The Price You See May Not Be the Price Someone Else Pays

AI Surveillance Pricing Threatens to Turn Personal Data and Economic Vulnerability Into Higher Household Costs

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Inflation is already squeezing household budgets. Artificial intelligence may make that pressure harder to see, and harder to escape.

Businesses can now change prices almost instantly, test different offers across groups of shoppers, and use detailed consumer data to predict who is willing, or unable to avoid, paying more. Regulators call the most intrusive version of this practice **surveillance pricing**: using personal or behavioral information to determine the price, discount, or promotion shown to a consumer.

The concern is not that artificial intelligence caused the recent inflation cycle. The available evidence does not support that claim. Nor does it show that every airline, grocery store, or online platform sets a different price for every customer.

The concern is narrower and more credible: AI gives sellers new ways to learn about buyers, estimate their willingness to pay, and adjust offers without clearly explaining why one person received a different price from another. When budgets are already strained, that information imbalance could shift more economic power from consumers to firms.

September Inflation Data Show Renewed Price Pressure

The September 2026 inflation reports showed faster price growth on both the consumer and producer sides of the U.S. economy.

The Consumer Price Index for All Urban Consumers increased 0.6% on a seasonally adjusted basis in September after rising 0.4% in August. Over the 12 months ending in September, the index increased 3.7% before seasonal adjustment, compared with 3.4% for the 12 months ending in August (U.S. Bureau of Labor Statistics [BLS], 2026a).

Producer prices rose even more sharply. The Producer Price Index for final demand increased 1.3% on a seasonally adjusted basis in September, following increases of 0.5% in August and 0.2% in July. It was the largest monthly increase since March 2022. Over the

12 months ending in September, final-demand prices rose 6.3% on an unadjusted basis, the largest annual increase since December 2022 (BLS, 2026b).

These measures describe different stages of the economy. The CPI tracks changes in prices paid by consumers, while the PPI measures changes in prices received by domestic producers. They are not interchangeable. An increase in producer prices may signal cost pressure moving through supply chains, but it does not automatically or immediately produce an equivalent increase in consumer prices. A business may absorb higher costs, pass them on to customers, offset them elsewhere, or raise prices by more than its costs increased.

Measures of underlying inflation also rose. The CPI for all items less food and energy increased 0.3% in September and 2.6% over the preceding 12 months (BLS, 2026a). The PPI measure for final demand less foods, energy, and trade services rose 0.5% during the month and 5.0% over the year (BLS, 2026b). The two measures are not directly comparable because the PPI measure also excludes trade services.

Energy accounted for much of the monthly consumer-price increase. Gasoline prices rose 9.1% in September and were responsible for more than half of the increase in the all-items CPI. The broader energy index rose 5.2%, shelter increased 0.4%, and food prices were unchanged. Food at home declined 0.1%, while food away from home rose 0.2% (BLS, 2026a).

Over the year, energy prices increased 20.4%, gasoline rose 34.2%, shelter increased 3.2%, and airline fares rose 22.4% (BLS, 2026a). Among core categories, prices rose for recreation, used cars and trucks, education, airline fares, medical care, and apparel. Communication prices declined 0.2%.

Energy pressure was even more pronounced in the producer-price report. Prices for final-demand goods increased 2.6% in September, the largest monthly increase since the series began in December 2009. More than 80% of that increase was attributed to final-demand energy prices, which jumped 10.8%. Final-demand food prices rose 1.2%, while prices for goods other than food and energy increased 0.3% (BLS, 2026b).

Gasoline producer prices climbed 20.3%. Prices also rose for diesel fuel, jet fuel, crude petroleum, residential electric power, and fresh and dry vegetables. Chicken-egg prices moved in the opposite direction, falling 39.7% (BLS, 2026b).

Final-demand services prices increased 0.8%. Nearly half of that increase was attributed to a 1.4% rise in margins for trade services. Transportation and warehousing services rose 3.4%, while services excluding trade, transportation, and warehousing increased 0.3%. Margins for machinery and vehicle wholesaling rose 3.9% (BLS, 2026b).

The September reports establish a difficult economic backdrop. They do not show that AI surveillance pricing caused inflation, nor do they establish that businesses passed every producer-price increase on to customers. They do show that consumers and businesses faced renewed price pressure, especially from energy and transportation. That pressure makes it more important to understand whether emerging pricing systems distribute higher costs fairly, or use personal data to make those costs less visible and more uneven.

