

# The Role Mechanism of Social Preferences and Price Advantage in the Market Economy

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**Abstract:** In today's market economy environment, social preferences and price advantage, as two core driving forces, directly influence market operation and development trajectories. As consumer demand becomes increasingly diversified, social preferences intuitively reflect deep-seated cultural identity and value orientations, even guiding market trends. Price advantage, as the cornerstone of market competition, also impacts corporate production and development. These two elements intertwine: social preferences infuse emotional and cultural content into pricing strategies, while price advantage becomes an effective means to satisfy social preferences and achieve market penetration. A deep understanding and skillful application of these mechanisms are crucial for companies to navigate the complex and ever-changing market environment and achieve sustainable development.

**Keywords:** Market Economy, Social Preferences, Price Advantage.

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## 1. Basic Characteristics of the Market Economy

### 1.1. Market-Based Resource Allocation

Marketization can be defined in two ways: First, it refers to an economic system framework that, based on national macroeconomic regulation, constructs a system where market self-regulation is at its core. Within this framework, the production, distribution, exchange, and consumption of goods and services should follow market planning, forming a unified and open market operation mechanism and system globally. Second, it refers to the rapid advancement of marketization in the short term, replacing the dual-track transition system with a market competition system, thereby achieving the coexistence of planned and market economies. This mechanism aims to achieve optimal resource allocation and maximum efficiency in an open market, guided by market demand and competitive selection.

### 1.2. Enterprise Behavior as the Main Actor

The business goal is to organize its production and business activities, adjust its economic relationships with the outside world, and ensure the best economic benefits in market competition, all according to specific social and economic divisions of labor. The various new functions and awareness of enterprises represent the embodiment of enterprise behavior as the main actor [1-2]. For example, after the COVID-19 pandemic, many businesses faced the risk of closure, while others thrived. Regardless of the outcome, the process and results were the responsibility of the enterprise itself. Consequently, market competition becomes fiercer, survival of the fittest prevails, and the market economy becomes more dynamic.

### 1.3. Commodification of Enterprise Property Rights

The commodification of enterprise property rights refers to the fact that the production factors of an enterprise can be sold as commodities, and in the event of loss or bankruptcy, assets can be used to offset debts. Fundamentally, this characteristic is an extension of the second basic characteristic: enterprise

behavior as the main actor. The production factors of an enterprise, such as factories and production equipment, can be sold as commodities. When facing loss or bankruptcy, they can be used to offset debts [3-4]. On the one hand, this helps enterprises with poor economic performance to mitigate survival crises. On the other hand, it also promotes the flow of production factors from inefficient enterprises to more efficient ones.

## 2. The Role Mechanism of Social Preferences in the Market Economy

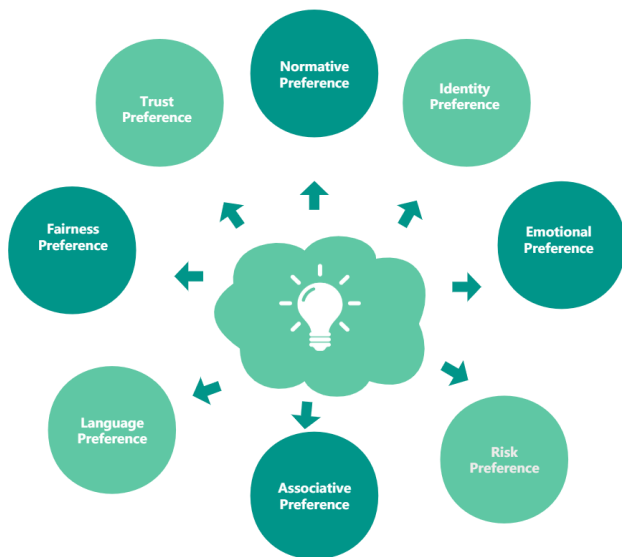
### 2.1. Definition and Classification

#### 2.1.1. Definition of Social Preferences

Social preferences refer to the attitudes, behaviors, and decisions that people exhibit in various social situations, which are strongly influenced by cultural and social backgrounds. In-depth research on social preferences can reveal the psychological mechanisms and behavioral strategies people use when facing social dilemmas such as cooperation, competition, fairness, and efficiency. This provides a powerful tool for explaining social phenomena and predicting social trends, offering substantial theoretical value and practical significance.

#### 2.1.2. Classification of Social Preferences

Social preferences can be classified based on their manifestations and motivations. Common classifications include the following parts in Figure 1.



**Figure 1.** Classification of Social Preferences

(1) Fairness Preference

Fairness preference refers to the degree to which people are concerned with fairness and justice. Research shows that people tend to believe that relatively poor individuals need more attention and support. In social distribution, people prefer principles of equal distribution over individual differences.

