

# INTEGRATION OF THE DAGESTAN'S ECONOMY INTO THE SPACE OF RSFSR WITHIN THE PROCESS OF MODERNIZATION OF THE STATE SYSTEM IN 1985-1991

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**Abstract:** *Studying of economic transformations in RSFSR regions, including Dagestan Autonomous Soviet Socialist Republic (hereinafter referred to as DASSR), during their integration with neighboring state formations in the most difficult period of modernization of the state system is one of the most important areas in establishment of the modern strategy of Russian economic development. The studied issue is important because no analysis of facts evidencing the process of DASSR integration into the common Russian economic space has been performed yet in spite of its necessity. The main purpose of this article is a brief analysis of the history of establishment of economic relations of the Republic of Dagestan with RSFSR regions in 1985-1991. The said issue was studied with regard to a cause-to-effect and in-sequence considering the principles of objectivity and a historical method by means of methods of logical data synthesis, retrospective review, and comparative analysis of events of historic reality. Besides, statistical, analytic, and induction research methods were applied to reflect the changing indexes of the depth of Dagestani integration into the Russian space more accurately and visually. The process of development of economic contacts founded in the North-Caucasian Economic Region in the environment of the state system modernization is tracked in the article based on new archive materials, periodicals and Internet data. Causes and reasons of their establishment were described, the enterprises participating in the economic exchange were indicated, and the list of exchanged products was represented. The rate of the process of republican interaction the with Russian enterprises was analyzed, and the extent of their co-dependence was determined. The article may be useful for both historian and economist researches and officers of ministries and authorities to design a future strategy of economic development of the Republic of Dagestan and Russia in general.*

**Keywords:** *industry, finance, agriculture, transport, economics, North-Caucasian Economic Region.*

## INTRODUCTION

The period studied in the article corresponds to one of difficult moments of modern Russian history related to a beginning of changes having led to global transformations in all areas of social life, including economics. In spite of the importance of the event happened, there are still no comprehensive monographic researches describing not only the chain of the events, but also the reasons and effects of these changes for social life. In general, economic relations of Dagestan Autonomous Soviet Socialist Republic (hereinafter referred to as DASSR) with other RSFSR regions during the reorganization are poorly studied and described in researches, while some their issues have not been studied at all yet. Gathering together separate data on Dagestani integration into the federal economic space, accurate description of the situation established in 1985-1991, and the analysis of the variety of its transformations is therefore very important and has scientific novelty.

Considering the state of general RSFSR economics during the reorganization and the place of Dagestan in it, let us mention that the main reasons and grounds of the economic establishment modernization, having led to the following transformation of the form of the state system of the country in general and all its regions, were founded as far back as in the preceding period. For example, by the beginning of 1980s, RSFSR, like other regions of the Soviet Union, reached a new level, where electronics, precision instrument industry, and atomic power production were developed especially intensively, unified power supply, transport, and oil and gas systems were fully established, but, however, a lag in information technology area was already showing. The established command management of the economics and the policies of long-term planning and top-down development led to significant mistakes in the exchange relationships. As a result, demand for consumer goods and food was continually growing throughout the whole decade. The quality of the service, recreation, and culture spheres needed to be improved. In addition, reduction of global hydrocarbon prices led to a slowdown in economics based on oil sales. Those years saw decrease of national income, GDP, and yield of capital investments [Morozova, 2003,760]. Having recognized the established situation, the country government tried to find a solution for the issue. In particular, at the 26<sup>th</sup> Communist Party Congress, the necessity of progressive switches through dynamic, balanced, and proportional development of all industries was discussed [Kazancheva,1983,41]. The focus was made on agriculture leading to some increase of the level of agriculture vehicles production and purchase prices of agricultural products and increase of agricultural GP by 11.5% in 1983-1987.

However, the economic conditions required general reforms. Their main tasks were announced at a Plenum of the Communist Party Central Committee in April of 1985 and looked like a focus on social and economic development acceleration [CPSU,1987,608]. However, while the first year of the reorganization gave some positive results, in 1986 goods deficit showed again. Then, at a Plenum of the Communist Party Central Committee in June of 1987 a new way of economic development was chosen. Its main ideas included transferring enterprises to commercial transactions and state orders [Feldman,1989,21]. As a result, managers of plants and factories limited the production of cheap goods using their right to

increase prices and manufacture expensive products, instead of improving the enterprise productivity and product quality. Consequently, the deficiency of consumer goods only increased.

