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**ETHNIC ECONOMY AS A PLATFORM FOR AGRICULTURAL
CITIES DEVELOPMENT**

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Abstract

The article is devoted to the ethnic economy – a special sector of our economy which contains a dormant potential of southern subregions of Russia. The ethnic economy of the Southern macroregion is able to embrace innovations, be a vector for big investment processes and become a basis for entrepreneurship development. It was found during the study that the ethnic economy acts as a structural frame for the agricultural sector of the economy in the Southern macroregion. The authors have identified a tendency which shows that the number of agricultural enterprises is increasing. Traditional management of natural resources gave way to agricultural businesses. The study shows that ethnic economy in the region should be taken into account at the meso-level in terms of a growth model shift. Also, the comparison between the structure of the economy combined with its dynamics and the national average shows that economic systems of the Southern macroregion are agriculturally oriented. In the current economic situation the development of the agricultural sector in the Southern macroregion is most appropriate on the basis of integration, cooperation, and creation of manufacturing spatial units. The development of agricultural cities in the Southern microregion is an innovation that stimulates the inflow of investments in new and modernized enterprises. Agricultural cities will allow growing ecologically clean products, giving a possibility to become a leading supplier of fruits and vegetables. Suggestions and recommendations concerning the creation of agricultural cities enhance transformation processes, aimed at innovative development of the Russian economy.

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Keywords: Ethnic economy, the potential of a territory, subsistence farming.



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1. Introduction

The agricultural sector is the most important in the economy of the Southern macroregion. The revival and development of this sector give both objective and subjective preconditions for the growth of employment, social and economic stability as well as food security in the majority of subregions.

The current financial crisis has stimulated Russian macroregions to search for new vectors of development via organizational and economic solutions, rational use of natural resources and human capital, search for new income sources and the revival of economic activities of some ethnic groups based on traditional activities, i.e. ethnic economy (Zakharova & Borovkina, 2011; Zakharova & Bartashevich, 2011; Klochko & Prokhorov, 2016). Thus, the ethnic economy is a real and meaningful element of economic structure in the Southern macroregion where the combinations of traditional aspects of lives and activities are formed as a result of regional reproduction based on labour customs, manufacturing experience, culture and mentality of an ethnic group.

2. Problem Statement

The ethnic economy of the Southern macroregion can embrace innovations, be a vector for big investment processes and become a basis for entrepreneurship development. To increase income and the rate of employment, save traditions and customs it is necessary to develop ethnic entrepreneurship as one of the perspective spheres of ethnic economy in the macroregion. Of interest is the relationship between the efficiency of entrepreneurship in the countryside and the improvement in the human capital, identified by Michailova and Zamyatina (2006) (fig. 1).

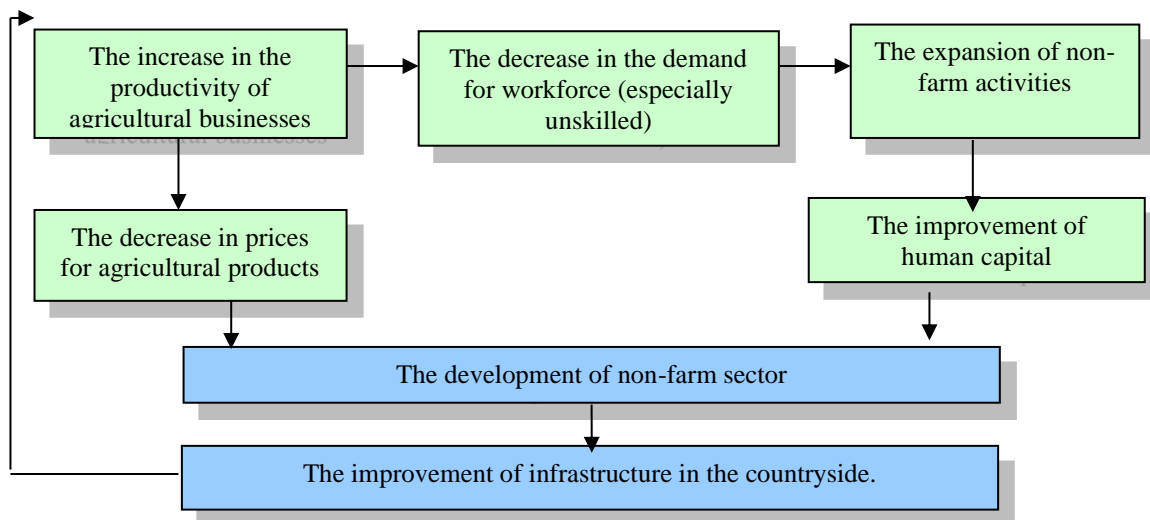


Figure 01. The relation between rural employment and the efficiency of agricultural manufacturing (Michailova & Zamyatina, 2006)

Ethnic economic is a promising direction for the development of the Southern macroregion. It is characterized by the agricultural forms of business. The territories of national republics and autonomous regions account for more than 50% of resources and about 20% of the population of Russia. Closely connected segments of the ethnic economy are represented in figure 2.

