF in Tbilisi told ESI that “the guy is crazy but I happen to love him.”⁹ There are those in the Georgian opposition who see him as the root cause of Georgia’s current malaise, accusing him (as it turns out, wrongly) of selling out the country to Russia. Others stress (rightly) that he promotes a model of reforms incompatible with Georgia’s eventual integration with the EU. But nobody, neither friends nor critics, underestimates his ability to set the policy agenda in Georgia, even now that he has left government to return to private business ventures.¹⁰

⁶ Alexander Shvarev, “He Is Not Sure about the Russian Authorities” (in Russian), *Vremya Novostey*, no. 94, 2 June 2004. <http://www.vremya.ru/2004/94/52/99723.html>

⁷ Vitaliy Tretyakov, “Bendukidze’s Mission” (in Russian), *Rossiiskaya Gazeta* (Federal issue), no. 3492, 3 June 2004. <http://www.rg.ru/printable/2004/06/03/bendukidze.html>

⁸ USAID, Georgia: Opened for Business, September 2009, p. 3.

⁹ ESI Interview with Robert Christiansen, IMF Mission Head, March 2009.

¹⁰ Currently Bendukidze concentrates on building up a private European School of Management in Tbilisi. “Bendukidze on His Dismissal”, *Civil Georgia*, 8 February 2009. <http://civil.ge/eng/article.php?id=20392>

One has to go beyond the caricatures drawn by some of his opponents to understand the origins of Bendukidze's ideas, and why Georgia in 2004 proved such fertile ground for his brand of libertarian revolution.

2. Promises of the Rose Revolution

In November 2003, Georgia's long-time ruler, president Eduard Shevardnadze, was pushed to resign following weeks of non-violent protests in the streets of Tbilisi. On 4 January 2004, the lawyer Mikheil Saakashvili was elected president with 96 percent of the vote. He was 37 at the time; all of his most trusted associates and ministers – the interior minister, chief prosecutor, minister of defence – were also in their thirties. Mikheil Saakashvili had studied in France and at Columbia University in the US. Six of the 20 ministers in his first government had previously worked for NGOs supported by Western funding in Georgia.¹¹ They saw themselves promoting a generational change project – even a cultural revolution. Under Saakashvili's leadership, they set out to push through a series of radical reforms, first concentrating power in the hands of the executive, and then using their revolutionary mandate to transform their country.

The Rose Revolution raised many expectations, in Georgia and abroad. It was two promises in particular that excited its supporters.

First, there was the promise of a democratic breakthrough: an end to the electoral manipulation that had marked the Shevardnadze era, a serious fight against the all-pervasive corruption eating away at Georgia's democracy, and an end to the ineffectiveness of many core state institutions, from the police to the tax authorities. Until 2004, Georgia's elections had been deeply flawed. Georgia was listed in international indexes among the most corrupt countries in the world, and public trust in institutions such as the police was at rock bottom. All this was to change, as Mikheil Saakashvili explained in a speech in early 2004:

“For anyone who ever thought, or hoped, that Georgia was a failed State, our Revolution and our people, proved them forever wrong ... The second lesson of the Rose Revolution is that Georgians have become full members of Europe and the European family. In reflecting on this point, I am not simply looking to geography, but rather, to national identity ... our Revolution was about people fighting for their freedom and their desire to live in a democratic society. A society that respects human rights, freedom of speech, the rule of law and the belief that citizens and citizens alone, have the right to choose their leaders and their destiny ... I am the President of democracy!”¹²

Second, there was the promise of state-building: restoring Georgian sovereignty over its whole territory. There were areas where real control had shifted to local strongmen, such as the region of Adjara bordering Turkey and the Black Sea. The greatest challenge, of course, was reintegrating the two breakaway regions of Abkhazia and South Ossetia, where Abkhaz and Ossetian leaders had declared independence in the early 1990s. This too was something the new leadership promised would be achieved within one term of office.

