THE POLITICAL ECONOMY OF GEOPOLITICAL RISK AND FISCAL RESPONSE IN GEORGIA: A MIXED-METHODS ANALYSIS

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Abstract

This article examines the influence of geopolitical factors on economic and political decision-making in Georgia, employing a mixed-methods approach that combines econometric modelling and survey analysis. Utilizing quarterly data from 2012 to 2024, sourced from Geostat, the World Bank, and the Institute for Economics and Peace, the study employs an Ordinary Least Squares (OLS) regression model to examine how variables – including the Global Peace Index, political stability, inflation, GDP growth, unemployment, and external trade relations – affect government expenditure. Complementing these findings, an original survey of 350 respondents from Georgia's academic and research community provides qualitative insights into perceptions of geopolitical risk, economic development, and migration intentions. These findings contribute to the political economy literature by illustrating whether geopolitical risk reshapes fiscal governance and public expectations in transitional economies, thereby extending theories of fiscal responsiveness and international political economy to the small-state context.

Keywords: Georgia, geopolitics, fiscal policy, international political economy, public opinion survey, econometric modelling, geopolitical factors

JEL Classification Codes: E62; F51; H50; P35

Introduction

This study contributes to the growing literature on fiscal policy and geopolitical risk by offering a regionally grounded, empirical analysis of how small, geopolitically exposed economies - such as Georgia - adjust fiscal behaviour in response to both external and internal shocks. While much prior research has focused on advanced or large emerging economies, this paper extends the analysis to a post-Soviet, transitional context, using quarterly data from 2012 to 2024 and original survey results collected in 2025.

Adopting a mixed-methods approach, the study integrates key macroeconomic indicators - such as GDP growth, unemployment, inflation, and external trade - with measures of geopolitical risk and institutional stability, including the Global Peace Index and political stability metrics. The econometric analysis, based on Ordinary Least Squares (OLS) regression, evaluates the influence of these variables on public

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expenditure over time. The qualitative component draws on an original online survey conducted among members of Georgia's academic and research community, which captures perceptions of the geopolitical environment, development prospects, and Western integration trajectory.

The theoretical frameworks draws from Keynesian economics, fiscal reaction, and international political economy (IPE) frameworks to explore how geopolitical volatility shapes fiscal policy in transitional states.

The evolving global order - marked by deglobalization, regional integration, and economic fragmentation – has direct implications for Georgia's development strategy. While the liberal international order once facilitated open markets and robust global institutions (e.g., WTO, IMF, World Bank), the contemporary landscape is increasingly defined by fragmentation, politicization, and the regionalization of economic relations (Rodrik, 2011; Baldwin, 2016). This shift is best examined through the lens of international political economy (IPE) theories, which explore the interplay between power, institutions, and economic processes on a global scale. (Gilpin, 2001; Strange, 1996). For small countries, like Georgia, these shift transformations introduce new structural constraints and strategic imperatives.

As Papava (2013) contends, their influence in global affairs is shaped not only by domestic capabilities but also by their access to - and alignment with international institutions. Georgia's attempt to integrate into Western economic and political systems is occurring amidst heightened geopolitical risk – most notably in light of the Russia-Ukraine war and persistent internal and regional tensions. These developments complicate the country's fiscal strategy by amplifying uncertainty and necessitating shifts in spending priorities, particularly towards security, resilience, employment-enhancing initiatives, and stabilization policies.

This paper explores the following research questions:

- To what extent does government expenditure respond to geopolitical instability?
- Does rising global risk prompt increased fiscal intervention?
- How closely is domestic macroeconomic performance – such as inflation and unemployment – linked to changes in fiscal policy?
- How may geopolitical shocks influence public perceptions of institutional stability, migration intents, and strategic direction in small, vulnerable states?

Methodology

This study adopts a mixed-methods approach to examine both macro-level trends and micro-level dynamics shaping fiscal policy amid geopolitical risk. The methodological framework incorporates quantitative data from public surveys, offering a comprehensive perspective on how both external pressure and domestic conditions influence governmental decisions in Georgia.

Quantitative Component

The empirical analysis is grounded in time series econometric modelling, utilizing quarterly data from 2012 to 2024. The study applies the ordinary Least Squares (OLS) method to estimate the relationship between government expenditure and a

range of explanatory variables, including the Global Peace Index (as a proxy for geopolitical risk), political stability, inflation, unemployment, economic growth, and foreign trade. This methodological approach enables the identification of both the direction and magnitude of these relationships over time, with particular emphasis on fiscal responses under geopolitical uncertainty.

Statistical analysis was conducted using EViews 12, which supported model estimation, diagnostic testing and the visualization of empirical results.

Qualitative Component

To complement the quantitative analysis, the study incorporates original survey data collected from members of the academic and research community in Georgia. This component involved an online questionnaire conducted over four weeks, from April 27 to May 25, 2025, disseminated via social media platforms and direct messaging. The survey sought to gauge perceptions of Georgia's geopolitical environment, economic development prospects, and trajectory toward Western integration. Of more than 1,500 distributed questionnaires, 350 complete responses were received. The data were analysed using IBM SPSS software to identify prevailing attitudes and discern patterns, providing contextual depth to the econometric findings.

By integrating macroeconomic modelling with societal insights, perspectives, the mixed-methods design enhances the study's explanatory power, offering a more nuanced understanding of how fiscal policy functions under geopolitical stress in a transitional political economy.

Theoretical framework

The dynamics of fiscal policy are shaped by the intricate interplay between domestic economic conditions and external geopolitical forces. This study synthesizes macroeconomic and political economy theories to construct an analytical framework that explains shifts in government expenditure in response to both internal pressures and external shocks.

Classical macroeconomic theories provide a foundational lens for understanding fiscal decision-making. From a Keynesian perspective (Keynes, 1936), government spending should increase during recessions to stimulate aggregate demand and decrease during periods of inflation to help stabilize the economy. Accordingly, macroeconomic indicators such as unemployment, GDP growth, and inflation are considered primary determinants of fiscal behaviour. In contrast, monetarist critiques – most notably those of Friedman (1968), argue that government intervention has limited long-term effectiveness, given the economy's inherent tendency to return to equilibrium. From this viewpoint, fiscal policy assumes a more passive role, with government expenditure changes viewed as temporary and less impactful. However, both models often presuppose political stability and institutional neutrality - conditions seldom present in transitional economies. In

practice, fiscal decisions in such context are shaped not only by economic metrics but also by institutional capacity, political dynamics, and external shocks.

The fiscal response function model (Bohn, 1998) offers a more dynamic framework for understanding fiscal policy, suggesting that governments must reduce budget deficit as public debt increases to maintain fiscal sustainability. In the context of Georgia, where fiscal institutions are still maturing and policy space is limited by foreign aid dependency and exposure to external vulnerability shocks - responsiveness is not only economically vital but strategically crucial imperative.