Inflation Can Slow While Families Remain Under Pressure

A lower inflation rate does not mean prices have returned to where they were.

If the price of a grocery basket rises from $100 to $120 and then increases another 3%, the household pays $123.60. Slower inflation only means prices are rising at a slower rate. It does not restore the purchasing power lost during earlier increases.

That distinction matters for families whose budgets are already committed to food, rent, insurance, utilities, transportation, medicine, and other necessities. A family cannot permanently respond to higher food prices by giving up food. A worker may not be able to avoid commuting costs. When essential expenses rise, households may have to reduce savings, take on debt, delay medical care, or cut other spending.

Average inflation also does not describe every household's experience. The CPI measures price changes across a broad basket of goods and services, but families buy different things in different proportions. A household that drives long distances may be more exposed to rising gasoline prices than one that relies on public transportation. A frequent traveler may feel the increase in airline fares more acutely. Renters, homeowners, caregivers, and retirees can each experience the same inflation cycle differently.

Surveillance pricing could widen those differences without producing an obvious increase in the market's average price. Some consumers may receive discounts while others pay premiums. A retailer could offer a lower price to someone it expects to switch to a competitor while charging more to a shopper it predicts will complete the purchase regardless.

The average price might remain unchanged. The distribution of who pays what would not.

What Makes Surveillance Pricing Different

Dynamic pricing is not new. Airlines have long varied fares based on booking time, seat availability, route demand, season, and fare restrictions. Hotels change room rates as occupancy changes. Retailers mark down merchandise when inventory is high.

Surveillance pricing adds another variable: the customer.

The Federal Trade Commission reported that pricing intermediaries can draw on information such as a person's location, demographics, browsing history, purchasing behavior, mouse movements, and abandoned shopping carts. Those data may influence the price, discount, or promotion a consumer sees (Federal Trade Commission [FTC], 2025).

A traditional retailer asks, "What price should we charge for this product?"

A surveillance-pricing system can ask, "What is the highest price this particular customer is likely to accept?"

The product may be identical. Its production cost may not have changed. What changes is the seller's estimate of the person on the other side of the transaction.

AI can make that estimate faster and more precise. It can analyze thousands of signals, sort consumers into narrowly defined groups, run continuous pricing experiments, and learn from completed purchases and abandoned carts.

A shopper may see a price of $14.99. Behind that price, the retailer may see a model indicating that the shopper has visited the page several times, lives in a particular area, has purchased similar products, rarely changes retailers, and is likely to buy at that price.

The shopper sees a number. The seller sees a behavioral profile.

Why Grocery Pricing Raises Particular Concerns

Groceries are a sensitive setting for algorithmic pricing because people buy food repeatedly and cannot simply stop purchasing it. A small difference on one item may seem inconsequential. Differences across dozens of products and weekly shopping trips can add up quickly.

A 2025 investigation by Consumer Reports, Groundwork Collaborative, and More Perfect Union found that Instacart shoppers were sometimes shown different prices for identical products from the same store at the same time. Nearly three-quarters of the products tested appeared at more than one price, and the highest observed price for some items was as much as 23% above the lowest (Consumer Reports, 2025).

In one Seattle-area test, the same Safeway basket ranged from $114.34 to $123.93, a difference of $9.59, or about 8.4%. A Target basket reportedly ranged from $84.43 to $90.47, a difference of $6.04 (Consumer Reports, 2025).

Those findings matter, but they require careful interpretation. They do not prove that the retailers designed the tests, selected prices using personal information, or received the full difference as revenue. They also do not establish that every shopper regularly encounters

such variation. Short-term tests cannot be converted into a reliable annual cost for the average household.

They do demonstrate that online grocery systems can display different prices for identical products under apparently comparable conditions. That raises several basic questions:

- Who determined the price?
- What information or experimental group influenced it?
- Did the customer know that a lower price was available?
- Who received the additional revenue?
- Were some groups more likely to receive higher prices?
- Could shoppers access a nonpersonalized reference price?

Consumer Reports later stated that Instacart would stop the specific practice of showing different shoppers different prices for the same groceries at the same store and time (Consumer Reports, 2025). The decision shows why outside scrutiny matters. Consumers cannot challenge pricing practices they cannot see.

The Harm Is Likely to Be Uneven

There is not enough public evidence to conclude that AI pricing systems systematically charge every lower-income consumer more than every wealthy consumer. A stronger conclusion is supported: when opaque pricing raises the cost of necessities, lower-income and middle-class households bear a larger relative burden.