The laws *On Cooperation in the USSR* (1988), *Grounds of the Law on Rent Relationships* (1988), and *On Enterprises and Entrepreneurial Activities* (1990) issued in an attempt to change the situation did not really allow to develop new economic institutions [Khalilova, 2012, 63]. The administration never managed to strengthen administrative control over labor discipline and quality of produced goods, to take any measures to prevent misappropriation of public funds, to overcome bureaucracy and bribery, and to stabilize goods production and consumption. Further economic goals were announced to the public at the 5<sup>th</sup> Congress of People's Deputies of RSFSR (October of 1991) by its president, B. N. Eltsin. He mentioned in his speech, "...the measures to be taken will be painful, but the proposed way is the only one possible in the established conditions" [Kiselev, Shchagin, 1998, 390]. He was talking about application of 'shock therapy' to treat the state economics. It meant entry to the market via price liberalization, free trade introduction, and further privatization. However, because of political confrontation within the RSFSR administration those reforms were not fully completed and did not allow to lead the country out of the crisis. However, in spite of all the difficulties, Russia took the path of market economics by 1992.

The situation in the outskirts of Russia, which may well include DASSR, was more difficult than in the federal center. By the beginning of the reorganization, Dagestan had already been involved in the system of inter-enterprise relations, first of all, the ones of the North-Caucasian Economic Region and of the whole RSFSR indeed. It was created to provide all participating members with inexpensive products imported from neighboring regions in a balanced way and to collaborate with mutual advantages. Naturally, the reorganization damaged the inter-regional economic relations in many aspects, but one cannot say that they were absolutely absent. Vital necessity forced the contacting parties to search for ways of economic integration. By the beginning of 1991, Dagestan was "a region with mainly agricultural economics and a gap in industrial and social infrastructure development" [Aliiev, 2002, 49]. In the conditions of neglect of social sphere, issues arose related to residential property, provision with basic necessities, medical service level, etc. Besides, crime level was increasing adequately to the worsening of the social and economic situation. For example, the minutes of the 28<sup>th</sup> conference of Dagestan Regional Committee of the Communist Party Central Committee mentioned that "about four thousand high- and medium-gravity undiscovered crimes were recorded within the report period."<sup>1</sup> These and a number of other issues became a reason of the difficult state of Dagestani economics within the transition period. To solve such issues, a regional leader able to react effectively to the challenges of modernity was needed. However, the one was not found and was replaced by a collegial authority, a State Council.

Naturally, the industry of the republic, mostly consisted on defense enterprises and almost fully integrated into general Russian economics, was also

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<sup>1</sup>Minutes of meetings of the Regional Party Committee of Dagestan Autonomous Socialist Republic in 1989// Central State Archive of the Republic of Dagestan (hereinafter referred to as RD CSA). F.1-n. List 2. File 6614. P. 24.

almost completely disoriented in 1985-1991. It became one of the most important reasons of the economic crisis. Although the administration made attempts to stabilize the economic situation, it did not manage to change it. As the chairman of the Economic Council under the Chairman of the State Council of the Republic of Dagestan, M. G. Aliev, emphasized, "Dagestan entered the market unprepared: neither politically, nor economically, nor ideologically. Besides, the transition to the market, having required radical transformations, was performed with remaining social institutions of authority" [Aliev, 1998, 34]. As a result, the measures taken to solve the regional economic issues were absolutely inadequate, and there was no progress. Dagestani economic development was actually left unattended by the end of the studied period. But nevertheless Dagestan was integrated into the economic space of RSFSR driven by natural causes.

