

USING AHP FOR THE EVALUATION OF THE ECONOMIC STABILIZATION PROGRAM IN LATVIA

Peteris Rivza, Baiba Rivza, Sandija Rivza

Latvia University of Agriculture

Jelgava, LV-3001, Latvia

Peteris.Rivza@llu.lv

Veronika Bikse

University of Latvia

Riga, LV-1586, Latvia

vbikse@lu.lv

ABSTRACT

A rapid growth of the economy of Latvia took place after joining the EU in the year 2004. Development of the economy of Latvia was generally based on the increase in private consumption and massive influx of foreign credit resources mainly in the activities related to the development of real property market which, together with the rapid import growth, caused increase in the national external debt up to 133 % of GDP. During the previous three years the economy of Latvia experienced an increase in wages that was inadequate to the national economic growth, which additionally favored the increase in inflation. Under the impact of the world financial crisis, the development of the economy of Latvia has stopped thus restricting the chance for Latvia's basic economic unit – enterprises – to make profitable business transactions at the local as well as the export market. On December 12, 2008, the government of Latvia adopted economic stabilization program for Latvia with the aim to stabilize the economy of the state and the bank sector, and to improve the international competitiveness of national economy. In this article the AHP method is used to compare the economic stabilization model for Latvia as proposed by the government with two other economic stabilization models. The AHP method is combined with the PEST method.

Key words: economic crisis, economic stabilization, AHP