Suppose two households each pay an extra $20 per month because of less favorable prices on recurring purchases. A household with $150,000 in disposable annual income loses $240, equal to 0.16% of that income. A household with $35,000 in disposable income loses the same $240, but the loss is about 0.69%, more than four times the relative burden.

The disparity grows when the affected goods and services include food, rent, transportation, medicine, utilities, or insurance. Higher-income consumers may be better able to switch retailers, buy in bulk, wait for sales, pay for price-tracking services, or absorb delivery fees. Lower-income workers may have less time, unreliable transportation, little storage space, inflexible schedules, or limited access to competing sellers.

Urgency also changes bargaining power. A parent who needs groceries that evening, a renter facing a tight housing market, or a traveler attending a funeral cannot always wait for a better offer.

A revenue-maximizing system does not need a data field labeling someone as poor. It can infer that a consumer has limited alternatives or will probably complete the purchase despite a higher price. Location, device information, shopping frequency, purchase history, repeated searches, and responses to discounts may serve as proxies for economic circumstances.

The consumers least able to absorb a higher price may also be the least able to reject it.

The Organisation for Economic Co-operation and Development (OECD, 2025) has warned that personalized pricing raises concerns involving transparency, vulnerable consumers, discriminatory outcomes, and competition. It has also recognized that personalization may increase access by offering lower prices to people who would not otherwise purchase a product.

That mixed result is why averages are not enough. A system may help some consumers while extracting more from others. Regulators and researchers need to know who receives discounts, who pays premiums, and whether those outcomes are associated with income, race, disability, age, geography, or other protected or economically vulnerable characteristics.

Personalized Pricing Can Transfer Value to Sellers

The economic effect of personalized pricing can be understood through consumer surplus.

Suppose a consumer is willing to pay $100 for a product offered at $70. The consumer receives $30 in surplus, the difference between what the product is worth to that person and what the person actually pays.

If an algorithm predicts that the same consumer will pay $95 and raises the price accordingly, the consumer's surplus falls to $5. The product did not improve, and its production cost may not have increased. The seller simply became better at estimating the buyer's limit.

In a field experiment, Dubé and Misra (2023) found that machine-learning-based personalized pricing increased expected profits compared with an optimized uniform price while reducing aggregate consumer surplus by 23%. More than 60% of consumers still benefited individually in that experiment.

That result captures the tension at the center of personalized pricing. A seller may use personalization to offer a lower price to someone who would not purchase at the standard price. That can expand access and increase sales. The same system can charge other consumers more, allowing the firm to claim a larger share of the transaction's value.

The key question is not whether every personalized price is harmful. It is whether consumers understand what is happening, can refuse behavioral profiling, can compare the personalized offer with a standard price, and have enough alternatives to reject an unfavorable offer.

Airfare Is a Warning, Not Proof of Individual Surveillance

Airline pricing is often described as the clearest example of AI-driven price discrimination. That comparison needs qualification.

Airlines have used revenue-management systems for decades. Prices change with seat inventory, booking time, route demand, competition, seasonality, and fare restrictions. An airline seat becomes worthless once a flight departs, so changing prices over time can help allocate fixed and perishable inventory.

A changing fare does not, by itself, prove that an airline is using personal surveillance.

The concern becomes more serious if an airline or travel platform uses individual data to infer that a passenger is under time pressure, has few alternatives, is traveling for an urgent reason, or is willing to pay more. A person repeatedly searching for the same route may reasonably worry that the searches themselves could become pricing signals.

Public evidence has not established that major U.S. airlines universally set fares using individual passengers' browsing histories or personal characteristics. Claims about a particular airline should be supported by verified company records, regulatory findings, or reproducible testing.

The risk is still worth examining because airline transactions combine urgency, limited inventory, high search costs, uncertain future prices, complex fare rules, and large differences in willingness to pay.

Drip pricing adds another obstacle. Travelers may see a base fare before learning the full cost of baggage, seat selection, cancellation rights, and other services. Rupp (2026) estimated that greater airline price transparency could save U.S. consumers between $251 million and $300 million annually.

AI did not create those search costs, but it can be used to optimize around them.

Digital Price Tags Are Infrastructure, Not Evidence

Electronic shelf labels have become a symbol of anxiety about dynamic pricing, but the labels themselves are not proof of personalized prices.

Digital labels can reduce pricing errors, keep shelf and checkout prices synchronized, speed legitimate markdowns, and reduce the labor involved in replacing paper tags. Walmart has stated publicly that its labels display centrally approved prices, do not identify individual customers, and are not used to change shelf prices according to shopper identity.

