

SCTCMG 2021
International Scientific Conference «Social and Cultural Transformations in the Context of
Modern Globalism»

DEPRESSION IS THE BEGINNING OF DEVELOPMENT, NOT A
SENTENCE

Leila Lechievna Gishkayeva (a)*, Raisa Husainovna Azieva (b)

*Corresponding author

(a) Chechen State University, Sheripova street 32, Grozny, Russia, leila_114@mail.ru,

(b) Grozny State Oil Technical University named after Academician M.D. Millionshchikova, Kh. Isaeva Avenue,
100, Grozny, Russia, raisaazieva@list.ru

Abstract

In Russia, the market processes of the 90s of the XX century took place against the backdrop of an economic crisis, accompanied by a decline in the standard of living of society, an increase in the indicator of differentiation of the country's regions in terms of socio-economic development. These processes contributed to the emergence of depressed areas. Political and economic restructuring on the territory of the former USSR and anti-terrorist operations of the last decade of the 20th century destroyed the economy of the Chechen Republic. These circumstances became the reason that in the early 2000s, the Chechen Republic was a depressed Russian region with all the signs mentioned above of depression. In the period under review, in conditions of high unemployment, various social transfers, assistance from relatives, and receipts from the maintenance of subsidiary and households began to acquire great importance to ensure the livelihoods of households in the region. The federal government and the republic's leadership have done a lot to implement the developed program measures to revive and develop the regional economy. This work made it possible by the end of 2010 to significantly increase the real incomes of the republic's population, to almost double the level of unemployment compared with 2005. The main goal of this state program is to increase the well-being and quality of life of the population of the republics that are part of the North Caucasian Federal District to reduce their lag from the average Russian level.

2357-1330 © 2021 Published by European Publisher.

Keywords: Depression, income, employment, regional policy, living standards, Chechen Republic



This is an Open Access article distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

1. Introduction

In modern domestic economic science, there are various ideas regarding the definition of the content of the regional policy. Thus, the regional policy of the centralized control system in the Soviet Union pursued the global goal of locating productive forces. The control system in the SSR solved the problems of creating large territorial-production complexes, accelerating the development of the eastern regions, developing the northern territories, leveling the levels of economic development of the union republics, and other tasks. The nation-wide character of this policy was its fundamental feature. The implementation of national tasks, considering the location of the resource base and the socio-economic characteristics of the country's territories, was the central core in its content (Reshiev, 2009). The regional policy of foreign states had some differences since it provided a differentiated diagnosis of the country's economic regions to determine the directions of development. Along with the solution of economic problems, social, political, and environmental problems were also considered. Moreover, although economic motives played a major role in the politics of states, at the same time, depending on the country, their relative importance may be different. It should be noted that it was not until the late 1950s and early 1960s that European countries began to attach primary importance to economic problems in regional economic policy. Previously, European countries were focused on the social significance of regional economic policy (Reshiev, 2009). In modern times, social factors play an important role. Their goal is to achieve full employment in distributing the received regional income and solve the problem of welfare.

2. Problem Statement

Investigate aspects of the depression of territories and their peculiarities on the example of the Russian region.

3. Research Questions

The features of the depressed territories' development are considered on the example of Russian reality. The reasons that contributed to the occurrence of such a situation are being investigated. The directions of economic development are determined on the example of the depressed Russian region.

4. Purpose of the Study

The purpose of the article is a comprehensive study of the problem of the development of depressed regions. This goal includes the following tasks:

- consideration of the content of the concept of depression and the specifics of the development of depressed Russian regions;
- identifying the reasons that contributed to the emergence of such a situation in Russia during the period of market transformation;
- search for directions of determination of the depressed regions' development on the example of the Chechen Republic, as a region that had all the signs of depression by the beginning of the 2000s.

5. Research Methods

This research study was conducted using comparative analysis, statistical analysis, functional analysis, positive and normative analysis. The work is compiled following the problem-chronological principle, the principles of consistency, and scientific objectivity.

6. Findings

Regional economic policy or local planning encompasses all types of government intervention to improve the territorial distribution of economic activity. The regional policy pursued in foreign countries seeks to correct some of the spatial consequences of the free trade economy. This activity aims to achieve economic growth and improve the process of social distribution.

In the development and implementation of the regional policy of these states, five periods are distinguished:

- the first period is to identify regional problems and their origin;
- the second period provides for the definition of goals, if possible in a quantitative way;
- the third period is the formation of an appropriate strategy;
- the fourth period is the choice of the tools necessary to use;
- the fifth period provides for an assessment of the policy pursued (Reshiev, 2009).

