

Industry Structure and the Dynamics of Price Adjustment

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Abstract

Using annual US data for gross domestic product originating by sector between 1947 and 1997 it is shown that a negative long-run relationship between inflation and the markup is present across the sectors as well as in the aggregate data. A preliminary explanation based on industry structure is explored for the relative sizes of the impact of inflation on the markup in the long-run for the various sectors.

Keywords: Inflation, Wages, Prices, Markup, Competition, Industry Structure.

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