These were ambitious objectives. But Georgia's new leaders were nothing if not bold in their vision – convinced that their small nation could defy its history and geography and become a

¹¹ Jonathan Wheatley, *Georgia from National Awakening to Rose Revolution, Delayed Transition in the Former Soviet Union*, Ashgate, 2005, p. 200

¹² “Speech delivered by Mikheil Saakashvili at John Hopkins University”, 4 February 2004.
<http://www.president.gov.ge/?l=E&m=0&sm=3&st=210&id=171>

prosperous European democracy. If there were doubtful voices, they were barely heard in the groundswell of optimism.

3. State-building and democracy

In 2005, US president George W Bush described Georgia as a “beacon of liberty” during a visit to its capital Tbilisi. He informed an enthusiastic crowd: “As you build freedom in this country, you must know that the seeds of liberty you are planting in Georgian soil are flowering across the globe.”¹³ In the annual address to the parliament in 2006 Saakashvili also told Georgians:

“[Georgia has become] a country...whose revolution was followed by other revolutions. Flags of the Georgian revolution were raised in Kiev, Beirut and Kyrgyzstan. They are being raised today in Belarus and many other countries...The Georgian flag and freedom have become identical notions.”¹⁴

At the time, it appeared that a wave of “electoral revolutions” was sweeping aside corrupt or semi-authoritarian regimes in former communist countries: events in Bulgaria in 1996, Slovakia in 1998, Croatia in 2000, Serbia in 2000 and now Georgia in 2003 all suggested a pattern of “velvet” (*i.e.*, non-violent) revolutions.¹⁵ In April 2008 in Bucharest, Mikheil Saakashvili asserted that Georgia had already become a global model by demonstrating that: “No country is unfit for democracy. No people is unfit for dramatic development. And there is no cultural relativism when it comes to freedom.”¹⁶

To re-brand Georgia as a global model after the Rose Revolution was, by any measure, remarkably ambitious. A few years before, Georgia had been regarded as one of the most corrupt countries on earth. At that time, USAID staff informally referred to Georgia, one of the biggest *per capita* recipients of US aid in the world, as “white Africa.”¹⁷ In 2001, following a visit to the country, Caucasus expert Charles King had concluded that “in a region of only minimally successful countries, however, the Georgian case is particularly dire... [I]t is worth asking whether a state called ‘Georgia’ even exists today in any meaningful sense.”¹⁸ And the way Georgians viewed themselves at the time was well captured in a popular cartoon series (*Dardubala*) broadcast weekly from 2000 to 2002 on Rustavi 2. In one episode Georgia faces an alien invasion:

“The alien leader is telling his minions that they have decided to conquer and destroy the planet Earth, beginning with the country of Georgia. One confused minion asks “Why Georgia?”; to which the leader replies that Georgia was chosen because it is notoriously the

¹³ “Text: Bush’s speech in Georgia”, *BBC News*, 10 May 2005. <http://news.bbc.co.uk/2/hi/europe/4534267.stm>

¹⁴ “Annual Presidential Address to Parliament,” *Official website of the President of Georgia*, 14 February 2006. <http://president.gov.ge/?l=E&m=0&sm=3&st=150&id=1450>

¹⁵ See: Valerie J Bunce and Sharon Wolchik, *Youth and Electoral Revolutions in Slovakia, Serbia and Georgia*, SAIS Review, Summer-Fall 2006. For a good overview see also: Pavol Demes and Joerg Forbrig, ed. *Reclaiming Democracy*, 2007: <http://www.gmfus.org/publications/article.cfm?id=273>

¹⁶ President Saakashvili speaking on the eve of the NATO summit in Bucharest in April 2008. <http://video.yahoo.com/watch/2306406/7249842>

¹⁷ Quoted in Barbara Christophe, *Metamorphosen des Leviathan in einer postsozialistischen Gesellschaft. Georgiens Provinz zwischen Fassaden der Anarchie und regulativer Allmacht*, 2005

¹⁸ Charles King, *Potemkin democracy: Four myths about post-Soviet Georgia*, *The National Interest*, 1 July 2001

weakest country on the face of the earth, adding “Don’t you know this? Everone knows this.”¹⁹

In the cartoon series Georgia is saved only when the aliens become fully *Georgianised*, i.e. infected with a special corruption virus which destroys them in the way it has already destroyed Georgia.