One of the most important elements of the process of developing and implementing regional policy in developed countries is the correct choice of objects for which it is envisaged to stimulate or restrict economic growth.

The implementation of market transformation in Russia was accompanied by a deep recession in the economy, a decrease in the standard of living of the population, and an increase in the differentiation of regions by the level of socio-economic development. The result of these processes was the emergence of depressed areas. By the beginning of the 21st century, as a result of transition processes, 2/3 of the country's subjects, especially those located near or on the periphery of the leading industrial centers – the North-West, Central, Volga-Vyatka, Volga economic regions, as well as the North Caucasus, Siberia, the Far East, and the Urals were considered as depressive (Surkova & Shusharina, 2009). According to the "theory of long waves," Kondratyev (2002), depression is an economic phenomenon that, in relation to regions, can be considered as an objective consequence of a cyclical nature in their economic development.

"Depression" as an economic category is a stagnation in the economy, characterized by a lack of growth in production and business activity, low demand for products, and unemployment. This phenomenon is usually observed after or due to an economic crisis, indicating the final stage, after which economic recovery and recovery should be expected. Following the views of domestic and foreign economic theory, depression is inherent in a cumulative process, when a reduction in investment and consumer demand leads to a decrease in production and the volume of resources used, thereby maintaining a low level of demand (Raizberg et al., 1999).

It should be noted that some authors consider the Russian depression "stagflation," based on some of its features, as a decline in production amid inflation (Surkova & Shusharina, 2009). Following this

context, the "depressed region" is most accurately defined by L. Smirnyagin and G. Bylova. These researchers defined "depressed region" as a territory that differs from others in terms of the main socio-economic indicators, including the rate of development (as cited in Smirnyagin & Bylov, 1995).

At the legislative and regulatory level, the concept of "depressed regions" is used in the context of budgetary relations to define a system for compensating for interregional differences. In the Decree of the Government of the Russian Federation of June 29, 1995, No. 639, the concept of "depression" was used for the regions, despite the ambiguity of its interpretation. This ambiguity was later especially negatively reflected in practice (Smirnyagin & Bylov, 1995). A more precise definition of a "depressed region" is present in the draft Federal Law No. 91010-3, adopted on March 12, 2003, "On the Basis of Federal Support for Depressed Territories of the Russian Federation." In this law, "depressed territory" was considered as a unit – a district, a city, or a set of adjacent administrative units with a homogeneous structure of the economy, within one or several constituent entities of the Russian Federation. A distinctive feature of the "depressed territory" is its state of extreme economic decline due to the economic crisis.

In the traditional perception, the depressed region is characterized by a lower level of socio-economic development than the national average. However, in an earlier period, it was relatively stable, and according to some indicators, it occupied a leading position. Often, depressed regions have a high level of accumulated scientific and technical potential, a significant share of industry in the economic structure, and a relatively high level of qualifications of labor resources. However, depressed regions are characterized by a decrease in competitiveness for basic products, a decrease in investment demand, structural changes in the economy, depletion of the mineral resource base, and a low standard of living of the population. These features make it possible to characterize a depressed region as a territory in a phase of sustained economic recession. This phase is characterized by the lack of opportunities for the emergence of new development incentives. There is a need to apply corrective state actions to overcome the depressive state of these territories (Surkova & Shusharina, 2009).

The duration and depth of the territorial depression are primarily due to the industry specificity of production. The crisis in production was the reason for the spread of the depression to the entire regional economy. In the 1990s, depressed regions began to be divided into old industrial, mining, and agro-industrial types (Surkova & Shusharina, 2009).

During the reforms of the 90s of the XX century, the old industrial regions with the concentration of processing industry enterprises (military-industrial complex, mechanical engineering, instrument making, light and food industries) suffered the most. Those regions were distinguished by a developed scientific, technical, and technological base. The formation of the structure of the economy of these territories took place from the end of the 19th century to the middle of the 20th century, covering different stages of industrial development (Surkova & Shusharina, 2009).

Depressive mining regions were localized resource-producing territories, especially mining and forestry, located in sparsely populated areas. The mining depressed and old industrial regions had a fairly developed economic potential with a significant share of industry in the economic structure and highly qualified labor resources. However, these regions face a deep economic recession, high unemployment, especially structural, insignificant investment activity, a low level of financial and budgetary provision

and real incomes of the population, and a sharp social stratification. The reason is the violation of supply and raw material ties and/or changes in the development strategy and the low competitiveness of the core industries (Surkova & Shusharina, 2009).