The capacity of the state to allocate resources and implement policy effectively as a critical determinant of fiscal outcomes. Political uncertainty and frequent government shifts heighten fiscal volatility and undermine the predictability of public expenditures (Alesina et al., 1996). These institutional variables are integral in capturing the governance context within which fiscal decisions are made.

Moving beyond conventional economic theories, the framework also draws on insights from international political economy and the geopolitical risk literature. Geopolitical instability reshapes fiscal priorities by introducing external constraints and exogenous shocks. From a critical IPE perspective, fiscal policy beomes a domain where questions of power, security, and governmental strategies (Gilpin, 2001; Strange, 1996). For small countries, such as Georgia, geopolitical tensions are not distant abstractions - they have direct affect implications for capital flows, trade dynamics, migration patterns, and institutional credibility. In line with Susan Strange's analysis, fiscal choices reflect these asymmetric structural forces. Regional conflict, global fragmentation, military pressures, and other geopolitical shocks often compel countries like Georgia to adapt not solely based on economic logic, but in response to broader geopolitical imperatives.

Scholars such as Rodrik (2011) and Hudson (2015) argue that in the post-neoliberal era, geopolitical tensions manifested through wars, conflicts, and international sanctions – have reconfigured budgetary priorities, notably by driving increases in defence and security-related spending. Witin this environment, fiscal policy serves not only as a technical instrument of macroeconomic management but also as a political signal, deployed to shape domestic expectations and align with evolving geopolitical realities.

Additionally, this study draws from public opinion literature to explore how citizen sentiment influences fiscal choices. In low-trust environments, fiscal expansion may serve not only to stabilize the economy but also to reinforce political order. Public perception of government readiness, strategic alignment (e.g., EU, NATO), and economic competence both shape and are shaped by fiscal policy. As the survey results indicate, public opinion functions as both a constraint on and a signal for state behaviour.

In summary, the theoretical framework informing this article rests on three core

assumptions:

- Government expenditure is treated as the dependent variable.
- The explanatory variables include geopolitical risk (proxied by the Global Peace Index), macroeconomic indicators (such as inflation, unemployment, GDP growth, foreign trade), and institutional factors (notably political stability).
- The analytical foundation is derived from Keynesian and monetarist macroeconomics, fiscal reaction function models, and international political economy approaches to understanding behaviour under geopolitical risks.

Econometric Analysis and Results

This study utilizes quarterly data from Q1 2012 to Q4 2024, comprising 52 observations, to empirically examine the relationship between government expenditure and a range of macroeconomic, political, and geopolitical variables. The choice of quarterly frequency enables a more granular assessment of short- to medium-term dynamics in Georgia's fiscal policy.

Model Specification

The Dependent variable is the annual growth rate of government expenditure (Gov_exp_t), while the independent variables include:

- Political and Geopolitical Indicators *(lagged by one quarter)*
  - Global Peace Index (GPI_{t-1})
  - Political Stability Index (Pol_Stab_{t-1})
- Macroeconomic Indicators *(lagged by one quarter)*
  - Real GDP Growth rate (YoY) (GDP_Growth_{t-1})
  - Inflation Rate (YoY) ($INFL_{t-1}$)
  - Foreign Trade (YoY) ($Trade\_Open_{t-1}$)
  - Change in Unemployment rate (YoY) ($Unemp_{t-1}$)

  ε_t - error term

  t represents quarter

All variables were standardized prior to estimation to facilitate the interpretation of relative effects.

The regression model is estimated using Ordinary Least Squares (OLS) in EViews 12 and is specified as:

$$Gov\_exp_t = \beta_0 + \beta_1 \times GDP\_Growth_{t-1} + \beta_2 \times INFL_{t-1} + \beta_3 \times Trade\_Open_{t-1} + +\beta_4 \times Unemp_{t-1} + \beta_5 \times GPI_{t-1} + \beta_6 \times Pol\_Stab_{t-1} + \varepsilon_t$$

The detailed data matrix and variable definitions are presented in Appendices A and B

Estimation Results

The full estimated model is as follows:

$$Gov\_exp_t = 10.6716 - 2.5775 \times GDP\_Growth_{t-1} + 1.2845 \times INFL_{t-1} - -0.2957 \times Trade\_Open_{t-1} + 0.5669 \times Unemp_{t-1} + 3.3901 \times GPI_{t-1} + +0.7085 \times Pol\_Stab_{t-1} + \varepsilon_t$$

Key Indicators:

- R^2 = 0.2063
- Durbin-Watson = 2.06 *(no autocorrelation)*
- F-statistic p-value = 0.1011 *(moderate joint explanatory power)*

Table 1. OLS Regression Output
(Source: Author's calculation, EViews 12)
The full OLS regression output, including coefficient tables, standard errors, and model diagnostics, is available in Appendix C (EViews 12 Output)

Variable	***Coefficient***	***Std. Error***	***t-Statistic***	***Prob.***
C	*10.67156*	*1.125275*	*9.483511*	*0.0000*
GDP Growth_Z (-1)	*-2577506*	*1.198586*	*-2.150456*	*0.0371*
Infl_Z (-1)	*1.284514*	*1.172203*	*1.095812*	*0.2791*
Trade Open_Z (-1)	*-295724*	*1.139408*	*-0.259542*	*0.7964*
Unemp_Z (-1)	*0.566861*	*1.178564*	*0.480976*	*0.6329*
GPI_Z (-1)	*-3.390069*	*1.306424*	*-2.594922*	*0.0128*
Pol Stab_Z (-1)	*-0.708456*	*1.300284*	*-0.544847*	*0.5886*

Interpretation of the standardized coefficients

The standardized coefficients (β) offer insight into the relative importance of each explanatory variable:

The β_0 coefficient of the model (β_0 = 10.6716) reflects the model's baseline level of government expenditure when all standardized explanatory variables are at their mean. While this intercept does not carry direct interpretive value in this context, it is retained as part of the model's structural specification.

GDP growth *($\beta_1 = -2.5775$):* A statistically significant negative relationship indicates that rising economic activity is associated with a modernisation in fiscal expansion. This pattern is consistent with counter-cyclical fiscal behavior and the automatic stabilizer hypothesis (Keynes, 1936).

Inflation *($\beta_2 = 1.2845$):* Although statistically insignificant, the inflation coefficient's positive sign may indixate a tendency toward accommodative fiscal responses during periods of inflation. That aligns with both Keynesian and monetarist perspectives, which emphasize that price fluctuations directly shape economic decisions, including business planning, investment behavior, and fiscal policy design (Friedman, 1968; Blanchard & Johnson, 2013). Low and stable inflation fosters greater predictability in economic policymaking, whereas inflationary volatility - often intensified by geopolitical shocks – creates uncertainty and complicates long-term strategic planning.