## METHODS

### Development of agricultural sector of Dagestani economics in 1985-1991

Agriculture was one of basic industries of Dagestani economics throughout the whole 20<sup>th</sup> century, whose share in the GDP amounted to about 20% in the studied period. In 1985-1991 about one third of Dagestani working-age population was employed in the republican agriculture sector. However, despite such a large share of agriculture in the regional economics, Dagestan traditionally was a large consumer of agriculture products of other regions due to shortage of land. As it was mentioned before, 1980s did not bring the expected growth of population prosperity to the economics of Dagestan as well as to the economics of the country in general. It was especially clearly seen in the AIC of DASSR. The measures taken by the Soviet government, such a sausage of irrigation systems, land chemicalizing, introduction of organic fertilizers, and selection works, never brought the expected results. Workers of collective and state farms did not manage to satisfy fully the Dagestani's needs in products of animal breeding and plant growing. It was caused by many reasons. For instance, a lot of areas were used for irrigation systems without land-improvement engineer networks. Another feature of the region was the fact that the irrigated lands belonging to collective farms of mountainous areas and located on flatlands were represented by small detached lands, which limited application of modern technologies for their irrigation and crop growing [Osmanov,2006, vol.1.,540]. As a result, primitive free-flow irrigation was applied in potentially high-productive irrigated areas leading to poor yield and not even covering the irrigation expenses. Such irrigation often led to soil clogging and salinization and removed the lands from agriculture. The attitude of rural Dagestani workers to other agricultural procedures was not better. The most important reason of such situation was lack of the workers' economic interest in the results of their work.

By the middle of the 1980s, the Presidium of the Supreme Council of DASSR decides to introduce subsidiary personal plots as a source of replenishment of population's food supplies, having realized that the existing complex of measures had not brought the required results<sup>2</sup>. Besides, a process of divestiture of collective and

<sup>2</sup>RD CSAF. 352-P. List 41. File 125. P.2.

state farms, having united inhabitants of several villages before, was commenced. Leasing associates also started to be introduced in Dagestani collective and state farms related to announcement of provisions on introduction of commercial transactions. By 1989, about 400 such associates worked in Dagestan. Those were the first steps on the way to private ownership establishment in villages. DASSR government also increased purchase prices for agriculture products to help the collective and state farms overcome the gap and improve their economic condition. Additional charges for products sold to the state by unprofitable and low-income enterprises were introduced. It played a considerable role in improvement of efficiency of agricultural enterprises. For example, the number of unprofitable enterprises in Dagestan decreased from 327 in 1982 to 11 in 1989, while a total amount of profit of Dagestani State Agriculture Committee reached 300m rubles [Osmanov 2006, Vol.1,555]. In general, the amounts of gross domestic product of the region produced by Dagestani agriculture after the price increase grew significantly. In particular, in 1986-1989 the cost of agriculture products was 392m rub. more than that in early 1980s [The national,1990,65]. However, even despite such growth of figures, the result of Dagestani AIC modernization was only improvement of food provision of rural citizens directly involved in the novelties.

Meanwhile, urban population of the republic continued experiencing growing lack of food. To eliminate it, it was decided to fill the gaps “via making contracts between collective farms and individuals for purchase of extra agricultural products and milk from the latter and for domestic animal breeding by the individuals for sale to the state”<sup>3</sup> as well as via inter-regional supplies from other regions. However, the attempts to purchase food from the individuals did not succeed. “The Ministry of Agriculture and *Dagconserv*, *Dagvino*, and *Plodoovoshchkhov* associations, expected to purchase food from the individuals and develop trade in cities, etc., purchased only 0.5% of products instead of expected 10%,” as it was announced in official documents in the studied period<sup>4</sup>. The republic population preferred “to speculate in the agricultural products with commercial purposes.”<sup>5</sup> However the republican government tried to eliminate this forerunner of market economics, it did not succeed. Consequently, the only way to handle the food deficit was its import from neighboring RSFSR regions. This goods turnover was “agreed upon with the Ministry of Trade of RSFSR in advance, and the costs of import of potatoes, vegetables, and other food products were provided for in the budget (of DASSR - author).”<sup>6</sup>

Analyzing the situation with plant growing in Dagestan, let us mention that the leading industries of most collective farms, state farms, and other agricultural enterprises of the flatland regions of the republic were growing of crops, grapes, potatoes, vegetables, and melons and gourds in the twelfth five-year plan period. Although in 1985-1990 crop productivity in the republic increased to almost 25 quintals are perfect, it did not satisfy the population’ need of flour, rice, and other groats. The lacking crops were supplied to Dagestan from Armavir, Kropotkin,

<sup>3</sup>Minutes of the meetings of the Supreme Council of Dagestan Autonomous Socialist Republic (hereinafter referred to as DASSR SC) // DR CSAF. 352-P. List 41. File 42.P. 10.

