

EconWorld2014@Prague

On The Consumer Model of Economic Development of Poor Countries (The Cases Of Georgia And Russia)

Vladimer Papava¹¹Ivane Javakhishvili Tbilisi State University, Georgia

ABSTRACT

It has been shown that both in Georgia and Russia, essentially identical consumer models of development of poor countries have established.

Stimulating consumption without proper

development of real economy has led in Georgia to the fact that in recent years, import has been three times greater than export. The focus of the Georgian economy on consumption, rather than on production, is evidenced by the fact that the total volume of private and public consumption equals approximately 90% of GDP. Orientation towards consumption with an underdeveloped real sector of the economy in Georgia led to the fact that 40% of the population found themselves below the poverty line. According to estimates, 86% of the population experience serious social problems. Within the Russian GDP structure there was a steady trend of a negative correlation of the volume of savings and investments in fixed assets while the share of savings in Russia's GDP did not exceed 20%. Nearly every third resident of Russia is virtually poor; i.e., in actuality, 30% of Russia's population belongs to the disadvantaged group rather than the 9% that is recognized officially. The Russian type of poverty is characterized by a concentration of poor population in rural areas which, as a rule, is attributable to Third World countries. In order to transfer to an innovative model of economic development, it is essential to stimulate the interest of the private sector of the economy and, towards this end, the exchange of relevant experience would prove mutually beneficial.

JEL

O14, O57, P23, P31, P52