Foreign Trade *($\beta_3 = -0.2957$):* This indicator captures the annual rate of change in the country's foreign trade, measured by the total volume of exports and imports. The observed negative coefficient implies that higher trade activity correlates with fiscal restraint. One possible explanation is that increasing external revenues – generated through stronger trade performance - reduce the government's reliance on expansionary fiscal measures to support domestic demand.

Unemployment *($\beta_4 = 0.5669$):* A positive value suggests that rising unemployment is associated with and increase in budget expenditures, especially in the area of social protection.

Global Peace Index *($\beta_5 = -3.3901$):* This statistically significant result suggest that heightened geopolitical risk is linked to a reduction to government expenditure. Such a response may reflect the country's constrained fiscal capacity and reduced stabiliy. Consequently, budgetary policy appears to be driven more by the imperative to address external threats than by the dynamics of the economic cycle.

Political Stability *($\beta_6 = -0.7085$):* Although not statistically significant, the negative coefficient indicates that a slight decline in institutional stability may be associated with weaker fiscal planning.

Interpretation of results

Despite its modest explanatory power (R^2 = 0.2063), the model offers valuable insights into the structural determinants of fiscal policy in a geopolitically sensitive

context. The absence of autocorrelation (DW = 2.06) and the theoretical coherence of coefficient signs lead credibility to the model's internal validity.

These findings indicate that government spending in Georgia respnds not only to conventional macroeconomic indicators but also to geopolitical and institutional dynamics. Notably, the significance of the Global Peace Index highlights the role of external threats in shaping fiscal priorities. Given the multifaceted nature of economic reality, future research would benefit from employing dynamic modelling techniques or panel data approaches. Such extensions could deepen the analysis by incorporating additional institutional, regional, and crisis-related variables.

Public Opinion Survey Results and Analysis

To complement the econometric findings with public perspectives from both the public and subject-matter experts, a quantitative survey was conducted from April 27 to May 25, 2025. The survey targeted individuals within academic and professional circles, aiming to gauge views on Georgia's geopolitical situation, economic development, and prospects for Euro-Atlantic Integration.

Survey Design and Distribution

The survey was conducted through an online questionnaire, distributed via multiple channels, including social media platforms (Facebook, LinkedIn, Instagram) and direct personal messages. In total, it reached over 1,500 individuals, out of which 350 submitted valid responses. The data was processed and analyzed using IBM SPSS Statistics.

The questionnaire included both close-ended (single-choice and multiple-choice) and open-ended questions, allowing for both quantitative and qualitative analysis. It was structured into six thematic blocks, each corresponding to the study's central research questions:

(1) **Demographic Block** - Information on respondents' age, gender, educational background, region of residence, and professional status.
(2) **Assessment of Georgia's Geopolitical Context -** Perceptions of the country's strategic position, regional risks, and external influences.
(3) **Western Integration and Economic Policy -** Expectations regarding EU and NATO accession and its perceived economic consequences.
(4) **Migration Attitudes and Motivations -** Factors influencing respondents' interest in professional migration.
(5) **Strategic Vision and Future Outlook -** Views on long-term development priorities and country's adaptability amid global geopolitical shifts.
(6) **Open-Ended Responses and Recommendations -** Respondents' personal reflections on the meaning of the "Western Choice" and further considerations.

Selection Characteristics

The target population comprised individuals affiliated with academic and research fields, including:

- University lecturers and professors
- Research staff
- Doctoral and master's students
- Undergraduate students and recent graduates

Ethical Considerations

Participation in this survey was entirely voluntary and fully anonymous. An informed consent section preceded the questionnaire, clearly communicating the study's objectives, data confidentiality, and terms of participation. No personally identifiable information was gathered at any stage.

Overview of Results

A total of 350 respondents, representing diverse age groups and professional backgrounds, participated in the survey. The findings reveal a nuanced and multifaceted outlook on Georgia's geopolitical landscape, economic challenges, and strategic future. Several key themes emerged from the responses:

- Hightened awareness of regional geopolitical threats and their implications for national stability.
- Strong support for Euro-Atlantic integration, viewed as essential for economic modernization and institutional resilience.
- Widespread concern about economic uncertainty, fiscal governance, and the potential for brain drain through professional migration
- A clear disparity between long-term statistical optimism and short-term perceptions of socio-political realities.

Figure 1. Gender distribution of respondents

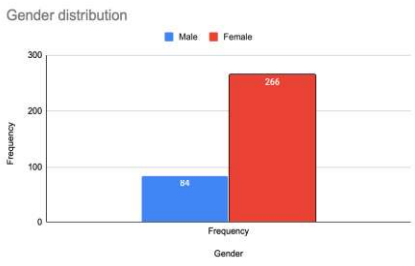
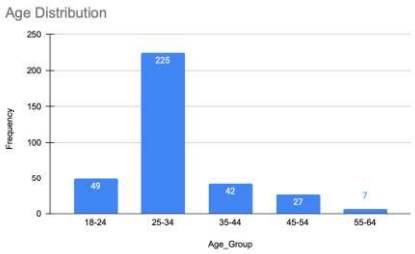


Figure 2. Age distribution of respondents

These data reveal that women constitute a significant majority of the survey respondents, representing approximately 76% of the total sample. This gender imbalance may be attributed to two factors: academic-oriented composition of the participants and a broader pattern in online survey engagement, wherein woment typically exhibit higher response rates.

The survey sample is predominantly composed of young and early-career individuals, highlighting a strong generational trend. These figures indicate the findings reflect the perspectives of younger generations – a crucial factor when evaluating attitudes toward migration, career ambitions, and geopolitical affairs.



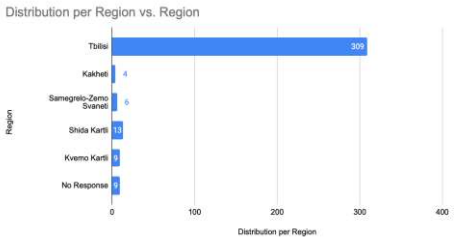
The 18-24 age group accounts for 14.0% (49 respondents) - mostly students or those at the beginning of their careers. The 25-34 age group is the most representative and includes 64.3% (225 respondents). This segment primarily includes master's students, doctoral candidates, and young professionals or academic staff.

The 35-44 age group consists of 12.0% (42 respondents) - individuals with moderate academic or professional experience. The 45-54 age segment includes 7.7% (27 respondents) mid to senior professionals. The 55-64 age group is minimally represented - only 2.0% (7 respondents), potentially indicating either the sampling structure or the lower survey engagement among older age groups.