<sup>4</sup>Minutes of the meetings of DASSR SC // DR CSAF.352-P. List 43. File 57. P. 65.

<sup>4</sup>Minutes of the meetings of DASSR SC// DR CSAF. 352-P. List 41. File 102. P. 40.

<sup>5</sup>Minutes of the meetings of DASSR SC // DR CSAF. 352-P. List 41. File 42. P. 87.

<sup>6</sup>Minutes of the meetings of DASSR SC // DR CSAF. 352-P. List 41. File 102. P. 40.

Stavropol, Krasnoarmeysky, Volgodonsk, and Proletarsky lift conveyors. In particular, by the beginning of 1990s, 30 tons of each type of crops were imported to Dagestan each year. Krasnodar rice alone was supplied in the amount of about 4 thousand tons. Such situation in rice production forced the administration of the Agriculture Ministry of DASSR to apply to the Nationwide Research Institute of Rice in the city of Krasnodar. Its researches were proposed to create an experimental station in Dagestan to run researches and technological developments to improve the state of rice bays in DASSR [External, 2004, 55].

Beside rice, enterprises of Kuban agriculture, *Zimkhlebproduct* and *Salskkombikorm*, supplied graded types of seeds and compound animal feedstuff for farm households and collective farms. In addition, supplies under these budget items of DASSR, in particular, potatoes, melons, gourds, and seeds were performed by Krasnodar group of state potato and vegetable farms [Zolotukhin,1983,59] and Astrakhan fishing and agricultural collective farms which were considered a 'nationwide garden' in 1980s [Nefedova, 2004,12]. "We produce such precious agricultural products as rice, vegetables, melons and gourds, fruits, meat, milk, and a wide range of fish products. We supply salt and canned fish and vegetables to almost all the country regions," Astrakhan regional committee of the Party mentioned considering its capabilities to help the neighboring regions in the studied period.<sup>7</sup> Dagestan was not an exception. Astrakhan salt, breams, and famous Astrakhan watermelons were well known in our republic throughout the studied period.

From middle 1980s, there was decline even in the most profitable field of Dagestani plant growing - grape growing - although the head of "the state farm named after Sh. Aliev in collaboration with scientists developed and implemented a new method of cultivation of vines with wide-row planting allowing to automate the process of attendance and harvesting and decrease the cost of the products 2.5 times within that period" [The national, 1986,65]. The first step leading to it was an anti-alcohol campaign launched in the country. The situation was worsened by the lack of agrotechnical attendance to the state farm vine lands and, as a result, spread of diseases and blasts there. It was only by the beginning of 1990s that the negative issues started to disappear, and grape growing got a status of an export field of plant growing in Dagestan. Vine products started to be actively supplied to RSFSR markets again. Another field of export plant growing became growing of vegetables, cucurbits crops, and other field-crops in private subsidiary farms on flatlands cabbage, gourds, and watermelons demanded in neighboring regions [Zharov,2007,120].

As for animal products, a growing crisis was also seen here within the studied period. Remaining the basic field of activity for many collective farms, state farms, and other agricultural enterprises of the republic, especially, in mountain areas, animal breeding was becoming less and less cost efficient and profitable. Many animal farms in Dagestan were inefficient and were only funded from state loans and grants. For example, by the end of 1988, more than 80 farms (constituting 20%) produced less than 1.5 kg of wool per one sheep, and more than 50 farms produced less than 1,000 kg of milk per one cow. During the reorganization, about 500

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<sup>7</sup>Minutes of a meeting of active members of Astrakhan regional and municipal Party organizations dated November 30, 1981 // Russian state archive of social and politic history. F.17.List 150. File 82. P.6.

thousand tons of more than 2,000 types of products of milk plants, milk canning plants, and butter and cheese plants were supplied to Dagestan from other country regions. They included, in particular, products of Krasnodar, Armavir, Anapa, and Sochi milk plants, Korenovsk and *Briukhovetsky* milk canning plants, Tikhoretsk and *Kalinsky* butter and cheese plants as well as sugar sand and refined sugar from Ust-Labinsk, Timashyovsk, Korenovsk, and more than 10 other plants of sugar industry of Krasnodar region [History, www].

