
Economic behaviour of Latvian rural entrepreneurs: interpretation of modern economics theory

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Abstract

The theory of classical economics treats entrepreneurs as subjects who make rational economic decisions. Empirical surveys prove the fact that daily economic decisions made by a separate economic entity can be explained by concepts of behavioural economics rather than classical economics. The economic behaviour of entrepreneurs happens to be based on bounded rationality instead of financial justification. The objective of economic activity presented as economically efficient can turn out to be socially important to a specific entrepreneur and not to national economy as a whole. In the EU countries, agriculture is a subsidised industry of national economy. In this light, status consumption and purchase of positional goods should create a special interest among economists. The objective of this article is to present true reasons of economic decisions made by rural entrepreneurs and to analyse value hierarchy of Latvian rural entrepreneurs through carrying out a field work and with the help of set of instruments developed by modern economics theory.