Those statements mean Walmart's electronic labels should not be treated as evidence that the company engages in individualized shelf pricing.

The labels are still relevant because they reduce the cost and difficulty of changing prices. Updating thousands of paper labels requires time and labor. A digital system can make the physical change nearly instantaneous.

That capability is neither inherently beneficial nor inherently harmful. It can support rapid markdowns on perishable goods, or it can make frequent price increases and experiments easier. Policy should focus on the data, objectives, rules, and accountability surrounding the system, not merely on whether a retailer uses digital signs.

Algorithms Can Weaken Competition Without Targeting Individuals

AI pricing can harm consumers even when it does not produce personalized offers.

Brown and MacKay (2023) found that algorithms capable of responding rapidly to competitors can increase price levels and price dispersion under some market conditions. In controlled computational experiments, Calvano et al. (2020) found that reinforcement-learning algorithms could learn to sustain prices above competitive levels without directly communicating with one another.

These findings do not prove that ordinary retail algorithms are secretly colluding. They show that anticompetitive outcomes may arise without executives meeting privately to agree on prices.

The RealPage litigation provides a more concrete example of the risk. The U.S. Department of Justice alleged that competing landlords supplied nonpublic rental information to RealPage, whose software generated pricing recommendations. According to the government, the arrangement weakened independent competition and contributed to higher rents (U.S. Department of Justice [DOJ], 2024).

Those allegations are not the same as a final judicial determination. Their economic importance is still clear: a shared algorithm that processes competitors' sensitive information may become a channel through which firms align prices.

The stakes are particularly high in housing. Renters cannot opt out of shelter, moving is expensive, and substitutes may be scarce. Algorithmic pricing in a concentrated rental market can cause far more serious harm than a personalized price for a discretionary purchase.

AI May Amplify Pricing Power Without Causing Inflation

The available evidence does not support the claim that surveillance pricing caused the 2021–2022 inflation surge or is now a leading cause of economy-wide inflation.

Inflation has many possible drivers, including supply disruptions, housing costs, energy shocks, labor-market conditions, fiscal and monetary policy, international conflict, and changes in demand. Blaming a major inflation cycle on AI pricing without economy-wide evidence would mistake a plausible mechanism for a demonstrated cause.

AI may still affect prices in several ways. It can speed up cost pass-through by allowing companies to adjust retail prices as soon as input costs change. It can improve sellers' estimates of willingness to pay and produce higher markups for selected customers. Algorithms can monitor and respond to competitors almost instantly, potentially weakening price competition. Personalization can also increase price dispersion, giving discounts to some consumers while charging others premiums that disappear inside market averages.

Companies may also respond asymmetrically to economic conditions: raising prices quickly when costs or demand increase, then lowering them slowly when those pressures ease.

AI is therefore better understood as a potential **amplifier of pricing power** than as a proven primary cause of inflation.

This distinction separates inflation from affordability. Surveillance pricing may increase what selected consumers pay without materially changing the CPI. A harmful transfer from households to firms can occur even when aggregate inflation appears stable.

The Hidden Cost of Defensive Shopping

Opaque prices impose costs beyond the amount shown at checkout.

Consumers may feel compelled to compare several websites, check multiple devices, clear cookies, revisit products at different times, test delivery addresses, monitor airfares, search for coupons, and investigate fees.

All of that takes time. Time has economic value.

Vomberg et al. (2025) found that algorithmic dynamic pricing reduced consumer trust and increased the time spent searching for prices, although the trust effect weakened as consumers became more familiar with the practice.

The result is an affordability tax that never appears on a receipt. Consumers pay through time, uncertainty, stress, and reduced confidence in the market.

That burden can also be regressive. Higher-income consumers may outsource shopping, subscribe to price-tracking tools, or treat extended searches as optional. Hourly workers, caregivers, and people holding multiple jobs may have far less time to hunt for a fair price.

A market that rewards consumers for becoming expert investigators is not necessarily competitive. It may simply be transferring the cost of opacity to buyers.

Policy Should Separate Useful Discounts From Extraction

A blanket ban on algorithmic pricing would eliminate potential benefits. AI can reduce waste, forecast demand, improve inventory allocation, lower administrative costs, and offer discounts to consumers who might not otherwise be able to afford a product.

Policy should preserve those uses while making exploitative practices visible and contestable.