(2) Trust Preference

Trust preference refers to people's inclination toward trust and cooperation. People are more likely to trust those who share similar experiences, backgrounds, and languages, as well as those with a reputation or credibility. When trust levels increase, individuals are more willing to cooperate and play a more active role in society.

(3) Normative Preference

Normative preference refers to the degree to which people are concerned with social norms and behavioral rules. Research shows that people are more willing to adhere to common norms and social values rather than personal interests. Shared norms and values can promote social harmony and stability.

(4) Identity Preference

Identity preference refers to the degree to which people are concerned with individual identity and a sense of belonging. In society, individuals typically associate themselves with a specific group or social stratum and exhibit behaviors and attitudes related to loyalty, honor, and respect. They are also more inclined to interact with peers or similar individuals, sharing common experiences and interests.

(5) Emotional Preference

Emotional preference refers to the degree to which people are concerned with emotional experiences and expectations. In society, people generally prefer pleasant and positive emotional experiences and tend to avoid sadness, anger, or negative emotions. Emotional preference can influence individual decision-making and behavior, as well as how people perceive and understand events and information.

(6) Risk Preference

Risk preference refers to individuals' perceptions and handling of risk. Research indicates that people generally prefer to avoid losses rather than pursue gains. In decision-making, individuals weigh risks and benefits and make corresponding choices. Risk preference has a significant impact on individual decisions and behavior.

(7) Associative Preference

Associative preference refers to the cognitive and handling methods that people use to connect things. In society, people typically use existing knowledge and experience to understand and interpret new information. Associative preference can affect individuals' memory and judgment, as well as how they evaluate and approach events and information.

(8) Language Preference

Language preference refers to people's language tendencies when communicating with others. Research shows that people tend to use language and accents common to their own background or specific groups. Language preference can reflect individual identity and social belonging and influence communication effectiveness and the formation of social networks.

## 2.2. Influence on Consumption Decisions

In market competition, consumers' purchasing decisions directly influence social and economic development trends. While pursuing value for money, they also place greater emphasis on corporate values, actively supporting companies that engage in fair trade, commit to environmental protection, and practice social responsibility. Such products can meet consumers' personal needs and support a just and harmonious social order through their actions [5]. Therefore, modern enterprises should actively fulfill their responsibilities in the course of their development by adopting transparent production processes, promoting green technologies, and participating in public welfare projects. This will convey positive values to consumers, thereby enhancing market competitiveness [6].

## 2.3. Promoting Cooperation and Transactions

In deepening market economic cooperation and transactions, social preferences act as a catalyst for trust-building, stabilizing market economic behavior through emotional bonds. The deepening of trust preferences can significantly reduce the additional costs brought by information asymmetry, as market participants are more willing to disclose more positive information, enhancing market transparency. At the same time, the widespread practice of reciprocity preferences leads to increasingly fair and reasonable transaction models, transforming economic interactions from zero-sum games into cooperative endeavors [7-8]. This cooperation, based on mutual respect and understanding, promotes optimal resource allocation, stimulates market innovation, and lays a solid foundation for sustainable economic development.

**Table 1.** How Social Preferences Promote Cooperation and Transactions

Social preference type	Mechanism of action	Impact on cooperation and transactions
Trust preference	Reduce the uncertainty and risk perception of both sides of the transaction, and enhance the sense of trust	Promote the establishment of long-term and stable cooperative relationships, and improve the frequency and efficiency of transactions
Preference for reciprocity	Consider the interests and needs of the other party in the transaction process, and pursue mutual benefit and win-win results	We will encourage fair trade, enhance market transparency, and enhance cooperation satisfaction and sustainability
Fair preference	Pursue fair and reasonable transaction results and oppose unfair treatment	Reduce transaction disputes, enhance market trust, and promote the formation of a wider cooperation network
Social preference	Economic behavior is influenced by social relationships and groups, and tends to cooperate with familiar or trusted objects	Strengthen the closeness of cooperation in social networks, promote information sharing and resource allocation

## 2.4. Regulating Income Distribution

In the current market economy system, while the market mechanism possesses efficient resource allocation capabilities, it is also influenced by objective factors, leading to the challenge of widening income distribution gaps. Such inequality directly affects social justice, even suppressing consumption potential and limiting sustained economic growth. In this context, consumer preferences play an important regulatory role. With the rise of public awareness, corporate social responsibility becomes a significant factor influencing consumer purchasing decisions. Consumers tend to favor companies that pursue economic benefits, fulfill social responsibilities, and promote employment fairness. This market choice, based on fairness preferences, helps narrow income distribution gaps while also promoting sustainable development of enterprises and enhancing overall social well-being [9-10].

