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CONTENT, FUNCTION AND TYPES OF PRICE

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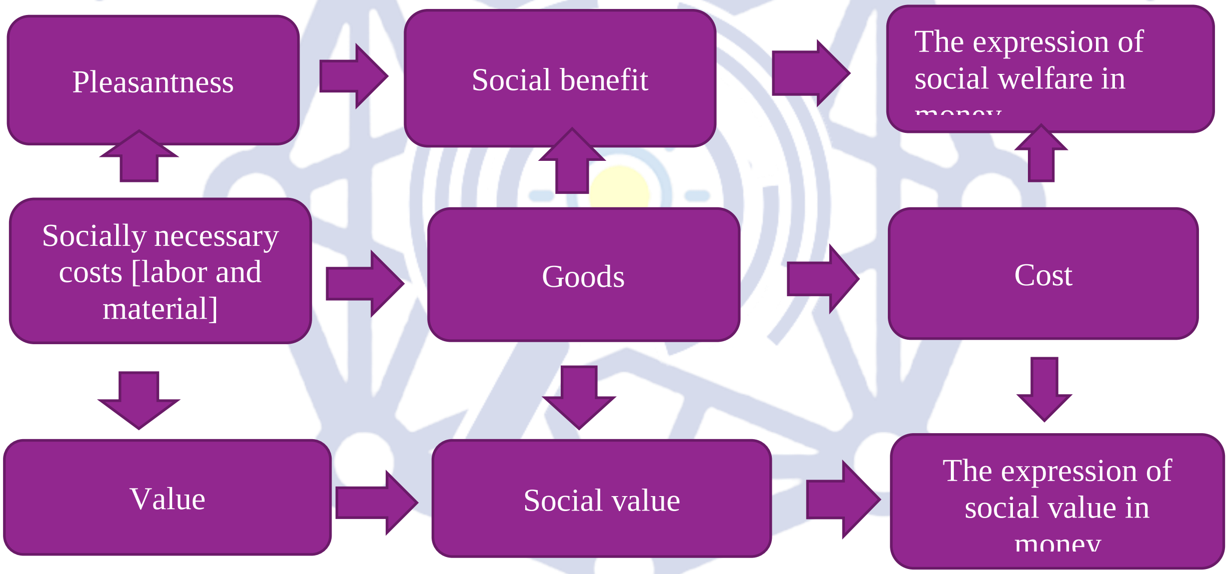
Abstract; This article provides complete information about the meaning of pricing, functions of pricing, types of pricing, and factors affecting the level of pricing.

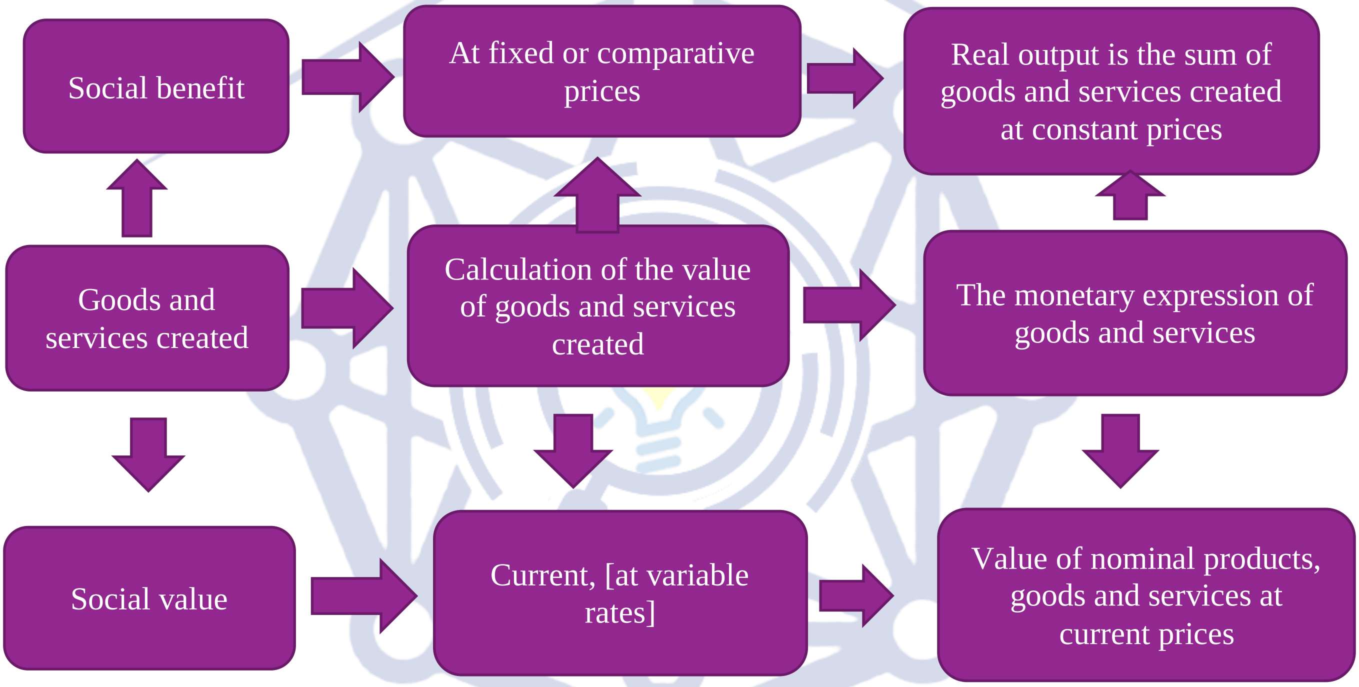
Key words; Price, market price, wholesale price, contract price, retail price, marginal price, dumping price, subsidized price, authoritative price, price ratio, price range, function of price to ensure equilibrium, function of price to measure value and utility, price range, price to regulate price function, social protection function of price **.**