In general, during the reorganization, Dagestan saw a slight growth of animal products issuance (19,349 tons of milk more, 9,275 tons of meat more, and 256 tons of wool more), but it was incomparably little considering the needs of the growing population. In addition, the cost of the animal products produced by the republican agriculture remained remarkably high, while the animal breeders' work was becoming less and less attractive and prestigious with the development of globalization processes. Despite high costs and many difficulties remaining in the agriculture, poultry breeding excelled in late 1980s. The republic consistently continued to increase production of eggs and poultry almost fully satisfying internal needs. The largest egg and poultry producer remain *Ptitseprom* company established as far back as in 1970 and based on hatcheries. The number of poultries of all kinds in collective farms, state farms, and other state enterprises of Dagestan increased by 249.9 thousand in the twelfth five-year plan period and amounted to 4,331.3 thousand of poultries by the beginning of 1991. The average annual republican egg production amounted to 199,244 thousand of eggs within 1986 – 1990, which was almost 2 times more than in the eleventh five-year plan period. In general, it was only through the deep integration with RSFSR regions that the AIC of Dagestan ASSR managed to provide its population with an at least necessary minimum of food products and provide its agriculture and food industry with raw materials for production in 1985-1991.

### **Industry – the main field of Dagestani integration with Russia**

The most active industrial integration of Dagestan with RSFSR regions started when the North-Caucasian Economic Region (NCER) was created under an order of the CPSU on zone division in state economics; it became an extraterritorial administrative establishment whose main task was “coordination of activities and organization of a common economic policy of different-level enterprises” [Inshakov, 2003, 4]. But the only thing that heads of local plants managed to do was to achieve or slightly exceed plan figures often beamed down without regard to the specifics of local economics. The plans of DASSR development for the twelfth five-year period were prepared according to the figures achieved in the previous period. Machinery construction and metal processing were expected to increase production volumes 1.5-1.8 times, while in power production it was planned to build *Irganai* Dam and *Miatlinsky* hydropower plant, while it was expected to make a tunnel through Gimry mountain chain within the shortest terms to accelerate material supply for the erection of the latter [The results, 1981]. Besides, a wide program of residential building and social infrastructure construction, a sharp increase of communication service consumers (installation of television, broadcasting, and telephone systems), and achievement of a ‘radical turn’ in growth of production and quality improvement of consumer goods were planned. However, many plans were

never performed not being supported by financial provision and interest of the workers.

Some changes in the state of the republican industry were introduced by a Resolution No. 659 *On Economic Experiment Performance in 4 Ministries of Industry* issued by the CPSU Central Committee and USSR Council of Ministers on July 14, 1983. According to it, it was supposed “to empower production associations (enterprises) in the planning of economic and social development at each stage of planning...and to enhance their responsibility for satisfaction of the needs of economics and population by the products manufactured by them [Resolution 1983, www]. In 1984, the following enterprises participated in the experiment in Dagestan: *Dagelectromash*, *Dagestani Electrical and Thermal Equipment Plant*, *Dagelectroautomat*, and *Dagelectroapparat*, whose state improved at once. In general, during the reorganization, new plants and factories continued to be constructed, and branches of large enterprises continued to be opened in rural regions of the republic. Some of them were in fact plants within plants. However, the whole dynamics was unsatisfactory.

For example, a situation in construction industry was sensitive. The issue of quantity and quality of construction materials was repeatedly discussed at meetings of the Supreme Council of DASSR, where “poor quality of bricks, insufficient usage of production capacities of *Dagstroyaterial* enterprises, insufficient provision with reinforcement steel, roofing sheets, window glass, and other construction inventory were mentioned.”<sup>8</sup> While only established interregional relations within NCER helped constructors survive. For mutual assistance, interregional trusts *Caucaskurortstroy*, *Dorspetsstroy*, *Yuzhstalconstructsia* montage department, *Zacaucasspetsautomatica*, and others, were created in the South of Russia in 1985-1991. Active help to Dagestan construction industry was provided by Astrakhan and Novorossiysk cement plants, Crimean and Krasnodar construction concerns. Using large resources of local natural cement rock, clay, limestone, and sand, they supplied cement, expanded clay aggregate, cement-asbestos pipes, asbestos-cement board, bricks, and rolled roofing materials [History, www]. DASSR constructors were also assisted by Taganrog, Novocherkassk, Belaya Kalitva, and Krasnosulinsky metal plants of Don region producing steel, rolled iron, wire, water and gas pipes, electrodes, gauge materials, and rolled aluminum [Allaverdyan,www].