After 2004, Georgia moved quickly to shore up its failing state institutions, starting with reform of the police, customs and tax administrations. The results of Georgia’s initial state building efforts were impressive: opinion polls showed rising confidence in the police, public revenues increased sharply and petty corruption decreased dramatically. But was this institution building really democratic? As Miriam Lansky and Giorgi Areshidze put it in 2008, the post-revolutionary leadership had strengthened the capacity of the state to provide security and public goods, dramatically improved services like electricity, and had successfully campaigned against crime and petty corruption. However,

“the laudable achievements of Saakashvili’s state building program have come at the high price of a superpresidential political system. The government acts unilaterally according to the principle that “the ends justify the means”, violating basic human rights and failing to achieve consent from other political forces or the nation as a whole.”²⁰

As many observers pointed out, Georgia was experiencing “a destructive cycle of tradeoffs between democracy-building and state-building.” In 2005, Jonathan Wheatley concluded his book on Georgia with an open question: “Of course, the development of democracy takes time ... On whether progress is being made in this direction, the jury is still out.”²¹ When the Georgian government responded to street protests in autumn 2007 by sending the police to beat up protesters, imposing a state of emergency and closing the most important opposition television station, Imedi, its reputation suffered a severe blow in the West. The US-based think tank Freedom House now found Georgia to be as imperfectly democratic in 2007 as it had been before the Rose Revolution, labelling it “partly free”, in the same category as Kuwait, Nepal or Hugo Chavez’s Venezuela. The London-based *Economist Intelligence Unit*, which puts together its own Democracy Index, ranked Georgia 104th out of 167 countries in 2009, placing Georgia among 36 “hybrid regimes”, a category including neighbouring Armenia, the Kyrgyz Republic and Russia.²²

Whatever the value of these rankings, the larger point is clear: after 2007 Georgia’s leaders were no longer able to easily present their country as a model of democratisation. The coverage of Georgian politics changed, both in the US and in Europe. The International Crisis Group published a report with the title “Georgia: Sliding Towards Authoritarianism?”²³ In November 2007, the *New York Times* wrote under the title “Georgia’s Future Looks Like More of the Past”:

¹⁹ Paul Manning, “Rose-Colored Glasses? Color Revolutions and Cartoon Chaos in Postsocialist Georgia”, *Cultural Anthropology*, Vol 22, 2007, p. 187.

²⁰ Miriam Lansky and Giorgi Areshidze, “Georgia’s Year of Turmoil”, *Journal of Democracy*, Vol. 19/4, October 2008, p. 166. <http://www.journalofdemocracy.org/articles/gratis/Lansky-19-4.pdf>

²¹ Jonathan Wheatley, *Georgia From National Awakening to Rose Revolution*, 2005, p. 226

²² Economist Intelligence Unit, *Georgia Country Report*, June 2009, p.20. For more on the methodology : www.eiu.com/DemocracyIndex2008. One reason for Georgia’s low score is the fact that the government’s authority does not cover Abkhazia and South Ossetia. However, even leaving this factor, which is not under the control of the government, out of consideration Georgia’s score would be 5.6: i.e. it would still be a “hybrid regime” like Russia.

²³ ICG, *Georgia: Sliding Towards Authoritarianism*, December 2007.

“When he was elected president of Georgia after a bloodless revolution in 2003, he was deemed a savior for the post-Soviet landscape, as if he had been conjured by a committee of Washington think tanks and European human rights groups ... Now, Mr. Saakashvili has begun to draw comparisons to a leader who has chosen a different path to lift his nation: President Vladimir V. Putin of Russia, Georgia’s neighbor, former overlord and, these days, frequent adversary.”²⁴

If Georgia wanted be recognised for its contribution to global policy debates, its leaders had to find a new mark of distinction. Thanks to Kakha Bendukidze, they did.

