

A Study of Microeconomics Based on Market Behavior Theory

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Abstract: In microeconomics, market behavior theory plays an important role. This article applies in-depth research on the application of market behavior theory in microeconomics, exploring market prices, consumer analysis, and market structure, fully highlighting the role of economic subject behavior decision-making, and exploring the value of this theory in policy design and application.

Keywords: Market Behavior Theory; Microeconomics; Market; Consumer

The key to microeconomics research is to use segmentation by segmentation to achieve an understanding of market behavior, so as to have an all-encompassing revelation of the objective nature of the microeconomic situation such as the price of commodities, the behavior of consumers, and market prices. In the previous research, the traditional market theory provides diversified tools for the research in this direction, but its theory is not able to thoroughly explain the more complex market behavior activities in real life. Therefore, how to give full play to the role of market behavior theory from a better perspective to discuss the phenomenon of microeconomic development has become the current focus. This paper firstly discusses the foundation of market behavior theory, analyzes the application of market behavior theory in microeconomics, and carries out the economic policy analysis based on market behavior theory. It is hoped that through in-depth research, the microeconomic phenomenon can be explained clearly in a scientific and reasonable way, and at the same time, it provides support for the design and implementation of economic policies, and provides theoretical help for the research of microeconomics¹.

1 The Basis of Market Behavior Theory

1.1 Rational Behavior Assumption

In traditional economics, it is assumed that consumers and producers are in a completely rational state, always pursuing the highest utility or benefit. However, this assumption does not always hold in real life. Behavioral economics realizes the breakthrough of this assumption, and clearly puts forward that individual decision-making will be affected by emotions, habits and cognitive biases.

1.2 Expected Utility Theory

Among the theories of market behavior, the expected utility theory is an indispensable and key component in order to clarify people's decision-making behavior under uncertainty. The theory clearly suggests that people will consider the possibility and effect of each outcome in the decision-making process, and make an all-round assessment based on relevant information. However, in the process of research, it is concluded that people tend to overestimate the occurrence of small probability events, but generally underestimate the occurrence of large probability events, which will lead to bias in decision-making².

1.3 Behavioral Economics

In the theory of market behavior, behavioral economics is the most important, can reveal the traditional economic theory does not explain the market behavior activities. For example, in the process of facing gains and losses, people show different risk preferences, preferring to avoid risks rather than pursuing profits. In addition, behavioral economics also involves social preferences and other related issues, which enriches the relevant content of market behavior theory.

2. Application of Market Behavior Theory in Microeconomics

2.1 Commodity Price Analysis

In the process of market exchange, commodity

value is the focus. Through the theory of market behavior, it can analyze the relationship between commodity price changes and market and consumer behavior. First of all, the analysis of demand curve can be realized, and the demand curve can be used to explain the correlation between commodity price and consumer demand. Based on the theory of market behavior, the demand curve can show the actual needs of consumers for commodities under different prices, which will enable the government and enterprises to make scientific and reasonable price setting, and do a good job of scientific market regulation. Secondly, the analysis of supply curve, the theory of market behavior can use the supply curve to realize the relationship between commodity prices and producers, effectively reflecting the quantity of commodities that producers can provide under each price, so that the government and enterprises can have a deeper understanding of the relationship between market prices and supply behavior. In addition, the theory of market behavior can also highlight the role of price on consumer and producer behavior. With the help of the price elasticity of in-depth investigation, can accurately grasp the role of price on the market supply and demand³.

2.2 Consumer Behavior Analysis

Consumer behavior refers to the decision-making and behavioral characteristics of consumers in the process of purchasing goods, and mastering consumer behavior is especially crucial for enterprises and governments to determine scientific and reasonable market strategies and implement effective economic policies. Consumer behavior to achieve decision-making, involving identification, information search, evaluation, selection. In the process of decision making, consumers should utilize different ways, such as advertisements, to grasp information. By evaluating different products, consumers will make decisions based on their actual preferences. Consumer behavioral activities will be affected by personal characteristics, social, market and other factors, in order to be able to have an in-depth analysis of consumer behavior, generally choose questionnaire surveys, field surveys, social media data analysis, experimental investigation, etc., to understand the actual preference of consumers in purchasing products, through the simulation

of their interaction in social network platforms, purchase decision-making behavior. Consumer behavior research, for enterprises, can understand consumer demand, decision-making, so that enterprises can have a precise grasp of the actual needs of the market, so as to achieve precise product positioning. For the government, a clear grasp of consumer behavioral activities, can introduce more scientific and reasonable economic policies, to achieve steady economic growth and bring more benefits to the people.