The depressed regions of the old industrial and extractive types, according to the level of the per capita purchasing power of monetary income, belonged to the group of the poor, with a characteristic high level of poverty of the population.

The agro-industrial depressed regions are the Central Black Earth Economic Region regions, North Caucasus republics, and South Siberia. Note that this classification is conditional because the agricultural sector in most Russian regions did not occupy a leading position either in terms of production volume or in terms of its share in the gross regional product. The Central Black Earth Economic Region, the republics of the North Caucasus, and South Siberia were characterized by stagnation of socio-economic processes resulting from a combination of typical agricultural specialization and industrial backwardness of the region (Surkova & Shusharina, 2009).

In addition to the considered classification of depressed regions, there were others. So, in 2005, the Ministry of Regional Development developed a new typology of Russian regions. At the heart of this typology, the analysis of all subjects was based on the development of regions, the degree of involvement in global development processes such as globalization, urbanization, and neo-industrialization. All regions were combined into four main types and seven groups based on an expert assessment with an analysis of indicators of socio-economic development of the constituent entities of the Russian Federation (Committee on Statistics of the Chechen Republic, 2007). For this classification, depressed regions were distinguished by a significant economic decline in the main sectors of the economy over the past ten years and a lower level of economic indicators than the national average. These regions were economically developed and occupied prominent places in some positions in the country's economy in the past. The following processes were observed in depressed regions:

- low standard of living of the population, high unemployment;
- significant lag in socio-economic development relative to other regions of the country;
- poor infrastructure provision.

Depressive regions were subdivided into the background and crisis subtypes. The background depressed regions were characterized by a low standard of living of the population, the presence of an outdated technological base, insufficient market positioning, and a shortage of personnel. A significant lag characterized depressive crisis regions in terms of the level of socio-economic development from other regions, a high level of unemployment, poor infrastructure provision, and an increased level of social conflicts. The depressiveness of regional development was in direct proportion to the sharp decline in living standards during the period of market transformation.

In the early 2000s, the Chechen Republic was one of the Russian regions, which was in one of the last places in the country and could be considered depressed. The data (Table 1) support this claim.

Table 1. Leading socio-economic indicators: results of 2005

Main factors	The number of registered unemployed in %, of the economically active population	Housing stock area per capita	Industrial output per capita, thousand rubles	The proportion of students engaged in the second shift, %	The number of hospital beds per 10 thousand people	The share of the population with incomes below the flow minimum
Russian Federation	2.6	19.2 (18 – standard)	78.1	19.8	116.0	17.8
Southern Federal District	5.9		24.8	25.2	105.2	37.3
Chechen Republic	78.9	11.7	9.7	54.8	68.9	90.0

An analysis of the data in Table 1 indicates that in all the most important socio-economic parameters, the Chechen Republic lagged significantly behind the average indicators for the Southern Federal District. Thus, the regional indicator of officially registered unemployed by the end of 2005 compared with the national average and in the Southern Federal District was more than 30 and 13 times higher, respectively, the share of the population with incomes below the subsistence level was more than 5 and 2 times higher than the same indicators in the country in general and in the Southern Federal District, respectively. The Chechen Republic's negative socio-economic state was due to following circumstances:

- political and economic restructuring started in the former USSR;
- the anti-terrorist operations of the last decade of the XX century fundamentally destroyed the region's economy.

The beginning of the economic crisis in the republic can be traced back to the beginning of the anti-terrorist operation. The reason was the coming to power of new persons who had their own specific goals that did not coincide with the interests of the Chechen people. The pre-war economic crisis manifested itself through a decrease in the volume of production benefits and living standards of the population, increasing unemployment and crime. During the period of anti-terrorist operations, many industrial and social infrastructure facilities were completely destroyed.

By the mid-2000s, the unemployment rate in the republic was about 80% of the working-age population. This indicator was the highest in the country. Furthermore, this problem was aggravated by many circumstances. In the region, there was a positive dynamic of demographic processes in connection with an increase in the birth rate and the return to their homeland of refugees and internally displaced persons with the cessation of military operations.

According to the Ministry of Labor of the Republic data, at the beginning of 2005, the number of unemployed able-bodied population reached 400 thousand people. This indicator is 62% of the labor force and almost 69% of the region's economically active population. The situation in the labor market in the Chechen Republic can be generally regarded as a crisis.