Ethnic economic has a favourable impact on the development of the Southern macroregion because it:

- plays the role of a structural frame for the agricultural sector of the economy in the macroregion;
- forms local clusters, connected by common interests and developing complementary sectors and subsectors of the ethnic economy;
- generates the entrepreneurship potential of ethnic groups living in the territory of macroregions;
- allows using human capital effectively by creating special territorial “zones” for this purpose;
- mitigates the negative impact of crisis situations on the regional economy.

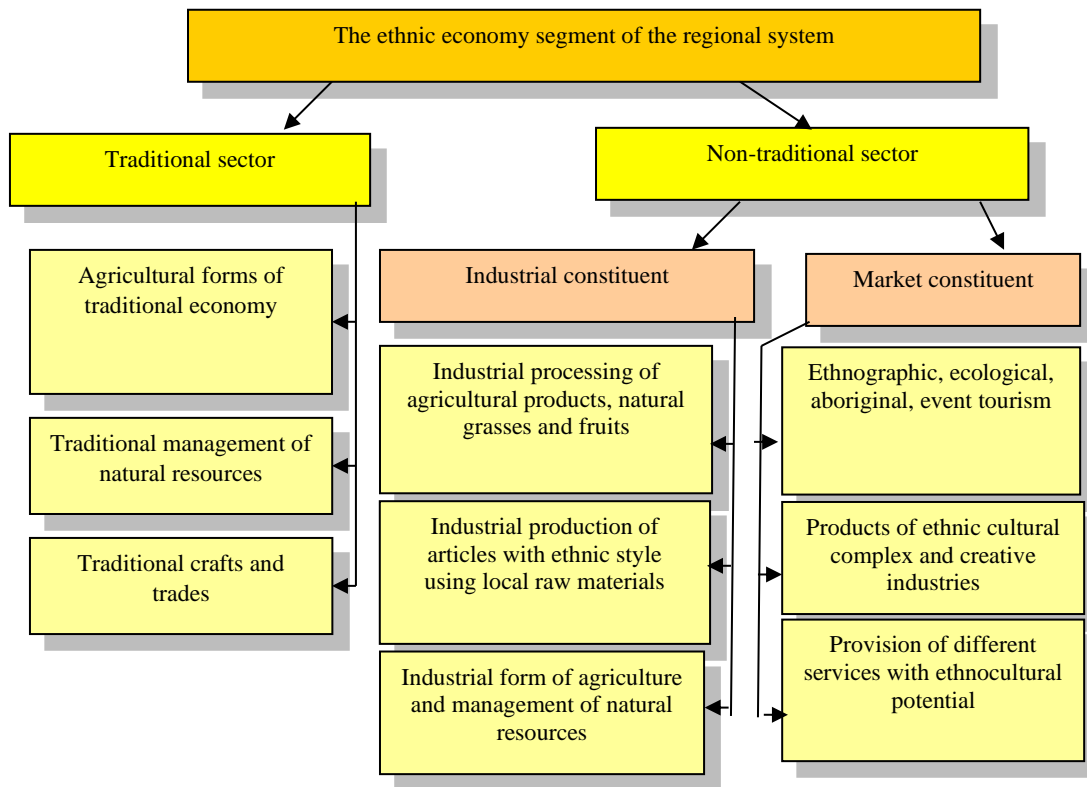


Figure 02. The structure of the ethnic economy in a multi-ethnic region (Panikarova, 2011)

3. Research Questions

The subject of this research is economic relations appearing in the process of transformation of the ethnic economy in the Southern macroregion in the current context of systemic changes.

4. Purpose of the Study

The aim of this research is to identify the potential of agricultural cities in the economy of the Southern macroregion.

5. Research Methods

The methodology that forms the basis for the theoretical model of ethnic economy functioning in the economic sphere of the territory was formulated in the works by Kolesnikov (2017), Ovchinnikov and Ketova (Ketova & Ovchinnikov, 2014; Ovchinnikov & Ketova, 2016). The ethnic economy aspects of economic system development in the context of globalization were covered in the works of Akhmetov (2017, 2018), Panikarova (2011), Pechura (2012), Sadovoy (2018). We must note the diversity of approaches used to describe certain sides of the research theme in the works. However, the theoretical, methodological and applied aspects of research in the ethnic economy as a component of a meso-level economic system localised in particular territory is still on the periphery of research.

The article uses systematic, monographic, structural and logical methods of research. Each method is used with respect to its functionality.