The value of goods and their utility find their expression in the price. In practical life, value acts as a motivating force for producers, and utility as a motivating force for consumers. Labor costs for individual goods are different, some of them are fully recognized as social labor costs, others are partially recognized, and the third may not be recognized at all. It is evident from this that it is a mistake to think of the prevailing market prices as labor costs or value itself. Because it is affected by factors other than labor costs, and as a result, the price may be lower or higher than the value. In particular, the market price of a commodity may fluctuate under the influence of changing supply and demand and may differ from its value in one direction or another. Competition affects the value-price ratio, as does supply and demand. It should be noted here that when buying a product, the buyer takes into account not only how much it costs, but also how well the consumer characteristics of this product suit his needs and tastes, and how useful it is in general. The purchase of a commodity means recognition of its usefulness for society and at the same time its social value, not for an individual. Therefore, the very concept of "social usefulness" indicates that a product [service] is useful for society and has value. Based on these considerations, it can be said that the price is not only one of value or utility, but the simultaneous existence of both and their certain amount in the form of money. If the two characteristics of the commodity are not recognized at once, and if it is not expressed in money, the sale will not take place. Because the seller's interest lies in the value side of the commodity, and the buyer's interest lies in the utility [use value] side. While the owner of the commodity seeks to absorb the value in money form that can cover the costs of producing the commodity and to a certain extent ensure the greatest possible profit, the buyer tries to obtain as much profit as possible for each unit of his money spent. At the point where their interests coincide, the price is set, and exchange of goods and money takes place.



Price is the monetary expression of two different characteristics of a commodity

It can be concluded from this picture that **the price is the monetary expression of the social value and social usefulness of goods and services in the conditions of a real market economy.** It should be noted here that the price is not the individual costs of individual producers, or the psychological assessment of individual individuals, but the social costs recognized by society and created and recognized in the quantity and quality necessary for society, the obtained social benefit [use value] finds its expression. A reasonable increase in social spending on goods and services or an increase in the quality of goods and services leads to an increase in the price of these goods. For example, an increase in horse power, interior, steering system and speed changes in a car's engine will cause its price to increase. Because at the same time with these changes, the expenses spent on it will also increase. Changes in prices as a result of such bilateral changes are characteristic of all goods and services. Price, as a monetary expression of two characteristics of goods and services, changes as a result of their change. Therefore, in real life, two different characteristic changes in different goods and services are taken into account at two different prices when determining their volume.



The use of prices representing two different characteristics of the product in the calculation of the volume of the product.