In August 2005, at a meeting of the Government, when approving the draft federal budget for 2006-2008, German Gref pointed out that 91% of the population of the Chechen Republic was officially below the poverty line. Simultaneously, as the minister noted, in the Khanty-Mansiysk and Yamalo-Nenets Autonomous District, this indicator was the lowest in the country and was less than 7% (Gref, 2005).

Unemployment was the main reason for the meager incomes of the region's population. In general, it can be noted that the shortage of jobs was the most pressing problem for all regions of the Southern Federal District. This fact was especially true for the republics in which the working-age population exceeded two to three times the number of available jobs. In all North Caucasus republics, the load of the unemployed population per vacancy was significantly higher than in the country as a whole. So, in 1999 in Ingushetia, this indicator reached 184.4 people, in Dagestan – 32.3, 20.3 – In Kabardino-Balkaria. In contrast, the all-Russian indicator was 2.4 people per vacancy (Volkov & Popova, 2004).

The employment of higher educational institution graduates was also one of the sides of this problem in the Southern Federal District. So, in 2004, the analysis of the need for specialists with higher education was carried out. This analysis led to the following conclusions. It was revealed that over the past five years, the labor market had been replenished every year by almost one hundred thousand at the expense of university graduates. The predominant specialties of the graduates were humanitarian and socio-economic. This circumstance led to a further deterioration of the situation in the employment of top and middle-level specialists. So, for example, in 2003, state and non-state universities of the Southern Federal District graduated 38.2 thousand people in these specialties. According to information from employment services, the need for such specialists was only 14.5 thousand people (Gishkaeva, 2014). In many regions, the spread was even higher: nine times – in Karachay-Cherkessia, seven times in Ingushetia, while in the Rostov region – four times (Gishkaeva, 2014).

In terms of the population's per capita income, the lag of the Chechen Republic from the average Russian level in the mid-2000s reached 7 – 8 times. At the same time, the consumer market was provided with local goods only for one quarter. Therefore, an increase in income (including through allowances and compensation payments) did not sufficiently stimulate production growth in the republic. Simultaneously, despite the low incomes of the population, the cost of living here was noticeably higher. So, in the 4th quarter of 2005 for this region, the minimum subsistence level was set at 2,793 rubles. This indicator was slightly more than the size of the pension for disabled persons of the II degree and noticeably lower than the subsistence minimum even in relatively poor and small Ingushetia. Moreover, the average per capita income of the Chechen Republic was 512 rubles. Furthermore, more than a third of Chechen families should have lived on this income. As of January 2007, there were 113652 low-income families in the republic, 77956 families with many children.

Various social transfers such as pensions, benefits, compensation, assistance from relatives, receipts from subsidiary and individual household plots were of great importance in ensuring households' lives in the region with high unemployment in the period under review. This situation is confirmed by the data (Table 2). Table 2 shows the sources and level of income of families for the example of residents in Grozny.

Table 2. Sources and income level of the population in Grozny (Ustaev, 2003).

№	Source of income	The number of families with this type of income, %	Number of families	Monthly average family income from this source, rubles	The range of the family income level from a given source per month (min-max), rubles
1	Labor in the public or private sector	11.1	3849	952	150-6000
2	Social payments (pensions and benefits)	42.1	15024	894	
3	Household plot	2.1	734	221	100-1000
4	Livestock keeping	2.4	790	693	100-4000
5	Support from relatives	34.0	11674	212	20-5000
6	Without any source of income	8.3	2964		

For the residents of Grozny, an important source of survival was support from relatives. At the same time, relatives were often able to find work outside the republic, both in other Russian regions and abroad. Kinship is highly valued in Chechen society, and children remain in close contact with their parents until the end.

It is worth noting that the average pension in the republic was also lower than the same indicator in the country. Thus, the average pension in the republic in 2005 was 1900 rubles, which was 500 rubles lower than the average Russian level (Gref, 2005).

Employment in subsidiary and personal household plots contributed to the survival of the region's population. The personal subsidiary plots of rural residents have acquired great importance as a source of agricultural products and the concentration of a significant part of production resources and activities. This fact was of particular importance in the context of fragmentation and changes in the existing production structures. Personal subsidiary plots are becoming, for many rural residents, the only opportunity for life support and livelihoods. So, according to the researchers' calculations, with the correct management of the economy, a plot of land measuring six acres can provide a family of four with vegetables, potatoes, and fruits and vegetables. In this regard, an important direction of social policy in the countryside is teaching rural residents, especially young people, agricultural knowledge and improving the culture of agricultural production (Sadykov, 2016). Individual household plots are more resilient and adaptable to the market compared to large-scale industries. In the context of the economic crisis, domestic agricultural production begins to play the role of an important factor in the survival of most of not only rural but also urban residents.