4. “A guiding light to other states”

Commenting on Saakashvili’s reelection in January 2008, the World Bank’s Simeon Djankov wrote an article entitled “Top Reformer Wins Election in Georgia.” In the article, Djankov praised Georgia’s reforms: “Since 2004, when Saakashvili won his first mandate, Georgia has been the fastest reforming economy according to Doing Business. For three years running, it appeared in the top-10 reformers' list; and was the top reformer in Doing Business 2007.” The author also made clear who stood behind this breakthrough:

“Much of the credit for these reforms goes to Kakha Bendukidze, the state minister of reform. Dr Bendukidze has been reforming everything, from business entry to a new 2007 bankruptcy code.”²⁵

Following the government crackdown on protests in Tbilisi in November 2007, with their democratic credentials weakened, Georgia’s leaders began to put increasing emphasis on their successful economic reforms. In October 2008, Georgia’s then Prime Minister Lado Gurgendize (born in 1970) wrote an op-ed in a British paper on how “Georgia can be a guiding light to other states”:

“it is entirely conceivable that in 10 or 20 years time a new generation of policy makers in emerging markets around the world may draw inspiration from our efforts to build, against high odds, a functioning democracy with the highest-possible level of economic liberties.”²⁶

Gurgendize, a British citizen who had worked as an investment banker in the City of London, spoke about Georgia’s governing philosophy of “compassionate libertarianism.” Georgia, he pointed out, had one of the least restrictive labour codes, one of the lowest flat income tax rates (at 12 percent) and some of the lowest customs rates in the world. It had reduced the number of licenses and permits required by businesses from 909 to 159 in summer 2005, and further since. State revenues had increased from 558 million USD in 2003 to 3.3 billion USD in 2008.²⁷ Electricity shortages, long crippling for business and exasperating for citizens, had

²⁴ New York Times, “Georgia’s Future Looks Like More of the Past,” 15 November 2007, <http://www.nytimes.com/2007/11/15/world/europe/15georgia.htm?pagewanted=all>

²⁵ Simeon Djankov, “Top Reformer Wins Election in Georgia”, *Doing Business Blog*, 7 January 2008. <http://blog.doingbusiness.org/2008/01/top-reformer-wi.html>

²⁶ Lado Gurgendize, “Georgia Can Be a Guiding Light to Other States”, *Telegraph*, 5 October 2008. <http://www.telegraph.co.uk/comment/personal-view/3562599/Georgia-can-be-a-guiding-light-to-other-states.html>.

²⁷ National Bank of Georgia, Annual Report 2008, p. 13. http://www.nbg.gov.ge/uploads/publications/annualreport/2008/annual_report_2008_eng.pdf. USD-GEL exchange rate taken from <http://www.geres.ge/currency/rates.html?lang=en&d=31&m=12&y=2008&go.x=16&go.y=10>.

become a thing of the past. In 2007 FDI reached 19 percent of Georgia’s GDP. Economic growth then stood at more than 12 percent.

Table: Economic Freedom – Georgia’s ranking versus some EU member states²⁸

	Georgia	Belgium	Slovenia
Cato/Fraser Institute: (Economic Freedom of the World 2009)	42	47	64
Heritage Foundation: (Index of Economic Freedom 2010)	26	30	61
World Bank and IFC: (Ease of Doing Business 2010)	11	22	54
Forbes: (Tax Misery and Reform Index 2009)	4	63	49

Georgia’s leaders were not alone in hailing Georgia’s economic breakthrough. Leading US think tanks celebrated Georgia as a global flagship of libertarian governance. In the most recent World Bank *Ease of Doing Business Survey*, Georgia comes 11th in the world. Heritage Foundation ranks Georgia 26th in its 2010 Index of Economic Freedom.²⁹ The Forbes 2009 *Tax Misery and Reform Index* regards Georgia as the 4th most tax friendly country in the world, behind only Qatar, the United Arab Emirates and Hong Kong.³⁰ This makes Georgia the most liberal tax regime in Europe. The most recent Cato Institute’s *Economic Freedom of the World Index* puts Georgia 42nd, ahead of many EU countries such as Slovenia or Belgium.³¹