Figure 3. Regional Distribution of Respondents

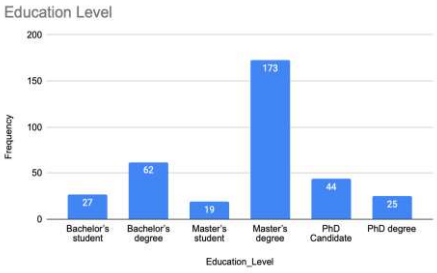
The vast majority of respondents, 309 individuals (88.3%) reside in Tbilisi, highlighting a strong urban concentration:

- Shida Kartli - 3.7%
- Kvemo Kartli - 2.6%
- Samegrelo-Zemo Svaneti - 1.7%
- From Kakheti - 1.1%
- Did not answer the region question - 2.6%



The distribution highlights both the institutional centralization in the capital and the communication channels through which the survey was disseminated. Nevertheless, it underscores a geographical constraint, implying that the findings may not comprehensively reflect regional or rural viewpoints.

Figure 4. Distribution of respondents by the most recent Education Level

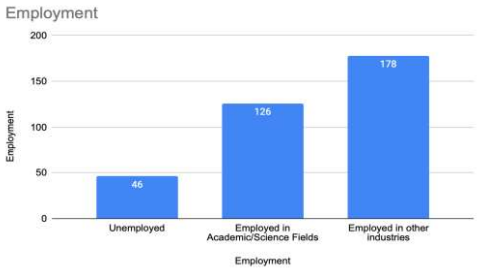


The most representative group comprises individuals with a master's degree, accounting for 49.4% (173 respondents). This highlights that nearly half of the respondents are equipped with an interdisciplinary knowledge essential for interpreting complex issues.

A total of 19.7% are either doctoral candidates (12.6%) and PhD holders (7.1%), underscoring the strong engagement of a highly qualified academic community in the study. Undergraduate students (7.7%) and current graduate students (5.4%) form a small yet meaningful share. Despite their limited numbers, they contribute to the preservation of socio-intellectual diversity within the respondent pool. Individuals with a bachelor's degree make up 17.7%, which emphasizes the representation of the young professional segment.

Overall, the structure of education levels indicates that the data is composed largely of respondents with strong theoretical and methodological knowledge. This enriches the conceptual depth of the research findings and enhances the reliability of their interpretation. However, it is important to recognize that such a respondent profile may intriduce limitations in generalizing to the broader population, particularly to underrepresented groups.

Figure 5. Distribution of respondents by Employment

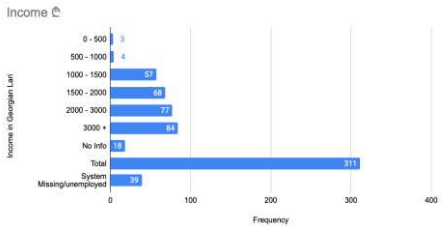


A majority of respondents - 50.9% (178 individuals) - are employed in outside academia, working across private, public and non-governmental sectors. This group brings professionally diverse social backgrounds, their assessments of geopolitical and economic issues are informed by day-to-day experience and real-world economic conditions. On the other hand, 36.0% (126 respondents) work in academia or scientific field, contributing analytical depth and providing a theoretical and systemic lens on the topics explored. Unemployed individuals account for

13.1% (46 respondents), representing a modest yet noteworthy segment of the sample.

Overall, the composition of the data reflects a professionally diverse and economically active community, enriching interpretation of the study and supporting the includion of multiple socio-professional viewpoints.

Figure 6. Distribution of respondents by Income (1Eur = 3.1202Gel)



Out of all respondents, 311 (88.9%) provided information about their income, while 39 respondents (11.1%) were not employed or did not provide information (systematic missing data). The income structure indicates that the majority of respondents identify themselves in the average or above-average income segment.

The most representative group is respondents who earn more than 3,000 GEL - 24.0% (84 respondents). Next comes the 2,000-3,000 GEL group - 22.0% (77 respondents). 19.4% (68 respondents) have an income of 1,500-2,000 GEL. 16.3% (57 respondents) have an income of 1,000-1,500 GEL.

These data show that more than 61.4% (combining the remaining groups) fall into the income category of over 1000 GEL, which indicates that the sample is representative of a relatively economically active and stable social group.

Table 2. Perception of Georgia's Political Stability (N=350) *(Geo_Stability)*

Response Options	Frequency	%
Very stable	0	
Relatively stable	11	3.1
Moderately unstable	125	35.7
Highly unstable	214	61.1
Total	350	100

According to the table, an overwgelming majority of respondents perceive Georgia's geopolitical situation as unstable: 61.1% assess it as "highly unstable", while 35.7% consider it "moderately unstable." Only a marginal proportion (3.1%) believe that the situation is relatively stable, and no "very stable" assessment was recorded at all. These findings suggest that individuals living in Georgia view the country's geopolitical environment as highly risky and unstable, posing substantial challenges to nstional security and economic development both regionally and globally

Table 3. Key Perceived Challenges in Georgia's Geopolitical Environment

Challenge	Frequency
Military and hybrid pressure from Russia / issue of occupied territories (Geo_Challenge_Russia)	282
Low level of security in the region and conflicts in neighboring countries (Geo_Challenge_Region)	53
EU Euro-Atlantic integration process: delays and strategic uncertainty (Geo_Challenge_EU)	167
Internal political polarization and institutional distrust (Geo_Challenge_Internal)	138
Weak development of the transit function and infrastructure obstacles (Geo_Infrastructure)	25

Note: one respondent could mark more than one challenge confirming that the problems existing in Georgia do not translate unambiguously and are intertwined in different directions

The table illustrates the respondents' perceptions of Georgia's key geopolitical challenges – issues that directly influence the country's economic policy and strategic direction. The analysis reveals clear priorities and a hierarchy of concerns.

The most frequently cited challenge, with 282 responses, relates to Russia and the issue of the occupied territories. This underscores a widespread belief that geopolitical instability and security threats are the foremost factors shaping Georgia's economic policy.

Ranked second, with 167 mentions, is the challenge of delays in the Euro-Atlantic integration process and broader strategic uncertainty. This reflects public concern that barriers to cooperation with the European Union and NATO are a critical and significantly impact Georgia's long-term economic development.

In the third place is 'Domestic political polarization and institutional distrust', cited by 138 respondents. This highlights the role of internal political dynamics in undermining both economic and political sustainability.

Regional security concerns and ongoing conflicts in neighboring countries – identified by 53 respondents – along with infrastructural challenges (25 responses), receive comparatively less attention. However, these issues represent additional layers complexity that hinder Georgia's stability and integration efforts.

Taken together, the data point to external factors – particularly those involving Russia – as the most pressing challenge in Georgia's geopolitical environment. These are compounded by regional tension and domestic vulnerabilities, allof which exert direct influence on the country's economic policy and strategic orientation.