Disclose Materially Personalized Prices

Consumers should receive a clear notice when personal or behavioral information materially affects a price, discount, or promotion. The disclosure should appear before the purchase rather than inside a lengthy privacy policy.

A useful notice might state:

This offer was personalized using information about your location, browsing activity, or purchase history.

Provide a Nonpersonalized Reference Price

Where feasible, sellers should provide a standard price that does not depend on individualized behavioral profiling. A reference price would help consumers determine whether personalization gives them a discount or imposes a premium.

This approach could preserve targeted discounts without trapping consumers inside an invisible pricing system.

Restrict the Use of Sensitive Data

Pricing systems should face strict limits on the use of health information, disability status, financial distress, precise location, protected demographic characteristics, and signals of urgent need.

Using inventory data to change a price is different from using evidence that a person is desperate.

Audit High-Impact Pricing Systems

Companies using algorithmic pricing in food, housing, transportation, insurance, utilities, healthcare, or credit should maintain records showing which data categories influence prices, how often prices change, and how offers vary across customers.

Audits should also examine whether protected or vulnerable groups systematically pay more, whether systems rely on competitors' confidential information, and whether human reviewers can suspend or override the model.

Regulators do not necessarily need access to every line of code. They do need enough information to test results, identify discriminatory or anticompetitive outcomes, and determine who is responsible.

Prohibit Coordination Through Competitors' Sensitive Data

A pricing vendor should not become a clearinghouse through which competitors pool nonpublic information and weaken independent decision-making. Antitrust law should focus on what a system does economically, even when coordination occurs through software rather than direct communication.

Strengthen Protections for Necessities

The case for regulation is strongest where consumers cannot reasonably walk away. Food, housing, medicine, utilities, insurance, and essential transportation warrant stronger safeguards than discretionary entertainment purchases.

Measure Price Dispersion, Not Just Average Inflation

Statistical agencies and regulators should study how prices vary among shoppers, not only how the market average changes. Relevant measures include household-specific inflation, price dispersion, markups, spending shares, and differences across income and demographic groups.

Without those measures, individualized premiums may remain hidden inside national averages.

Who Captures the Gains?

AI can lower costs, improve productivity, forecast demand, reduce waste, and prevent shortages. Brynjolfsson et al. (2025), for example, found that access to a generative-AI assistant increased customer-support productivity by about 14% on average, with larger gains among less-experienced workers.

Productivity and consumer welfare are not the same thing.

Suppose AI lowers a retailer's operating cost by 30 cents per unit. In a competitive market, rival firms may force the retailer to pass some of that saving to consumers. If the same system can also predict that a particular customer will pay $2 more, the productivity gain may never reach that customer.

The issue is not simply whether AI creates value. It is who receives that value.

When prices are transparent and markets are competitive, companies have stronger incentives to share efficiency gains with consumers. When markets are concentrated and pricing models are opaque, firms have more room to turn information into higher margins.

The highest-risk combination is:

AI + personal surveillance + weak competition + opaque pricing

Under those conditions, technology can make consumers easier to measure without making markets fairer.

The Right to Know the Price

The price shown to a consumer should not become a secret test of how much pressure that person can withstand.

The evidence does not justify blaming surveillance pricing for the recent inflation cycle. It does justify concern that algorithmic systems can shift power toward sellers, reduce consumer surplus, make comparison shopping more difficult, and expose financially vulnerable households to prices they cannot meaningfully evaluate or avoid.

The grocery findings demonstrate that identical products can be offered at different prices under seemingly comparable conditions. The FTC's inquiry shows that pricing intermediaries can access extensive personal and behavioral information. Economic research shows that personalized pricing can increase company profits while reducing aggregate consumer surplus. Research on algorithmic competition and the RealPage litigation also show that algorithms may weaken competition without targeting individual buyers.

Lower-income and middle-class consumers face the greatest practical risk because necessities consume more of their income and because their ability to delay a purchase, switch sellers, travel farther, or conduct an exhaustive price search may be limited. The evidence does not yet prove systematic income-based overcharging across the economy. That uncertainty is a reason to require data, disclosure, and audits, not a reason to ignore the issue until opaque pricing becomes entrenched.

AI should help companies reduce costs and serve customers better. It should not become a tool for discovering which household is too rushed, too loyal, too isolated, or too desperate to refuse a higher price.

The policy question is no longer whether companies should be allowed to use AI.

It is whether a company should be allowed to use what it knows about a person to decide how much that person can be made to pay, and whether the consumer has a right to know.

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