Under the allocation plan of the USSR State Logistics Committee and the requests of the DASSR State Logistics Committee, various machines, technological equipment, metal products, timber materials, fuel, and consumer goods were also supplied to the republic from RSFSR regions [Osmanov,2006,304]. The latter were supplied in large quantities due to their sharp deficit. Penalties were repeatedly imposed on DASSR Ministry of Trade and Dagestani Consumer Association for their insufficient influence “on the work of the republican plants to increase production of consumer goods and improve quality and variety of products manufactured by them.” In this situation, only import of goods from other country regions helped.

The best example of integration of Dagestani industrial enterprises with RSFSR plants and factories is operation of Dagestani Electrical and Thermal

<sup>8</sup>Minutes of meetings of DASSR SCin 1985// DR CSAF.352-P. List 41. File 125. P.18.; Minutes of meetings of DASSR SCin 1986 // DR CSAF.352-P. List 43. File 56. Pp. 15.101.133.; Minutes of meetings of DASSR SCin 1989 // DRCSAF.352-P. List 52. File 105. P. 4.



Equipment Plant receiving raw materials and components for its product manufacturing from 236 enterprises of the country while, in its turn, supplying its electrical and thermal equipment to more than 1,500 enterprises outside the autonomous republic. In that period, Dagestan supplied more than 40 types of industrial products to Russian regions, including welding apparatuses, separating machine, pumps, electrical and thermal ovens, switchers, pilot-controlled check valves, etc. [*Dagestani Electrical and Thermal Equipment Plant*, 1984]. Mutual product exchange was also established with machinery enterprises of neighboring regions in the studied period. For instance, Dagestan collective and state farms located on flatlands used to purchase “Niva” and “Don” combined harvesters and were provided with most agricultural machinery and various agricultural equipment of Krasnodar (*Selmash, Rice Harvesting Machinery Plant*) and Rostov (*Salskselmash, Krasny Aksay*) plants. Spare parts for that equipment maintenance fulfilling 50-70% of needs of Dagestani enterprises were also supplied from *Rostselmash, Krasny Aksay, Red Engine*, and *Taganrog Combine* plants.

*Red Hammer* chemical plant producing fuelers for airfields supplied its machinery (T3-500 and then AT3-10,5) to air enterprises of Dagestan [*Red*, www]. The import of machinery products was provided by implementation of automated control system in Rostov region in the studied period, which was never performed in Dagestan [Gassanov, 1989, 9]. Due to its mountainous relief and natural deficit, Dagestan was still receiving products of timber enterprises of RSFSR. Wood processing plants of Krasnodar, Goryachy Klyuch, Apsheron, and Maikop supplied ‘business timber’, MDF, chip board, cardboard, plywood, veneer, and parquet board [Machinery, www]. There were also enterprises supplying furniture to our stores. Using their cooperative relations, Krasnodar and Shakhty cotton plants shipped cotton, coarse calico, flannel, corduroy, semi-cord, velvet, oil cloth, and oxford, work, and jeans cloth, as well as yarn which was among top three world brands of that time as to its quality, to Dagestan [The crisis, www]. While sheep wool produced in Dagestan was shipped to the Krasnodar worsted wool plant. The products of the latter then fed Dagestani garment manufacturers. Considerably large supplies were also made to Dagestan by *Seagull* Krasnodar porcelain and faience factory. Those measures were caused by the fact that Dagestani enterprises could not satisfy “the demand of the population for cultural and household goods and home furnishings, and their range was evidently insufficient.”<sup>9</sup>

It is worth mentioning that, with the established trend, the years of reorganization cannot be named a Dagestani economic failure. Within those years, the republican industry was continually moving forward, and it were only insufficiently worked out market reforms of the early 1990s that made that trend decline.