Table 4. Assesment of Georgia's geopolitical positioning in the modern international order *(Geo_Position)*

Response Options	Frequency	Percent	Valid Percent	Cumulative Percent
Mostly favorable	9	2.6	2.6	2.6
Neutral / intermediate position	40	11.4	11.4	14.0
Unstable	122	34.9	34.9	48.9
Critical	172	49.1	49.1	98.0
Difficult to assess / I have no position	7	2.0	2.0	100.0
Total	350	100.0	100.0	

The data illustrate prevailing perceptions of Georgia's geopolitical standing within the modern international order, revealing a distinctly pessimistic trend among both the public and experts:

49.1% (172 respondents) consider Georgia's geopolitical position to be critical, reflecting deep concerns about security challenges, strategic vulnerability, and perceived marginalization within global power structures. 34.9% (122 respondents) view the situation as unstable, affirming the presence of significant internal and external risks in the current geopolitical climate. Only 11.4% (40 respondents)

describe Georgia's position as neutral or intermediate, suggesting that few perceive a balanced or stabilizing role for the country amid regional and international dynamics.

A mere 2.6% (9 respondents), assess Georgia's geopolitical status as mostly favorable. 2% (7 respondents) report difficulty forming an opinion on this issue.

Table 5. Agreement with the statement: 'Geopolitical Uncertainty has a significant impact on Georgia's economic policy and decision-making process' *(InfluenceofGeo_Uncertainty)*

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	13	3.7	3.7	3.7
Disagree	0			
Neutral	22	6.3	6.3	10.0
Agree	178	50.9	50.9	60.9
Strongly Agree	137	39.1	39.1	100.0
Total	350	100.0	100.0	

The table presents respondents' attitudes towards a specific statement, measured on a five-point agreement scale. The distribution of responses indicates a significantly consolidated position:

50.9% (178 respondents) expressed agreement, while an additional 39.1% (137 responses) indicated full agreement.Combined, 90% of participants hold a positive stance towards the statement, reflecting a strong consensus. Only 6.3% (22 respondents) selected a neutral position, suggesting a relatively small portion refrained from making a clear assessment. Notably, just 3.7% (13 responses) fully rejected the statement, and no responses fell into the "disagree" category – underscoring the marked unanimity in support.

Table 6. Respondent's Evaluation of Georgia's Western Integration Trajectory *(Western_Path)*

Evaluation	Frequency	Percent	Valid Percent	Cumulative Percent
Very high	25	7.1	7.1	7.1
Moderately positive	76	21.7	21.7	28.9
Low	180	51.4	51.4	80.3
Very Low	40	11.4	11.4	91.7
Difficult to assess/I have no formed opinion	29	8.3	8.3	100
Total	350	100	100	

The data presented in the table reflect the respondents' assessment of Georgia's prospects for Western integration, specifically EU and/or NATO membership. The results reveal a pronounced trend of scepticism and low optimism.

A majority - 51.4% (180 respondents) - rate the country's prospects as low, with an additional 11.4% (40 respondents) viewing them as very low. Together, more than 63% of respondents express a pessimistic outlook. This suggests limited trust in both the commitment of external strategic partners and the country's domestic political and institutional preparedness.

Positive assessments are considerably less frequent: 21.7% (76 respondents) perceive the prospects as moderately positive, while 7.1% (25 respondents) consider them very high. These figures suggest that the prospects for Georgia's Western course are not widely seen as either inevitable or imminent. In fact, strong optimism is rare reflected by just one in evert 14 respondents. At the same time, 8.3% of respondents (29 individuals) indicated that they either lack a clear position or find it difficult to assess the issue, suggesting the topic's complexity or a degree of informational uncertainty.

Table 7. Survey Results on Migration Intentions *(Migration_Intent)*

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
I am already planning to leave the country to pursue professional or scientific activities	53	15.1	15.1	15.1
I am considering such an opportunity, although I have not yet made a decision	190	54.3	54.3	69.4
At this stage, I am not considering migration	102	29.1	29.1	98.6
I do not wish to answer	5	1.4	1.4	100
Total	350	100	100	

The results indicate a high level of migration intention within Georgia's professional community. Specifically, 15.1% of respondents (53 individuals) are actively planning to emigrate to pursue professional or academic opportunities abroad, while an additional 54.3% (190 individuals) are considering migration, but have not yet finalized their decision.

In total, nearly 70% of respondents are either committed to or are seriously contemplating professional migration in the near future – a trend that signals critical implications for the domestic labor market, as well as for education science policy.

Conversely, 29.1% (102 respondents) report no current interest in migration, and only 1.4% (5 respondents) chose not to answer the question.

This trend is particularly concerning given the ongoing brain drain affecting highly qualified professionals and academic personnel in Georgia. The strong inclination toward migration may be driven by geopolitical uncertainty, limited institutional and labor market appeal, insufficient opportunities for career advanfement, and growing interest in more favorable conditions abroad. These data findings underscore the urgent need to strengthen talent retention strategies by enhancing professional development incentives, promoting scientific engagement, and offering global opportunities through robust domestic ecosystems.

Table 8. Assessment of Governmental Readiness for Geopolitical Dynamics *(Gov_Readiness)*

Evaluation	Frequency	Percent	Valid Percent	Cumulative Percent
Very high	4	1.1	1.1	1.1
Sufficient, but needs strengthening	25	7.1	7.1	8.3
Insufficient	138	39.4	39.4	47.7
Low	157	44.9	44.9	92.6
Difficult to answer	0			

The data presented in the table reflect the public perceptions of the Georgian state's preparedness to respond effectivelt to global geopolitical shifts. The results reveal considerable skepticism and low levels of institutional trust:

44.9% (157 respondents) rate the state's readiness as low, while 39.4% (138 respondents) deem it unsatisfactory. Taken together, 84.3% of respondents express dissatisfaction indicating a widespread belief that the government lacks the capacity to react swiftly or adequatky to international challenges.

Only a small proportion assess the situation relatively optimistically: Just 7.1% (25 respondents) believe that the state's readiness is sufficient, although in of reinforcement, and only 1.1% (4 respondents) view it as very high.

Importantly, no respondents chose to abstain or indicated uncertainty - suggesting a high level awareness and a clear stance on the issue.

These results emphasize the population's acute sensitivity to institutional performance during geopolitical uncertainty. These findings are reinforced by empirical evidence showing a statistically significant relationship between citizen's perceptions of the quality of public institutions and their sense of living in a fair and equal society (Kraveishvili & Gogorishvili, 2022). The results demonstrate that inclusive growth depends not only on macroeconomic performance but on the legitimacy, transparency, and efficiency of state institutions. In this context, institutional trust emerges as a pivotal factor in shaping public expectations and deetermining the sustainability of development strategies in transitional states such as Georgia.

