

# **Inflation and Measures of the Markup**

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## **Abstract**

Theoretical models of the relationship between inflation and markup focus on the markup of price on marginal costs in contrast with empirical models that typically concentrate on the markup on unit costs. Using nearly 50 years of quarterly United States data we identify a strong negative long-run relationship between inflation and both measures of the markup. We derive the theoretical link between the two measures and empirically verify our prediction that the two inflation cost coefficients should not differ from each other significantly. We conclude that the long-run trade-off between inflation and markup does not depend on the particular measure of the markup used.

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