In the meeting room of the Ministry of Finance of the Chechen Republic on February 19, 2007, within the framework of a round table on the topic "New economic strategy for the Chechen Republic," it was pointed out the need to develop and start implementing a long-term program for the development of the republic based on the current socio-economic situation. The growth of employment was the primary condition for increasing the population's income, which was impossible without the corresponding development of the production and social infrastructure. Of great importance in improving the quality of life and the development of many industries was the need to restore the natural environment and its protection. The reason is the predominance of industries based on the use of natural resources (oil production, agriculture, forestry, tourism, recreation).

The implementation of program activities following the intended goals and objectives allowed the leadership of the republic to achieve the following indicators:

- increase the real incomes of the population by the end of 2010 by 1.3-1.5 times;
- to increase the nominal average monthly accrued wages by 1.7 times;
- the level of officially registered unemployment has decreased by two times in comparison with 2005.

By the Decree of the Government of the Russian Federation dated April 15, 2014, the state program "Development of the North Caucasian Federal District until 2025" was approved. The main goal of this state program was to improve the welfare and quality of life of the population of the republics that are part of the North Caucasian Federal District, ensuring a reduction in their lag from the average Russian level.

The formation of a dynamically developing and competitive economy was necessary for solving this problem, which, in turn, provided for:

- increasing investment activity and attractiveness of the republics of the North Caucasus Federal District;
- creation of modern tourist infrastructure of tourist and recreational special economic zones in the territories of the republics of the North Caucasian Federal District, Krasnodar Territory, and the Republic of Adygea;
- an increase in the number of places in collective accommodation facilities for such a specially protected ecological-resort region of the country as the Caucasian Mineral Waters;
- creation of new jobs in competitive sectors of the economy and reduction of the unemployment rate;
- ensuring an increase in cash incomes of the population, reducing the level of unemployment;
- modernization of healthcare facilities, education, social protection, and social services for the population;
- ensuring the availability of medical care for the population at all its stages, preschool education services;
- creating conditions for increasing the population's birth rate and life expectancy increase students' proportion in the first shift in public education organizations.

7. Conclusion

Based on international experience, it can be argued that only such territories achieve significant economic success that pursues the goal of creating equal conditions for sustainable human development. Territory governance mechanisms should be based on the principles of social justice. Only in this case, territorial management contributes to the development of the intellectual and physical abilities of the population and an increase in the people's life quality.

References

- Committee on Statistics of the Chechen Republic (2007). *Concept of the Program of Socio-Economic Development of the Chechen Republic for 2007 – 2010 "From recovery to development"*. Committee on Statistics of the Chechen Republic.
- Gref, G. (2005). Over 90% of Chechnya's residents live below the poverty line. *Grozny worker Newspaper*, August 2005.
- Gishkaeva, L. L. (2014). Socio-economic consequences of market processes in Russia: regional aspect. *Global Science Capacity*, 7, 57, 58.
- Kondratyev, N. D. (2002). *Big business cycles and the theory of foresight. Selected Works*. Economics.
- Raizberg, B. A., Lozovsky, L. S., & Starodubtseva, E. B. (1999). *Modern economic dictionary*. INFRA-M.
- Reshiev, S. S. (2009). Federal District as the central link of the state regional policy. *Regional economics: theory and practice*, 15, 7.
- Sadykov, R. M. (2016). Personal subsidiary farming in ensuring food security of the region. *Regional Economics: Theory and Practice*, 1, 136.
- Smirnyagin, L., & Bylov, G. (1995). About the program to help depressed regions. *Regionology*, 3, 31-43.
- Surkova, S. A., & Shusharina, V. V. (2009). Depressive regions: typological features and mechanisms for overcoming depression. *Regional economics: theory and practice*, 1, 25.
- Ustaev, A. P. (2003). Economy and social sphere of the Chechen Republic: tactics and strategy of recovery and development. *Collection of Materials of the All-Russian Scientific Conference of December 25-27, 2002. The integration of science, education and production is a decisive factor in the revival of the economy and social sphere in the post-crisis period*. Grozny, Integrated Research Institute of the Russian Academy of Sciences.
- Volkov, Y. G., & Popova, A.V. (2004). *Regional studies*. SKNTs VSh.