At the mall, you probably have some favorite stores. Maybe they sell clothes or games; maybe they have a great selection, great prices, or really low prices every once in a while.

How else might stores get your business? Think about what you see when you're in the mall. Some stores might have special promotions, like "Buy One, Get One Free." Or frequent shopper programs that let you earn points for discounts on future purchases. Other stores might guarantee they have the lowest price, or offer a free gift with a minimum purchase. Still others may have generous return policies.

For many people, *price* is the biggest factor in deciding where to shop. Prices are based on many things, such as the cost of materials, but prices are also affected by supply and demand. Prices usually are higher for products that are in high demand or low supply. Think about the holiday shopping season. Isn't there always a "hot" toy or "gotta have" game or gadget that everyone wants? Sometimes, companies can't manufacture enough of whatever's hot to satisfy the demand—or they underestimate the demand. With supply low and demand high, sellers can charge full price for the items, rather than putting them on sale to move them out the door.

Sometimes, a product is *so* popular that consumers will put themselves on a waiting list for it. You may have seen news stories about people standing in line and paying top dollar for certain kinds of gaming systems.

Prices also can be related to product *quality* —and the materials used in production. For example, your rich uncle's shoes that are handmade from genuine leather are going to cost more than a pair of canvas shoes, mass-produced on an assembly line. Other factors that can affect prices are weather and the availability of supplies used in manufacturing.

Say your dad asks you to buy a loaf of whole wheat bread at one of the bakeries in the mall. He says he paid about $2.50 a loaf a couple of weeks ago. You check out the two bakeries and now, both are charging $3.79 a loaf. That's more than your dad paid and might show that the two bakeries are not competing based on price.

Could the two bakeries have agreed to charge the same price? Sometimes businesses (illegally) make agreements about price—called “price fixing.” These are some of the most serious business practices the FTC looks at.

But not all price similarities, or price changes that happen at the same time, are the result of price fixing. They often result from normal market conditions. For example, if you want to buy wheat from a farmer, the price probably will be the same, no matter what farmer you buy from. The prices that farmers charge rise and fall without them agreeing on what to charge. That’s because they’re all selling the same product that is affected by the same kinds of conditions. If there’s a drought, the supply of wheat falls, and the price of the available wheat goes up. Bakeries have to pay more for their flour, and that means the price they charge you also will go up.

Things to Talk About and Do

- Think about places that you often shop. Why do you go to those places and not others?
- Can you think of a product that people actually waited in line to buy? Why was it so hot? Did the idea of supply and demand have anything to do with its popularity? Or its price? Why or why not?

Want to Find Out More?

Federal Trade Commission—Guide to the Antitrust Laws
www.ftc.gov/bc/antitrust

U.S. Department of Justice—Antitrust Division
www.usdoj.gov/atr

Kids.gov—Links to sites on money, selling, and marketing
www.kids.gov/6_8/6_8_money_selling.shtml

American Antitrust Institute—Fair Fight in the Marketplace (Video and resources)
www.fairfightfilm.org/index.html

National Council on Economic Education—Online lessons
www.ncee.net/resources/lessons.php