In the eyes of Forbes, the Cato Institute, the Heritage Foundation and the World Bank’s International Finance Corporation (IFC), Georgia is one of the most impressive global success stories of the past five years. Richard Kahn, a senior fellow at the Cato Institute in Washington DC and chairman of the Institute for Global Economic Growth noted in 2008:

“Georgia is a poor country, but for the last four years it has experienced some of the highest economic growth rates on the planet - from more than 9 percent to 12 percent per year ... Georgians elected perhaps the freest market government in the world four years ago. The president, prime minister and state chancellor are all dedicated free marketeers who studied F.A. Hayek and Milton Friedman and have learned from the successes of Margaret Thatcher and Ronald Reagan.”³²

²⁸ The latest rankings are all proudly displayed on the *Invest in Georgia* website of the Georgian government: <http://www.investingeorgia.org/> The scores cited here come from: Fraser 2007 (the latest), Heritage 2010, World Bank 2010, Forbes 2008.

²⁹ Heritage Foundation, <http://www.heritage.org/index/Ranking.aspx>

³⁰ Forbes 2009 Tax Misery Index, <http://www.forbes.com/global/2009/0413/034-tax-misery-reform-index.html>

³¹ Fraser Institute, http://www.freetheworld.com/2009/reports/world/EFW2009_ch1.pdf

³² http://www.cato.org/pub_display.php?pub_id=9720

5. A Russian Libertarian

Kakha Bendukidze, the man at the centre of Georgia’s libertarian revolution, likes to shock his interlocutors. He once told the head of the EU Commission delegation in Tbilisi at their first meeting that he had only half an hour for him, and that, in any case, he considered the EU-Georgia Action plan, printed out in front of him, to be rubbish. On other occasions, he offended EU member state ministers and World Bank officials, foreign civil servants and journalists. He relishes his image as someone who shoots from the hip, using Russian slang in meetings with Georgian journalists. He sums up his philosophy with pithy one-liners, like: “To ask the government for help is like trusting a drunk to do surgery on your brain”.³³ He once described the IMF as “Gosplan {the Soviet state planning agency} on the Potomac,” and the EU as a “sclerotic civilization.” Explaining the absence of any system of food safety inspections in Georgia to the *Financial Times*, he noted, that “the old Soviet system of food safety was rubbish. You simply bribed the inspectors,” and that he had “scrapped the system and told his fellow Georgians that if they got food poisoning, they should boycott the restaurant.”³⁴

The young leadership in Tbilisi was determined to be revolutionary even before Bendukidze joined the government in June 2004; but Bendukidze gave the Georgian revolution a clear sense of direction, an intellectual framework when it came to rethinking the role of the state in society. His blunt language, casual appearance (he almost never wore a suit at government meetings) and impatience (criticising journalists for posing “weak questions”) can make one forget that this is a man who had been professor of economics at Russia’s prestigious Higher School of Economics. In the midst of a busy career, Bendukidze also took time to write a textbook on institutional economics – one of the first ever to be published in Russia. Though pragmatic in business and politics, this is a man who is passionate about ideas. And yet, if one asks about his views on the most celebrated free market thinkers, he is likely to wave the question away. He discovered free market principles on his own, he claims, rather than by reading the classics:

“Someone congratulated me on quoting Hayek, and I said I wasn’t quoting. I had never read him, I was quoting myself. So I bought his book and I felt I had read it somewhere before. It looked very familiar. I went to the bibliography and found quite a chunk of books I have in my own library – about evolution.”³⁵

Bendukidze also says he has little time for Ayn Rand, and no interest in the nuances between libertarian schools of thought.

“I wasn’t interested, the book [*Atlas Shrugged*] is written in a difficult manner. I do not belong to devout libertarians – I am not interested in arguing whether Mises was a pure libertarian or if Hayek deviated from the dogmas.”³⁶

³³ “The Biology of Business” (in Russian), *Vedomosti*, Nov. 22, 1999.