The economic content of the price becomes clear when its functions are considered. The price performs the following main functions; **The task of ensuring balance.** In this case, the price brings the market into equilibrium by affecting the size and composition of supply and demand. The market price is a balanced price, which, firstly, ensures the sale of goods, and secondly, does not create a shortage of goods in the market. **The task of measuring value and usefulness.** We call price the monetary expression of value and utility, because the costs incurred and the results obtained [profit or loss] are calculated on the basis of prices. There are also natural indicators of production and its results [tons, kg, m2, kWh...]. It is not possible to compare these indicators in this way and bring them to a general indicator. The common measure of all natural indicators is their price expressed in money. Current and comparative prices are used for the calculation. Current prices are current prices and are used to calculate production results for the year. In comparative prices, based on a certain year [base year], the results of production are calculated at this price and compared with other years. The dynamics of gross national product, national income, real wages and similar indicators are calculated in comparative prices. Because current prices may change due to inflation and other factors and may not reflect real economic results**. Regulatory duty.** The market situation [conjuncture] depends on supply and demand and their ratio. An increase in demand means the expansion of the production of a certain product, and in the opposite case, there is a surplus of the product, and it is necessary to reduce its production. Price affects the activity of producers of goods through their income. If the price is high, the profit will increase, if the price falls, the profit will decrease, and the producers may even suffer a loss. This has a strong impact on the activities of manufacturers. If the price increases, production will increase. Other capitals will also begin to flow into industries and sectors where profits are high. So, the price regulates production, changes it and ensures its development. **The task of a competitive tool**. Price is the most important tool of competition. Manufacturers can use price reduction method to beat their competitors. Therefore, the price adjustment method is widely used in competition. **Social protection task.** The price also serves the function of social protection of certain low-income segments of the population. This price function is fulfilled when goods and services are sold at socially subsidized prices. They are financially supported by the state budget and various donations. At the stage of transition to the market economy, prices that serve as social protection are also used in order to provide a minimum level of vital consumer goods to the vast population. The difference between their subsidized and actual prices is covered by budget funds. Thus, the price as a tool of market relations performs important tasks that are inextricably linked with each other.

In order to fully understand the content of the price, it is important to know the factors affecting its level. The main ones are cost or production costs; the level of profitability of the goods; the supply and demand ratio for this commodity; competitive situation; economic policy of the state and others are considered.

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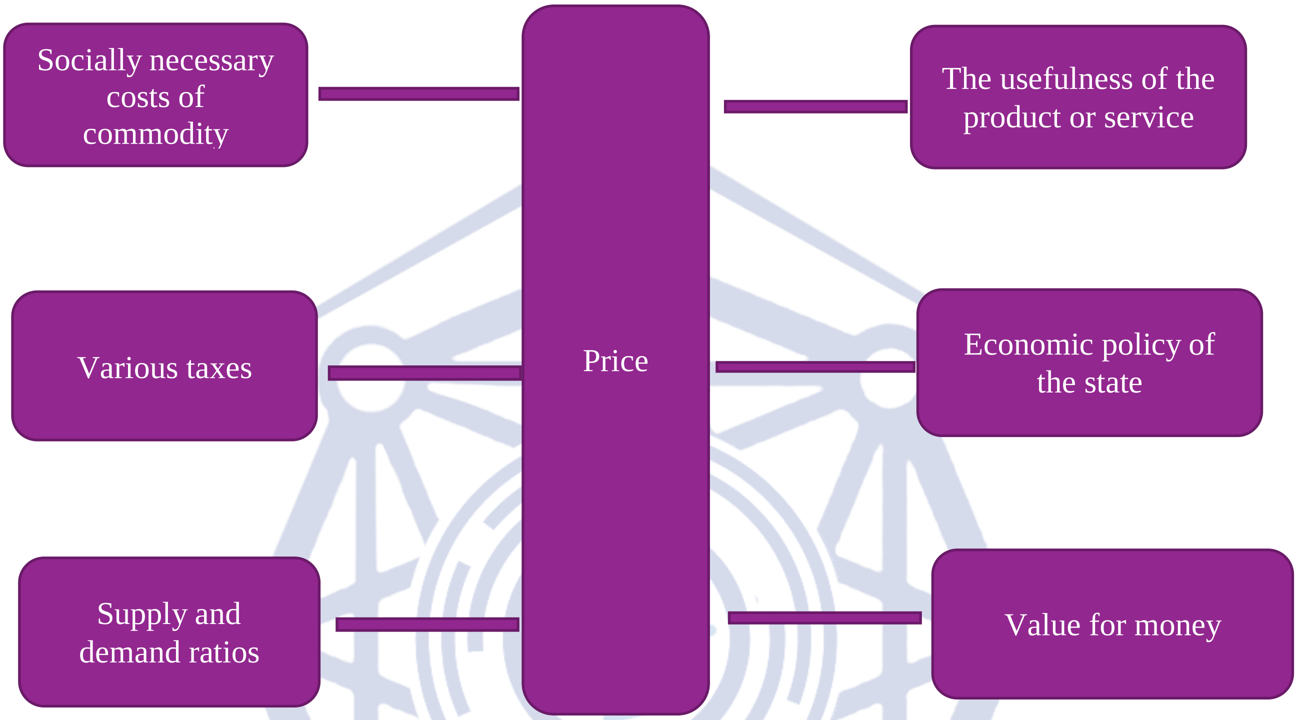
Among these factors, the value and utility of the commodity serves as the basis for determining its price.



Factors affecting the price level.

