

## National Economy of the Republic of Latvia (1918-1940)

After World War I and the War of Independence, the territory of Latvia was severely damaged. During the wars, production facilities of industrial companies were either taken away or destroyed. Roads and railways were damaged and bridges - ruined.

One of the first political goals of the newly-established Latvian state government was implementation of the agrarian reform, dividing the large manor properties thereby established approximately 65 thousand new, small farms [14]\*. It was especially important, as in 1930s majority of Latvian population lived in the countryside. During the First Republic period, Latvia managed to recover from the war and restore its infrastructure, industry and agriculture.

With a great persistence people were establishing successful trade and industry companies that provided their products to the local and foreign markets. In 1930s, flax and flax seeds, butter, meat and other agriculture and food industry products, along with fabrics and textile goods, and timber formed a significant part of the Latvian export [15;16;19]. Majority of products, however, were consumed in the internal market. At that time Latvia succeeded in the electro-technical and automotive industry. The quality of radios, telephones, cameras and other devices produced by VEF (abbreviated: *State Electrotechnical Factory*) was well-known in Latvia and abroad [17].

In 1930s, the need for government subsidies increased, as reasonable purchase prices of products had to be ensured. By increasing the subsidies, significant increase in the total value of products in industry and other spheres was achieved.

Latvian industry suffered during the global economic crisis in the beginning of 1930s. Unemployment increased significantly during this period.

Although, as of 1918 to 1940, the average income *per capita* in Latvia did not reach the level of the richest European countries, the living standard was improving gradually. A stable monetary system with the Latvian lats existed and, during the years of peace, significant gold reserves were accumulated [13].

\* *The numbers in square brackets indicate the relevant showcases.*