Table 9. Chi-square test results and interpretation: Influence of Demographic Factors on Geopolitical Perceptions and Economic Expectations

Determining Variable	Outcome Variable	Value	df	Asymptotic Significance (2-sided)
Geo_Stability	Age_Group	53.846[a]	8	<.001
	Gender	22.640[a]	2	<.001
	Education_Level	82.859[a]	10	<.001
	Income	41.421[a]	12	<.001
Geo_Position	Age_Group	76.593[a]	16	<.001
	Gender	33.823[a]	4	<.001
	Education_Level	120.046[a]	20	<.001
	Income	219.141[a]	24	<.001
InfluenceofGeo_Uncertainty	Age_Group	109.115[a]	12	<.001
	Gender	36.834[a]	3	<.001
	Education_Level	52.826[a]	15	<.001
	Income	235.858[a]	18	<.001
Western_Path	Age_Group	46.902[a]	16	<.001
	Gender	3.092[a]	4	0.543
	Education_Level	64.296[a]	20	<.001
	Income	189.869[a]	24	<.001
Migration_Intent	Age_Group	55.915[a]	12	<.001
	Gender	9.279[a]	3	0.026
	Education_Level	89.425[a]	15	<.001

	Income	81.254[a]	18	<.001
Gov_Readiness	Age_Group	113.587[a]	16	<.001
	Gender	15.737[a]	4	0.003
	Education_Level	120.439[a]	20	<.001
	Income	388.964[a]	24	<.001

Public perception of Georgia's geopolitical situation (Geo_Stability) is highly associated with demographic variables. The data reveal significant variation in assessment age, gender, education level, and economic status.

Georgia's positioning within the international order (Geo_Position) shows a statistically significant association with all demographic variables. The data suggest that citizens' perceptions of the country's international role are strongly influenced by their socio-economic status. Notably, income emerged as a particularly significant factor, highlighyinh the impact of economic sentiment on how individuals perceive Georgia's geopolitical stance.

The analysis also reveals a robus correlation between demographic factors and the perceived impact of geopolitical uncertainty on economic decision-making. Analysis of public opinion indicates that geopolitical uncertainty exerts a direct influence on economic expectations, with the impact varying significantly across demographic groups. Populations with higher levels of social capital demonstrate greater adaptability and economic evaluative capacity.

As for the assessment of the prospects for Western integration (Western_Path), respondents' attitude towards Western integration significantly depends on their social status, although the gender difference in this case is not statistically significant.

Analysis of migration intentions (Migration_Intent) reveals that education is a key determinant, with highly qualified individuals significantly more inclined to consider migration. This trend underscores the potential risk of a 'brain drain'.

Analysis of readiness of Government (Gov_Readiness) reveals pronounced variations across social strata, with invome emerging as a particularly salient differentiator. The data suggests a significant fragmentation of publiv trust, rooted in socioeconomic disparities.

The chi-square χ^2 results demonstrate that public perceptions of geopolitical and economic issues are deeply anchored in the social structure. Variables such as Age,

education, gender, and income transcend their role as mere controls, emerging as substantive determinants that reflect political narratives, migration intentions, and alignment with the Western course.

These factors play a critical role in shaping economic policy, guiding geopolitical communication, and informing institutional reform efforts. Their consideration is essential for fostering greater inclusiveness and resonance in public discourse.

Additional χ^2 test results enable the evaluation of correlations amond various geopolitical-economic perceptions. Specifically, the analysis investigate the association between a country's perceived geopolitical stability and other attitudinal determinants, and the link between migration intentions and broader strategic concerns.

Table 10. Chi-square test results: The connections between Geopolitical Perceptions, Migration Intentions, and Institutional Trust

Determining Variable	**Outcome Variable**	**Value**	**df**	**Asymptotic Significance (2-sided)**
Geo_Stability	Geo_Position	184.171[a]	8	<.001
	InfluenceofGeo_Uncertainty	77.737[a]	6	<.001
	Western_Path	57.423[a]	8	<.001
	Migration_Intent	15.460[a]	6	0.017
	Gov_Readiness	194.226[a]	8	<.001
Migration_Intent	Geo_Position	84.168[a]	12	<.001
	Western_Path	73.561[a]	12	<.001
	Gov_Readiness	70.596[a]	12	<.001

The additional Chi-square test results reveal statistically significant associations among core geopolitical perceptions, migration intentions, and institutions trust.

Notably, the perception of geopolitical stability demonstrates robus correlations with key strategic indicators: international positioning (χ^2=184.171, p<.001), the economic impact of geopolitical uncertainty (χ^2=77.737, p<.001), prospects for

Western integration (χ^2=57.423, p<.001), and the governmental responsiveness to geopolitical changes (χ^2=194.226, p<.001). Furthermore, geopolitical stability exhibits a significant link with migration intentions (χ^2=15.460, p=.017), suggesting that individuals perceiving diminished stability are more inclined to consider professional migration.

Migration intentions exhibit significant statistical associations with perception of Georgia's Western Integration prospects (χ^2=73.561, p<.001) and evaluations of government readiness to manage geopolitical shifts (χ^2=70.596, p<.001). These findings suggest that professional migration motivations extend beyond purely economic considerations, a broader climate of systemic unease and strategic pessimism.

These findings demonstrate that public attitudes toward geopolitics - including perceptions of stability, international positioning, and institutional readiness – are deeply interconnected. Together, they shape a broader belief system that significantly influence migration intentions and strategic trust.

From a policy standpoint, this interdependence points to the need for holistic approaches. Strengthening geopolitical communication, advancing educational opportunities, and improving institutional credibility should be pursued jointly as mechanisms to mitigate migration pressures and support greater economic and political resilience.

Results and Discussions

This paper explores the impact of geopolitical factors on economic-political decision-making in Georgia, applying a mixed-methods approach that integrates econometric modeling with survey analysis. The study draws on quarterly data from 2012 to 2024, sourced from Geostat, the World Bank, and the Institute for Economics and Peace. An Ordinary Least Squares (OLS) regression model evaluates the influence of variables such as the Global Peace Index, political stability, inflation, GDP growth, unemployment, and external trade relations influence government expenditure. The survey, conducted from April 27 to May 25, 2025, collected responses from 350 academics and researchers in Georgia, offering insights into perceptions of geopolitical risk, economic development, and migration intent.

The study presents a data-driven framework for examining how fiscal policy in a small, open, and geopolitically vulnerable economy responds to varying levels of risks. The core empirical analysis employs time series econometric modeling using quarterly data from 2012 to 2024 to estimate the relationship between government expenditure and a set of explanatory variables. Statistical analysis was conducted using EViews 12, to support model estimation, diagnosting testing, and result visualization.

Survey instruments were designed to capture public attitudes toward Georgia's geopolitical landscape, economic prospects, and Western integration. The findings reveal that fiscal policy behaviour is shaped by a dynamic interplay between domestic economic indicators and external political shocks. This integrated methodology offers valuable perspectives on the policy challenges faced by transition economies like Georgia in navigating economic-political strategy under geopolitical uncertainty.