<http://www.vedomosti.ru/newspaper/article/1999/11/22/12688>

³⁴ Quentin Peel, “FT Report: Georgia 2007 - Preaching Creative Destruction”, *Financial Times*, Oct 31, 2007. http://www.ft.com/cms/s/0/e870d9ba-86a3-11dc-a3ff-0000779fd2ac.dwp_uuid=e421a144-8439-11dc-a0a6-0000779fd2ac.html

³⁵ Quentin Peel, “FT Report: Georgia 2007 - Preaching Creative Destruction”, *Financial Times*, Oct 31, 2007. http://www.ft.com/cms/s/0/e870d9ba-86a3-11dc-a3ff-0000779fd2ac.dwp_uuid=e421a144-8439-11dc-a0a6-0000779fd2ac.html

³⁶ Vladimir Fedorin, An interview with Bendukidze, Mar. 17-18, 2009. Published on the “empedocl” blog, <http://empedocl.livejournal.com/54620.html>

For Bendukidze, the basic concept of libertarianism is simple: “The point of libertarianism is to say: the government’s attempt to do something good is very harmful.”³⁷ Or, as he put it another time: “Our ideology behind the reforms was making everything private as much as possible.”³⁸

To form these views, Bendukidze did not need to read theory, even if he did so later. All it required was for him to live through the Russia of the late 1980s and 90s. In an interview in the *Financial Times* in 2005, he mentioned two thinkers who have influenced him, both friends of his in Moscow. One is Russian libertarian Andrei Illarionov, economic advisor of President Putin from 2000 until 2005 (who in turn described Bendukidze’s decision to move to Georgia as “an important gain for Georgia and a serious loss for Russia.”)³⁹ The other is Vitaly Naishul, a trained mathematician. Although Naishul is not as famous as Yegor Gaidar (the promoter of Russian shock therapy under President Boris Yeltsin) or Anatoly Chubais (the father of mass voucher privatisation), he was in fact one of the earliest and most radical economic thinkers in Russia. His book *Another Life*, written at his kitchen table at night and completed in 1982 while the author was working at Gosplan (the Soviet State Planning Committee), vented the author’s frustration with nightmarishly complicated input-output tables and statistical fictions based on tens of thousands of targets and indicators. Naishul’s conclusion at the time – that the system was out of control – led him to advocate, initially in secret, for private property and a market economy. His dream of mass privatisation was eventually taken up as a central weapon by Russian reformers in 1992 to destroy the old system.

Like many others in the first generation of Russian free-market thinkers, Bendukidze knew the absurdities of Soviet planning first hand. He had experienced the suffocating authoritarianism of the communist party. He was in favour of the rapid dismantling of the old system, and believed in the gamble that Russians would respond to market incentives like people in other capitalist economies. He also knew how to navigate the turbulent waters of the post-Soviet political economy, becoming one of the biggest beneficiaries of the radical reforms of the early Yeltsin years. He harboured a profound scepticism about often redundant “expertise,” displaying the confidence of a man who had emerged from the years of Russia’s wild capitalism with wealth and influence. He shared in the spirit of Russia’s new gilded age.

Bendukidze emerged from the collapse of communism with a deep distrust of bureaucratic decision making - including in the European Union and its member states. This set Bendukidze’s libertarianism apart from the EU-friendly liberalism of most of the Central European reformers. Bendukidze’s most often quoted models are Asian, not European: Singapore and Hong Kong, rather than Poland or Slovakia. Bendukidze became the bridge between the post-Soviet thinking and the current reforms in Tbilisi. It is to Russia’s recent history, and the post-Soviet career of Kakha Bendukidze, that one must turn to understand Georgian libertarianism today.

³⁷ Vladimir Fedorin, “‘Keynesianism Is a Phlogiston Theory’: interview with Kakha Bendukidze” (in Russian), *empedocl’s LiveJournal* blog, 23 April 2009. <http://empedocl.livejournal.com/56273.html>

³⁸ CATO Institute, “Georgia’s Transformation into a Modern Market Democracy”, Policy Forum, 13 May 2008. <http://www.cato.org/event.php?eventid=4646>

³⁹ “Illarionov Says Bendukidze’s Appointment Is a ‘Serious Loss for Russia’”, *OPEC.Ru*, 2 June 2004. http://old-opec.hse.ru/news_doc.asp?d_no=48826

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