

The logo consists of several orange circles of varying sizes arranged in a cluster to the left of the text.

LEMONADE STAND ECONOMICS INFORMATION STATION

Did you ever run a lemonade stand when you were a kid? The lemonade stand is often one of the first experiences people have with running a business. You learn about marketing. What will your sign say and how will it look? What will you charge for your lemonade? Can you charge more when it's hot out?

You also learn one of the harder lessons about business: the difference between sales and profits. If a kid collects \$20 selling lemonade for an afternoon, she might think she gets to keep all the money. And sometimes she can if mom provides all the lemons, sugar, and cups for free.

But in a real business, you have to pay for those things. Let's say those items cost \$17. In this case, total sales are the \$20 collected from the customers and the profit is the amount left after all costs are paid... \$3.

Most businesses have pretty low profit margins.... that is the profit made on each sales dollar. For example, grocery stores only keep \$0.02 on every dollar they collect from customers. And restaurants only get a little more... around \$0.03 for every dollar in food they sell. That can add up if you own a chain of grocery stores or restaurants. But, most business owners don't own multiple locations.

When governments add new regulations onto businesses, (even well-intended rules like requiring them to pay for healthcare, charging them for special licenses, or telling business how much to pay their employees) business owners have to figure out how to pay for those additional costs out of those low profits.

This often means reducing the number of employees, switching to more self-service, or increasing prices. So the next time you hear about a new government requirement for business, just remember that they have to figure out how to pay for it. Too often, the result is a lost job or higher prices for you.