



## Full Length Research Article

### HISTORICAL ASPECTS OF FORMER USSR NATIONAL ECONOMY CRASHING

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#### ABSTRACT

This article is about historical aspects of the crashing of the Soviet Union's common economic system. Nowadays reality shows how deep was that collapse. This was the reason of badly damages in politics and social-economics of the modern Commonwealth Independent States as the countries, during the Soviet Union period, were focused to the non-effective, false and awkward reformatory guidelines since 1950s by no dynamics and internal propulsive force.

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#### INTRODUCTION

There were many comments and researches on reasons of the Soviet Union disintegration. More deep research says that the situation was getting worse starting from the middle of the 20<sup>th</sup> century by losing historical perspective and by not following the rules and trends of the modern period of development. Half a century the union tried to blindly find own way to a development and eventually instead of developing its economy it rolled down to the range of retrograded countries. As it was researched, till 1917 there were no industrial production and transportation infrastructure in Central Asia and particularly in Kyrgyzstan. Many countries of Caucasus, Central Asia, and Belarus, Moldova, which were called "republics", were economically and socially very poor. Common economic complex, during the many years, was established by the geographical diversification throughout the Soviet Union and that brought its yields such high specialized productions, common net of communication, specifications of some republics to certain products and raw material resources. Every republic had put own contribution to the common economic sphere of the union. At the same time the republics had different levels of the development in economy, dependence on external relations within the union, and it resulted to

disproportion of the national economies of the Soviet Union and to the internal differentiation of labor force. Production complexes of republics were integral parts of unique body of the union and one republic couldn't exist without relation with other ones as the economics of the republics and its big industries were tied to the centralized management i.e. most of the republics were just fractions of the whole the Soviet Union economy. Location of economic production into union republics caused deep cooperation and specialization, high level of integration of the Soviet Union's labor and material sources within common union's economy. Meantime this type of cooperation and labor differentiation have been done by not taking into account real demands and offers of the territories but based on the union's centralized decision. "Gosplan" and "Gosstab" which are centralized structural "centralized planning" and "centralized provision" agencies of the union, despite its remote distance and artificiality, in certain extent, managed and supported economical situation more or less properly. It is clear, in that situation, demolishing of the cooperative relationships and sudden liquidation of union's center and accordingly further lack of decentralized management brought of thousand and thousand establishments (companies, plants, factories, etc.) to the collapse and resulted in the serious economic crisis in every republics of the former Soviet Union. In the former countries republics of the union Soviet Union, which were later on again cooperated into the Commonwealth of Independent States (CIS), there were accelerated the process of de-industrialization. The relevant industries were needed for deep technological and operational

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changes. It led to huge unemployment and sharp impoverishment of inhabitants of the former union's republics. Crisis stroke even such a vital industries like oil and energy productions, heavy industry, military productions, and especially light economy sector (food, wool, cotton, other materials productions). Closure, liquidation, reorganization, downsizing of economic bodies led to decreasing of the big city-forming enterprises and to desolation of many cities and communities. As a result, the economics of former Soviet Union republics were degraded backward for years.

Kyrgyz Republic, during the independence, was thrown back significantly and moreover, the subsequent unbalanced economic reforms led to demolishing of initially very scarce real production areas within the country. Nowadays all CIS countries, without exceptions, are suffering by economic crisis. One of the reasons is an isolation and lack of cooperation of modern CIS countries with each other. Free moving of goods, capital and service stopped by borders, customs, political ambitions and sovereign solutions. The Soviet Union crashing had not the only political and economic consequences but broke national, cultural and humanitarian relationships of the people. The main social and economic consequences of collapse of the Soviet Union common economic area were:

- Cancellation of equalized distribution of common wealth, rejection of earlier established standardized system of salaries along with implementation of a national currency, different tax rates, and accordingly different levels of economies. System reforms brought to huge gap between wages and social security. New social security system created implemented a difference between social insurance and social assistance where the latter depended on the capacity of the state budget with enormous deficit;
- Emerging of state borders and customs control, lack of cooperation in the relevant economical and financial legal bases brought to serious impediments in free movements of goods and citizens and also it deteriorated the cross border problems as well as ethnical and cultural barriers among inhabitants of the former Soviet Union;
- Lack of labour force management standards a planned recruitments and labor migrations from one republic to another, moreover there is a chaotic, unregulated and illegal labor migrations with crude violations of human rights in the countries of labor migrants or refugees living and most of the migration streams is leading to Russia;
- Devaluation and crushing of professional, vocational, high and postgraduate education standards, and emerged risen up difficulties to gain education in other republics and difference in educational standards led to decreasing of basic and high education level of populations of former Soviet Union republics;
- War conflicts in the territory of CIS produced refugees that need in support and it raises political, social and financial tensions;
- Economic crisis was worsened by negative bias of labor productivity and downsizing of labor force in the real production area and one of the reasons of it is a hidden unemployment when enterprises send workers to compulsory vacations for several months due to shrinking productions;
- Increase of unemployment in CIS countries including hidden unemployment leads to non-complete utilizing of productive working time and this increases the number of workers that are employed for jobs with low level of salary for earning of which unemployed persons might be agree to be engaged illegally or with criminal jobs;
- Increase of deficit of skilled workers due to lack of the effective training and re-training procedures. Part of the appropriate skilled people are engaged in the small commercial trading business and it led to de-qualification of labor force, brain laundering and other negative consequences for skilled white collars workers;
- The crisis increased an internal unregulated labor migration where people from rural places move to the cities and, on the other hand, companies hire foreign labor force and it leads to cross national and social tensions;
- Devaluation of living standards of the former union population badly impacted to moral and psychological condition of population and, in turn, that influence to health of the people and the demography of former republics;
- Life expectancy is decreasing, health of population is worsened due to inappropriate living conditions and lack of financial sustainability for subsistence, fertility is dropped and in some areas of the former Soviet Union republics it is observed a de-population;
- Minimum standards (minimum living basket, minimum wages and pensions) the level of which are traditionally very low increases social stratification and poverty of population. Those standards in many cases are outdated and left behind of dynamics of customer price index, taxes, cost of energy and accommodation.

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