2.3 Market Structure Analysis

Market structure refers to the role of supply and demand in the market and the specific situation of competition. Through the theory of market behavior, we can have a clear understanding of the role of market structure on market behavior and economic efficiency. First of all, the theory of market behavior is able to explore the role of market behavior in monopolistic and competitive markets. In contrast to monopoly markets, the supply and demand sides of competitive markets are mostly determined independently by market forces. The theory of market behavior not only focuses on price discrimination in monopoly markets, but also focuses on differentiation strategies in competitive markets, which vary from market to market. In addition, the role of market behavior on market efficiency is also highly valued. Through the analysis of this effect, it is possible to assess the shortcomings of the market structure and the way to optimize.

3 Analysis of Economic Policy Based on Market Behavior Theory

3.1 Design of Economic Policies

In the market economy, the government generally uses the implementation of policies to realize the intervention and guidance of the economic market, and the emergence of market behavior theory can provide theoretical guidance for the design of economic policy. If the designed economic policies can produce behavioral effects, then it means that the economic policies designed by the government can take people's behavioral preferences and decision-making into account, so as to effectively achieve the policy objectives. The theory of market behavior clearly suggests that human rationality has certain limitations and is

influenced by cognition and information. In the process of policy making, the government can choose effective measures to further enhance the openness and transparency of information, so as to obtain more effective information, give full play to the role of guidance, and ensure the scientific nature of decision making. For example, the government should pay attention to the education and training of consumers to improve their knowledge and evaluation of products, so as to maximize the ability to strengthen market competition. From the level of market behavior theory, the economic policy designed to pay more attention to the role of individual behavior by the environment and other factors. Scientific and reasonable incentives can be used to realize the stable development of the market, such as through tax incentives, so that companies can pay attention to their own research and development work, to strengthen their own science and technology. At the same time, the theory of market behavior will also take into account the role that the behavior of market participants will produce, such as in the tax policy improvement, will consider the marginal effect of taxation⁴.

3.2 Application of Behavioral Economics in Policy

Under the support of market behavior theory, through the study of market behavior, it allows the government to have an all-round knowledge of the behavioral way of market participants, to design scientific and reasonable policies, and to ensure that the relevant behavioral effects can be accurately identified in the process of policy implementation.

First of all, through the analysis of behavioral economics, it is possible to achieve precise positioning for the policy, and the government is able to have a precise grasp of the behavioral characteristics of market participants through the relevant theories to achieve effective modification of the policy. For example, the government can make reasonable adjustments to the current market price of products according to the decision-making behavior of consumers, so as to ensure the sustainable growth of consumption.

Secondly, it can realize the all-round evaluation and adjustment of policy effects. Through the method of behavioral economics, the government can make an all-round assessment of the effect of policy implementation, through

the development of the behavior of market participants, to understand the specific effect of policy implementation, so as to make effective optimization. According to the achievements of behavioral economics, the government can make appropriate adjustments to the content of the policy, so as to reduce the negative effects in the implementation of the policy. For example, in the process of implementing the medical insurance system, based on the relevant theories of behavioral economics, can determine the appropriate and scientific insurance premium rates, so as to reduce the occurrence of moral hazard and other problems.

4. Conclusion

The study of market behavior theory in microeconomics has good value for both governments and enterprises. Through the theory of market behavior, it can have an all-round analysis and research on commodity prices, consumer behavior, market structure and other microeconomic phenomena, so as to provide theoretical guidance for the design and implementation of national economic policies. This paper discusses the foundation of market behavior theory, analyzes the application of market behavior theory in microeconomics, and carries out the analysis of economic policies based on market behavior theory, and concludes that behavioral economics not only can realize precise positioning for policies, but also can realize all-around evaluation and adjustment of policy effects. Although the application of market behavior theory can effectively deal with some of the problems in economic behavior, there are still some constraints in the specific application. In the future development, the research of market behavior theory should pay more attention to its application in the complex economic system, so as to further enrich the connotation of economics research and realize the continuous deepening and development of the theory.

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