6. Findings

Usually, the ethnic economy is not taken into account during the elaboration of the development strategy for the Southern macroregion. This is because the ethnic economy is a non-visible entrepreneurship sector which is hard to identify due to a big volume of small-scale and subsistent forms of production as well as broad use of domestic labour.

Let's evaluate the weight of human capital in the economy of the Northern Caucasus federal area (table 01). As shown, the human capital that can be used in the ethnic economy is primarily in rural areas of depressive entities of the macroregion. The Northern Caucasus federal area is marked with stable entrepreneurship potential, which didn't change in the period of 2015–2017.

Table 01. The weight of human capital in the traditional sector of the ethnic economy in the North Caucasus federal area (compiled by the authors based on (RosStat, 2017))

The entity of the Northern Caucasus federal area	Years	Agricultural forms of economy	Traditional management of natural resources	Traditional crafts and trades
The Republic of Dagestan	2015	65.7	31.3	3.0
	2016	67.2	29.7	3.1
	2017	72.1	24.8	3.1
The Republic of Ingushetia	2015	76.3	18.9	4.8
	2016	79.0	16.2	4.8
	2017	81.2	14.2	4.6
The Republic of Kabardino-Balkaria	2015	73.2	21.2	5.6
	2016	78.5	15.9	5.6
	2017	81.6	12.3	5.7
The Republic of Karachaevo-Cherkesiya	2015	72.6	19.6	7.8
	2016	76.9	15.3	7.8
	2017	78.0	14.4	7.6

The Republic of Northern Ossetia-Alania	2015	71.4	25.6	3.0
	2016	73.4	23.6	3.1
	2017	73.4	23.6	3.1
The Chechen Republic	2015	74.5	16.4	9.1
	2016	75.1	15.8	9.1
	2017	77.6	12.9	9.5
The Stavropol region	2015	72.2	26.5	1.4
	2016	73.3	24.3	1.4
	2017	75.2	23.4	1.4

The analysis of activities in the traditional sector of the ethnic economy (table 01) showed that the number of agricultural forms of business is increasing, which is no surprise in the context of Russian economy stagnation. It also showed that traditional arts and crafts are developing due to the reawakened interest in ethnic culture. Thus, we can conclude that the traditional management of natural resources gave way to agricultural businesses.

The study shows that ethnic economy in the region should be taken into account at the meso-level in terms of a growth model shift. Also, the comparison between the structure of the economy combined with its dynamics and the national average shows that economic systems of the Southern macroregion are agriculturally oriented. The agricultural orientation is supported not only by traditional ideas of favourable natural and climatic factors and historical specializations but the indicators of industry development in most republics, where there is a positive potential of the ethnic economy.

The development of the agricultural sector in the Southern macroregion is most appropriate on the basis of integration, cooperation, and creation of manufacturing territorial units. Such types of territorial associations provide the qualitative changes in the system of reproduction and are a condition for effective cooperation of such systems as manufacturing, processing, selling and finance, and credit institutions. Besides enterprises, such associations include local societies. This creates additional win-win relationships between enterprises and population.

The agricultural sector in the Northern Caucasus federal area is suitable for cluster entities and agricultural holdings. Foreign experience supports the existence of effective cluster entities in the agricultural business: winemaking cluster in the state of California, wine and cognac cluster in France, milk cluster in Denmark, cheesemaking cluster in Switzerland, grain clusters in Canada and the USA (Kolesnikov & Darmilova, 2018; Perova, 2016).

The synergetic effect of such associations is especially important at the meso-level, where so-called “development vectors” should be formed. A vector contributes to the appearance of agricultural zones that can become agricultural cities in the future. This will bring cost reduction and increase in productivity due to the integration of activities of companies, located near each other. Schumpeter called such association an agglomerate (Schumpeter, 1995).

7. Conclusion

The development of agricultural cities in the Southern microregion is an innovation that stimulates the inflow of investments in new and modernized enterprises. Agricultural cities will allow growing ecologically clean products, give a possibility to become a leading supplier of fruits and vegetables, provide food security for the republics of North Caucasus. The creation of agricultural cities influences on main constituents of regional economic growth: technological, social, economic and resource-related. Also, considering the multi-ethnic specialization of the Southern macroregion it is necessary to take into account the influence of ethnic economy. A multi-ethnic region can use its competitive capacity only when supported by self-development mechanism of regional ethnic societies that seek to increase the effectiveness of their business activities.

The search for additional income sources and employment opportunities for the population as well as optimal organizational and economic solutions and creation of agricultural cities based on the ethnic economy potential, which could lead the Southern macroregion out of the crisis, needs a strategy of development for 15–20 years in which local specialists, such as government authorities, business people and scientists, can participate. However, it is necessary to remember that experts who don't know the ethnic characteristics and mentality of local people may harm the social and economic development of the economy in the territory.

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