Conclusion

In conclusion, the research demonstrates that Georgia's fiscal policy is significantly shaped by geopolitical dynamics, as evidenced through econometric modelling and qualitative survey data. The quantitative analysis reveals that geopolitical instability and macroeconomic volatility excert a substantial influence on publiv expenditure decisions, while the survey results – gathered from Georgian academics and researchers – underscore generational and regional disparities in perception of geopolitical risk and institutional trust. These divergences enrich the interpretation of fiscal responses and policymaking. Utilizing quarterly data from 2012 to 2024, the study integrates macroeconomic indicators with measures of geopolitical risk and institutional stability to assess their cumulaitve impact of fiscal policy over time.

The Global Peace Index serves as a critical benchmark, encapsulating trends in conflict, militarization, and public security. The study develops a data-driven framework to evaluate how fiscal policy in small, open, and geopolitically vulnerable economies adjust to varying level of risk – advancing theoretical insight and informing policy. Survey responses reveal widespread public awareness of regional geopolitical threats and their implications for national stability. There is broad support for Euro-Atlantic integration, alongside significant concern over economic uncertainty and the potential for brain drain. These insights underscore the urgency of cohesive efforts in geopolitical communication, public education, and institutional reform to strengthen resilience and alleviate migration pressures.

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Annex A: **Calculation of the Political Stability Index**

Data Source and Frequency

The World Governance Indicators (WGI) Political Stability Index (Estimate, −2.5 … +2.5) is reported annually, summarizing a country's political stability over the year, including violence, terrorism, and government changes. Since WGI data is annual, the yearly value was evenly averaged over four quarters to fit the quarterly analysis framework.

Missing Data for 2024 and Estimation Approach

At the time of this study, official Political Stability Index data 2024 were not available. To estimate the 2024 value, a combined method was used, consisting of:

- Extrapolation of historical trends (2013-2023)
- Expert analysis of recent political developments in Georgia

The hybrid approach considers political governance stability, pre-selection conditions, external pressures, international responses and geopolitical risks. The resulting index is provisional and subject to revision upon release of official data.

Extrapolation method

$$1.\, POL\_STAB_{2024} = POL\_STAB_{2023} + \frac{1}{n}\sum_{t=2013}^{2024} (POL\_STAB_t - POL\_STAB_{t-1}$$

Where,

n=10 (denotes the number of annual changes calculated from 2014 to 2023, based on the 2013–2023 index data).

$POL\_STAB_t - POL\_STAB_{t-1}$ reflects the annual change. For simplicity, we introduce the notation d_t; $\frac{1}{n}\sum_{t=2013}^{2024} (POL\_STAB_t - POL\_STAB_{t-1})$ is the average

annual difference, which, in simplified notation, will take the following form: $\frac{1}{n}\sum_{t=2013}^{2024}(d_t)$. We can denote it with the notation $\underline{d}$.

Accordingly, the forecast for 2024 by extrapolation formula in a simplified form will take the following form:

(1) $POL\_STAB_{2024} = POL\_STAB_{2023} + \underline{d}$

Now we can follow calculations:

(2) Annual Differences (d_t) in 2014-2023:

Year	Annual Difference
2014	−0.321508−(−0.441366)=0.119858
2015	−0.472154−(−0.321508)=−0.150646
2016	−0.320115−(−0.472154)=0.152039
2017	−0.375215−(−0.320115)=−0.055100
2018	−0.447563−(−0.375215)=−0.072348
2019	−0.498172−(−0.447563)=−0.050609
2020	−0.429611−(−0.498172)=0.068561
2021	−0.429620−(−0.429611)=−0.000009
2022	−0.436530−(−0.429620)=−0.006910
2023	−0.335554−(−0.436530)=0.100976

(3) Based on which can we calculate the average annual difference $\underline{d}$:

$$\frac{1}{n}\sum_{t=2014}^{2023}(d_t) = \frac{0.119858-0.150646+0.152039-0.055100-0.072348-0.050609+0.068561-0.000009-0.006910+0.100976}{10} = 0.105812$$

(4) The forecast for the 2024 figure, by extrapolation, will be:

$POL\_STAB_{2024} = POL\_STAB_{2023} + \underline{d} = -0.335554122924805 + 0.105812 =$ -0.3249729186

POL_STAB_{2024}= -0.3249729186

2. Expert Adjustment for 2024, based on events

The extrapolated index was adjusted based on qualitative expert evaluation of political events in 2024, considering factors like political polarization, public mobilization, international reactions, and cooperation with the EU. This adjustment

Quarter	General Events	Assessment (impact on political stability index)
2024Q1	Growing polarization in political processes and signs of public discontent	-0.1
2024Q2	Public mobilization around legislative initiatives	-0.12
2024Q3	Reaction of international partners and growth of civil activism	-0.12
2024Q4	Political discourse on cooperation with the European Union	-0.15

accounts for crisis conditions and ongoing political developments.

Average Expert Adjustment: -0.13

Accordingly, $Adjusted\ Index\ 2024$ will be equal to::

$Adjusted\ PoI\ Stab\ Index\ 2024 =\ Extrapolated\ Index\ 2024\ +\ Expert\ Adjustment\ 2024$ = -0.3249729186 + (-0.13) = - 0.454972919

Annex B: *Data matrix for econometric modeling*

Year	Q	Gov Exp % change yoy	GDP_GROWTH %change yoy	Trade Open %change	INFL % change yoy	Unemp YoY %change	POL STAB	GPI
2012	Q1	7.430998287	0.271841908	-15.405356	-1.4152839	0.1966452	-0.680454	2.506
2012	Q2	7.430998287	-2.173921979	13.72729421	0.66812182	0.1966452	-0.680454	2.506
2012	Q3	7.430998287	-3.998000418	7.149697128	0.01533169	0.1966452	-0.680454	2.506
2012	Q4	7.430998287	-2.016136659	-3.856661483	-0.4202991	0.1966452	-0.680454	2.506
2013	Q1	0.788388678	-5.340717798	-18.63027095	-0.2358786	-2.890244	-0.441366	2.444
2013	Q2	0.788388678	-4.301547128	17.95733746	0.78117192	-2.890244	-0.441366	2.444
2013	Q3	0.788388678	-1.637788244	13.22479427	-0.5139327	-2.890244	-0.441366	2.444
2013	Q4	0.788388678	3.33172816	12.53753975	1.22406524	-2.890244	-0.441366	2.444
2014	Q1	11.90469609	6.144365691	-18.7270647	0.36364291	-12.95348	-0.321508	2.238
2014	Q2	11.90469609	0.521741655	16.15035292	-0.4694895	-12.95348	-0.321508	2.238
2014	Q3	11.90469609	-1.70416815	-0.608715773	0.87838653	-12.95348	-0.321508	2.238
2014	Q4	11.90469609	-4.260898592	8.73030007	-0.8996332	-12.95348	-0.321508	2.238
2015	Q1	-10.70987502	-4.967943964	-14.3307002	0.1993238	-1.83939	-0.472154	2.132
2015	Q2	0.642197303	4.642838636	10.41104104	0.6168464	-1.83939	-0.472154	2.132
2015	Q3	9.173541471	5.085202113	6.723796226	0.23549077	-1.83939	-0.472154	2.132
2015	Q4	23.30188213	-6.602049632	6.357946103	-0.1057538	-1.83939	-0.472154	2.132
2016	Q1	10.27385892	-1.337564646	-20.8432762	-0.260549	-2.157675	-0.320115	2.138
2016	Q2	6.734403377	-5.611533406	9.099024989	-0.9443038	-2.157675	-0.320115	2.138
2016	Q3	7.334841629	-4.633358573	13.51013167	-0.340878	-2.157675	-0.320115	2.138
2016	Q4	4.891826923	13.40907817	13.77126762	0.56660288	-2.157675	-0.320115	2.138