## 3. The Role Mechanism of Price Advantage in the Market Economy

### 3.1. Definition and Manifestations

#### 3.1.1. Definition of Price Advantage

Price advantage refers to the competitive edge a product has in terms of pricing. Generally, the lower the price of a product compared to similar items, the stronger its competitiveness. The foundation of a lower price is the ability to maintain production costs lower than those of competitors.

#### 3.1.2. Manifestations of Price Advantage

The manifestations of price advantage can be summarized in four main aspects. First, a low-price strategy directly sells products at a price lower than that of competitors, quickly capturing market share and attracting price-sensitive

consumers. Second, high cost-performance, which involves offering relatively lower prices while ensuring product quality and service levels, satisfying consumers' pursuit of "value for money." Third, discounts and promotions, through regular or irregular discounts, coupons, or buy-one-get-one-free deals, indirectly lower the actual price paid by consumers, creating a price advantage. Fourth, cost leadership, where companies reduce costs by optimizing production processes, adopting advanced technologies, or engaging in large-scale procurement, thus gaining more flexibility in pricing.

### 3.2. Regulating Supply and Demand

In today's market economy, price advantage directly influences the balance of supply and demand. With the rapid development of globalization and information technology, market competition has become increasingly intense. To maintain growth in such a competitive environment, companies must leverage price advantages, strengthen technological innovation, and effectively control costs. This stimulates consumer purchasing desires, invigorating market vitality and potential [11]. This price-based market feedback mechanism prompts producers to flexibly adjust production plans and optimize resource allocation, thus more efficiently meeting market demands and maintaining market stability and prosperity.

### 3.3. Optimizing Resource Allocation

Price advantage optimizes resource allocation, serving as a natural law in the market economy system. Against the backdrop of deepening global economic integration, price advantage is a key indicator reflecting production efficiency and market acceptance, guiding resource flows. If a company can enhance its competitiveness through price advantage, it will undoubtedly attract more capital investment and draw top talent and efficient supply chain resources. This market-driven resource allocation process ensures that resources naturally flow to more efficient and innovative areas, promoting industrial upgrading and economic structural optimization, thus laying a solid foundation for sustainable social development.

### 3.4. Promoting Competition and Innovation

With the rapid advancement of information technology and the diversification of consumer demand, market competition has expanded beyond local boundaries, gradually extending to the global stage. To stand out in this fierce competition, companies must continuously invest in research and development, innovate technologically, reduce costs, improve efficiency, and develop more competitive products and services [12]. Price advantage becomes a direct manifestation of these innovation efforts, attracting consumer attention and sparking potential vitality within and outside the industry. This brings consumers more diverse and higher-quality choices.

## 4. The Interrelationship Between Social Preferences and Price Advantage in the Market Economy

### 4.1. Mutual Promotion

In the market economy, social preferences and price advantage have a mutually promoting relationship. On the one hand, social preferences can increase consumers' sensitivity to price advantage. If consumers believe that a

brand or product demonstrates social responsibility or adheres to fair trade principles, they are more likely to be willing to pay a higher price for these products. Under the same conditions, if the brand or product can offer a lower price advantage, it will become more attractive and promote sales growth. On the other hand, price advantage helps enhance brand image and consumer trust, thereby increasing the effect of social preferences. When companies' lower costs and improve efficiency to provide a lower price advantage, they are more likely to gain consumer trust and recognition. Building a positive brand image and consumer trust is a crucial foundation for forming social preferences. When companies attract consumers through price advantage and meet their needs with quality products and services, this positive consumption experience translates into brand trust and loyalty.

## 4.2. Mutual Constraint

As with any development, the relationship between social preferences and price advantage also has a mutually constraining aspect. When companies excessively pursue price advantage, it may lead to a decline in product quality, damage to brand image, and a decrease in consumer trust. In today's fiercely competitive market, companies may adopt extreme competitive measures to reduce costs and gain price advantage [13-14]. While such tactics may lead to short-term sales growth, in the long term, they can harm the company's reputation and brand image, leading to customer attrition and a decline in market share [15]. Over-reliance on price advantage by social preferences can also weaken market competitiveness and innovation. If consumers focus too much on price factors while neglecting other non-price factors, companies may fall into a vicious cycle of price wars, overlooking the improvement of product innovation and service quality, which is detrimental to the company's long-term healthy development [16].

## 5. Conclusion

As globalization and informatization continue to deepen, the complexity and dynamic nature of the market economy are becoming increasingly apparent. Social preferences, as a comprehensive reflection of social group values, cultural traditions, and consumer psychology, guide consumer demand direction and influence corporate market positioning and product innovation strategies. Price advantage, as a core element of market competition, directly affects product market acceptance and corporate profit margins, serving as a key driver for improving corporate efficiency and controlling costs. Social preferences and price strategies complement each other. Balancing and managing the subtle interplay between them has become crucial for modern enterprises to stand out in fierce market competition.

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