In addition, the diversity of production and sales conditions in various sectors and sectors of the economy, as well as differences in the level of development of market relations, make it necessary to differentiate price types. All types of prices operating in the economy make up the price system. Of these;

Wholesale price - the price applied by manufacturers when selling large quantities of goods at once. Wholesale prices must cover the costs of manufacturers and supply-sales organizations and ensure that they receive a certain amount of profit. The wholesale price is also used in commodity exchanges and trading houses.

The contract price is the price determined by the consent of the seller and the buyer, recorded in the contract concluded by them. The contract price usually does not change during the contract period. This price applies to both national and international markets. When it is used in the international market, the goods are close to the world prices of services.

Retail price is the price at which goods are sold directly to consumers. The retail price includes the wholesale price of goods, costs of retail organizations and their profit. The retail price acts as a link between supply and demand for goods and can be high or low depending on their ratio.

The government's price regulation activities create limited and subsidized prices. **A limited price is a price that can be changed within the upper and lower limits set by the government**. With the help of such a price, the state curbs inflation and controls the price level.

A subsidized price is a specially reduced price from the state budget. This price is used to provide the minimum basic necessities of life to low-income families, widows, the unemployed, and the disabled.

Dumping price is a special price used by firms in order to strengthen their position in the market and squeeze their competitors out of the market. It is also called "market penetration cost". The dumping price is a fraction of the official price.

The dominant price is a special price used by firms to achieve higher profits without changing the volume of sales. In order to apply this price, competition in the market is limited and a monopoly situation must exist. In this situation, the demand will not depend on the price, so the price increase will not drastically reduce the sales of the product. in addition, there are prestigious goods that are purchased by the high-income segment of the population, which are sold at prestigious prices. In developed countries, for the upper income class of the population, owning a country yard, vacationing at famous resorts, then wearing replica clothes, driving new models of cars is considered prestige or prestige consumption. High-quality consumption creates high-quality prices. They will be much higher than normal prices. In the application of authoritative prices, the costs of production of goods and the level of profitability, the demand in the market, its changes and the conditions of competition in the market are taken into account. Accordingly, a fixed price and a variable price, which do not change for a certain period, are used. There are goods that consumers prefer not to change. For example, utility service, transport service tariffs are included in such prices.

A free market price is a market price that is determined by supply and demand. The free price allows to harmonize the interests of all subjects of society and market relations in the most optimal way in creating cultured market conditions.

A price range is a monetary representation of a price range. The price range includes low, medium and high prices. The higher the price range, the faster the commodity trades, because demand and price are correlated.

Considering the market size; regional, national and international prices will be available. Regional price is specific only to a certain regional market, and it is formed under the influence of factors within this region. A national market price is a price that is valid within a country and reflects its characteristics. The world market price takes into account the international costs spent on the production of a particular commodity, the level of compliance of the commodity with the world standard and the ratio of supply and demand in the international market.

Although there are different types of price, they are interconnected, because they reflect the effectiveness of the use of economic resources in society.

1. Resource Allocation: Prices play a vital role in allocating scarce resources. When resources are limited, prices help determine how they are distributed among different uses and ensure that they are directed towards the most valued and efficient purposes.
2. Supply and Demand Coordination: Prices act as signals to producers and consumers, adjusting in response to changes in supply and demand. When demand exceeds supply, prices rise, signaling producers to increase output. Conversely, when supply exceeds demand, prices fall, indicating producers to decrease production. This coordination helps maintain equilibrium and avoid shortages or surpluses.
3. Efficiency: Prices contribute to economic efficiency by reflecting the relative scarcity and value of goods and services. Higher prices indicate greater scarcity, incentivizing consumers to make more informed choices about their purchases. Producers, on the other hand, are motivated to allocate resources efficiently and produce goods and services that are in demand at profitable prices.
4. Information Transmission: Prices convey valuable information about market conditions, preferences, and costs. They encapsulate the collective knowledge and preferences of buyers and sellers. Investors, entrepreneurs, and policymakers rely on price signals to make informed decisions and allocate resources effectively.
5. Competition and Innovation: Prices play a crucial role in fostering competition and encouraging innovation. In competitive markets, prices reflect the costs of production and the level of competition. Low prices

may incentivize producers to innovate, improve efficiency, and lower costs to maintain profitability.

6. Income Distribution: Prices also impact income distribution. Different goods and services have varying price levels, and individuals' ability to pay those prices is influenced by their income levels. As a result, price changes can affect the purchasing power and standard of living of different income groups.

In conclusion, prices are a fundamental mechanism in the economy that facilitate resource allocation, coordinate supply and demand, promote efficiency, transmit information, foster competition and innovation, and influence income distribution. The interplay of prices and market forces is essential for the functioning of market economies and has a profound impact on the overall economic system.

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