### **Employment and financial standing**

In general, in 1985-1991, the government’s attempts to solve the issues of employment of Dagestani excess working population without major social changes and wide development of service sphere were certain to fail. Decisions about new

<sup>9</sup>Minutes of meetings of DASSR SC in 1986// DRCSAF.352-P. List 41. File 83. P.52.

enterprise construction and new workplace creation in ministries of local industries, bodies of public amenities, and other authorities taken by local and state governments were not implemented in that period. Negative trends and disproportions emerging in economic development continued to deepen. The increase of retail goods turnover by 28% achieved within five years meant not so much the growth in population's prosperity, as it was often communicated, as unsatisfied demand. It is also evidenced by citizens' bank deposits having increased by 300m rub. in 5 years, although salaries did not grow within that period [The Dagestan, 1986]. It is worth adding that DASSR population evidently had at least the same amounts in cash. All that money could not find neither goods nor services to be spent on. However, even although the republican citizens had some money, in 1985 Dagestan took one of the last positions in the federal rating as to both per capita level of basic food product consumption and the general financial standing [The standard, 1997, 78]. However, those years saw also growth of total population of Dagestani nations which amounted to 1,802.2 thousand people by 1989 [Population, 1995, 34]. Besides, more than 108 thousand Avars, 85,297 Dargins, more than 40 thousand Kumiks, 206,433 Lezgians, 20.2 thousand Laks, 20.2 thousand Tabasarans, and about 15 thousand Tsakhurs lived outside Dagestan. In general, people's attitude to the changes taking place during the reorganization is reflected in the following table based on data of a survey of 855 respondents carried out in 2016 in the territory of the republic:

Table 1. How the situation in different areas of life of the Dagestani society was changing in 1985-1991, in your opinion (in %)?

	was improving	was worsening	was not changing	difficult to say
General economic situation	18.3	46.6	14.4	20.7
population life level	18.3	43.6	15.9	22.1
availability of goods and services	27.1	32.3	11.6	29.0

The analysis of the data represented shows that welfare of almost half of Dagestani citizens was rapidly worsening. The reforms themselves were accompanied by growth of deficit on the goods and food market, and deficit of essential goods was showing more and more. The unexpected money inflation caused unprecedented excitement among the population. By the end of 1980s, shelves of stores became empty, while queues of people ready to buy anything available were growing. Dagestani citizens' welfare and health were especially affected by untimely, delayed payments of salaries, pensions, and child allowances, inflation growth, unreasonable expensiveness of food and drugs, whose prices continued to grow year by year, worsening of medical service, reduction of number of nurseries and schools, etc.

The reorganization again led the Dagestani to such events as unemployment that had seemed to be ended as far back as in 1920s. By the end of 1980s, the growing crisis of production pushed many Dagestani, who had never thought that they would become unemployed, to the labor market. The situation was worsened by the fact

that many republican citizens, having had settled in other regions of the former USSR during the 70 years, were forced to leave their households and return to Dagestan because of the changed political situation and extrusion of aliens, joining the unemployed. Reduction of number of workers in industry and agriculture, months' salary delays, provision of long unpaid vacations to workers, liquidation of enterprises, and other crisis events increased migration of the population flowing mainly from the villages to the cities of the republic and further to other regions, industrial and trade centers of RSFSR. While earlier most of the Dagestani used to migrate to the Central Asia, Volga regions, Rostov and Stavropol regions, and Kalmykia, in the early 1990s the direction of migration changed significantly. The main Dagestani migration trends became Moscow, Saint-Petersburg, and cities of Khanty-Mansiysk Autonomous District and Tumen region.

By 1990, the finance situation in Dagestan worsened to the level where its own funds in the income of the republican budget amounted to only 15%, and the rest was grants from the federal budget. It was the granting that allowed the republican government to control the negative consequences of the economic crisis, in particular, to pay outstanding child allowances, orphan benefits, and, sometimes, salaries for workers of state enterprises and organizations. In addition, an average salary in Dagestan was 3 times less than that in Russia in the studied period [Dagestan, 2000, 269]. More than 936 thousand people or 43.7% of the republican population had money incomes below the federal cost of living. Poverty, unemployment, economic and social instability, unrealizability of hopes, and other shocks intensified the process of population marginalization. Only slightly more than 15 % of the respondents participating in the above survey mentioned improvement of their life level, which is quite understandable. As it is known, the Russian reforms led to polarization in population's incomes and a social break, which, in fact, led to occurrence of 'two confronting Russias'. Two life levels, two countries occurred, 'a country of the rich and very rich' and 'a country of the poor' at the opposite side with incomes below the cost of living. Under the veil of privatization, the modern elite appropriated at once the largest enterprises whose products were demanded internationally. "The impoverished population either hid or dashed to pick every little thing in sight," as a Russian writer, V. Rasputin, described the situation [Sukhomlin, 2008].