2017	Q1	8.122616897	4.872286063	-10.0962219	1.14770114	-1.317454	-0.375215	2.151
2017	Q2	14.61025523	2.114071966	3.660192756	0.54815844	-1.317454	-0.375215	2.151
2017	Q3	7.600859997	5.46857388	8.37890136	-0.2870976	-1.317454	-0.375215	2.151
2017	Q4	16.36683091	-4.783657928	21.88836111	0.17181954	-1.317454	-0.375215	2.151
2018	Q1	10.02737692	-0.461884748	-13.09801677	-1.238629	-2.506424	-0.447563	2.026
2018	Q2	2.527887007	2.96785281	11.58529805	-0.2037882	-16.87927	-0.447563	2.026
2018	Q3	-0.524996082	-1.866119002	2.031626479	0.17581477	-15.67964	-0.447563	2.026
2018	Q4	27.66690737	2.203280367	12.74742994	-0.4002687	-16.27857	-0.447563	2.026
2019	Q1	6.587381916	-3.006233306	-15.24663734	0.7138449	-9.301531	-0.498172	2.096
2019	Q2	9.913118347	-2.967621021	15.68580464	0.20774813	-6.916544	-0.498172	2.096
2019	Q3	19.33438362	1.594901996	9.381149521	0.65157593	-11.37182	-0.498172	2.096
2019	Q4	-3.005527703	2.705246744	13.45886181	0.18856653	-14.11865	-0.498172	2.096
2020	Q1	23.44306402	1.394738137	-26.39282974	-0.2870836	-9.859821	-0.429611	2.089
2020	Q2	10.66761617	-15.63424077	-10.30284869	0.01831626	1.131394	-0.429611	2.089
2020	Q3	30.33763491	-11.83309125	28.43257092	-0.7482637	-1.938127	-0.429611	2.089
2020	Q4	21.34071993	-13.1909899	11.14788076	-0.4369754	20.768131	-0.429611	2.089
2021	Q1	13.40748101	-9.919175329	-11.40217456	1.55248096	12.363625	-0.42962	2.089
2021	Q2	27.66642	45.16199587	23.81487575	0.82121229	24.230065	-0.42962	2.089
2021	Q3	2.684155884	19.95404867	3.019286473	0.71319833	19.641955	-0.42962	2.089
2021	Q4	8.530484741	19.99379158	12.87521979	0.49269503	-5.178206	-0.42962	2.089
2022	Q1	11.50019784	21.33215475	-9.506368945	-0.6250836	-8.777704	-0.43653	2.132
2022	Q2	3.515625	-18.97502614	15.29131948	0.28380442	-18.29063	-0.43653	2.132

2022	*Q3*	*11.77529531*	*-3.781319482*	*3.204868602*	*-0.3744815*	*-19.33026*	*-0.43653*	*2.132*
2022	*Q4*	*18.08099513*	*-0.392097227*	*4.005435833*	*-0.5057651*	*-14.50494*	*-0.43653*	*2.132*
2023	*Q1*	*9.540949532*	*-5.593024893*	*-11.59085947*	*-1.3934512*	*-3.595378*	*-0.335554*	*2.133*
2023	*Q2*	*19.83688375*	*3.454773003*	*6.053638764*	*-1.5256598*	*-5.193398*	*-0.335554*	*2.133*
2023	*Q3*	*19.05308212*	*-0.192507988*	*5.715117128*	*0.0315067*	*0.5732894*	*-0.335554*	*2.133*
2023	*Q4*	*3.257478906*	*-3.30804632*	*0.033510341*	*-0.0789526*	*-0.362618*	*-0.335554*	*2.133*
2024	*Q1*	*22.92722434*	*0.516437694*	*-13.01551468*	*0.02648081*	*-18.12114*	*-0.454973*	*2.195*
2024	*Q2*	*15.28756882*	*2.997038568*	*21.82235496*	*0.54669634*	*-17.68433*	*-0.454973*	*2.195*
2024	*Q3*	*10.67603128*	*2.30614414*	*10.46978409*	*-0.5056742*	*-10.48476*	*-0.454973*	*2.195*
2024	*Q4*	*16.04430798*	*-0.325322742*	*3.72316035*	*0.40549244*	*-5.913898*	*-0.454973*	*2.195*

Annex C: *Estimation of a regression model using the least squares method: EViews software output*

(Source: Author's calculation, EViews 12)

Dependent Variable: GOV_EXP
Method: Least Squares
Date: 05/27/25 Time: 23:24
Sample (adjusted): 2012Q2 2024Q4
Included observations: 51 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.67156	1.125275	9.483511	0.0000
GDP_GROWTH_Z(-1)	-2.577506	1.198586	-2.150456	0.0371
INFL_Z(-1)	1.284514	1.172203	1.095812	0.2791
TRADE_OPEN_Z(-1)	-0.295724	1.139408	-0.259542	0.7964
UNEMP_Z(-1)	0.566861	1.178564	0.480976	0.6329
GPI_Z(-1)	-3.390069	1.306424	-2.594922	0.0128
POL_STAB_Z(-1)	-0.708456	1.300284	-0.544847	0.5886

R-squared	0.206326	Mean dependent var	10.65703
Adjusted R-squared	0.098098	S.D. dependent var	8.461040
S.E. of regression	8.035327	Akaike info criterion	7.132446
Sum squared resid	2840.925	Schwarz criterion	7.397599
Log likelihood	-174.8774	Hannan-Quinn criter.	7.233769
F-statistic	1.906396	Durbin-Watson stat	2.065312
Prob(F-statistic)	0.101057		