In several researchers' opinion, "roaring 1980-90s pushed North Caucasus (especially three its republics, Dagestan, Chechnya, and Ingushetia) many decades back. We can talk," they state, "about more intensively expressed processes of deindustrialization and de-modernization" [Khalidov, 2010, 24]. However, the studied materials evidence that the regional situation was not hopeless or irreformable. Undoubtedly, the economic situation required a sharp transition from extensive business patterns to intensive ones. However, although the political changes did not allow to transfer the regional economics from a planned economics to market forms of ownership, reforms in Dagestani economics were carried out by more controlled pace. The population quickly developed a negative attitude to the process of denationalization and privatization of enterprises. That is why privatization in Dagestan was performed first only in the spheres of trade and public services represented by the greatest number of small organizations. A specific feature of Dagestani economic development was also the fact that a variety of interests and conflicts of its civil actors did not received its legal reflection in local

representative and executive government bodies. As a result, it was extruded off the radar legitimating 'the shadow law'. Consequently, the whole system was deformed: the conflict of financial and autocratic interests led to a significant growth of corruption and shadow economics having complicated and still complicating the creation of a unified integration space of Dagestan and other Russian regions.

## RESULTS

It is notable that, although modern researchers pay quite much attention to the issues of economic integration both between Caucasus regions and within Russia in general in the studied period, the situation in the Republic of Dagestan, in fact, is left outside those researches. For example, the researchers have proposed a number of recommendations for other Caucasian republics looking for an integrative core, in particular, on "establishment of a kind of a transnational regional bank that could finance regional projects with share participation of all South-Caucasian countries" [Economic, 2016], or have clearly stipulated the common reasons of North-Caucasian regions' aspiration to "restore a common economic space and 'horizontal' commercial relations and rearrange the inter-state collaboration and interregional goods exchange" [Trends, 2001] leading to the occurrence of different integration forms. Besides, the researchers propose some models to lead integrative relations of North-Caucasian regions with other Russian regions to a new quality level, drawing the attention of theorists and executives to the fact that they are based on common social and economic issues and lack of financial and other resources for their solution in each separate region of the former NCER. As to Dagestan, all such concepts have not almost been developed, and this article is one of unique cases in research activities. In addition, if one looks at the presented research, one can see another important issue. In fact, all regions participating in the collaboration with Dagestan are the ones where Russian population prevails. It makes this research even more important, because in has been essential recently to expose and announce historical reconstruction of positive cases of agricultural, industrial, trade, and financial collaboration within integration of such a multi-ethnic and multi-confessional republic as Dagestan into the common Russian economic space in the environment of continuing attempts to escalate displays of xenophobia and incite inter-ethnic and multi-confessional discord based on domestic conflicts by a destructive part of the society in the South of Russia.

## CONCLUSION

Undoubtedly, such a brief analysis of the most important areas of integration of the Dagestan's economy into the common space of RSFSR within the difficult period of modernization of the whole state system, namely, transformations in agriculture, industry, and welfare of the republican citizens and population's employment depending on this issue, cannot fully describe the situation in Dagestani economics. However, the analysis of the main trends of development of the agricultural and industrial sectors of Dagestani economics, the description of its close relations with other Russian regions, including at the levels of separate enterprises, and discovery of the main directions of Dagestani labor migration during the reorganization provides a unique groundwork to study further these and other

areas of life in Dagestan in general. Changes in each of the studied economic clusters at each stage were making and still make significant allowances to both the internal regional development and the process of its integration into the common Russian economic space; the announced results can therefore be used by officers of ministries and authorities and the administrations of the region and the federal center when developing plans to overcome negative consequences of the studied events and expanding the interaction at the historically established basis.

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