Competition, Markups and Inflation: Evidence from Australian Firm-Level Data

by Champion, Edmond, Hambur

Discussion by Petr Sedláček

Conference on the Inflationary Challenge
RBA, 2023

To begin with…

The age of greedflation

How corporate profiteering is making us poorer.

By Will Dunn

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- calibrate model to replicate cross-sectional features and compare to CES (constant markups)

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  - ... or, is the super-elasticity moving over the business cycle?

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What about a **really weak** version (ignoring profits)

Chris Edmond @chrisedmond · 06 Jun
RBA throws "greedflation" a very small **bone**.

...nains alert to the risk that expectations of ongoing high inflation contribute to ...oth prices and wages, especially given the limited spare capacity in the econom... ...ow rate of unemployment. Accordingly, it will continue to pay close attention to... ...of labour costs and the price-setting behaviour of firms.

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- back-of-envelope: estimate super-elasticity over time/cycle?
- could any such time-varying estimates have quantitative impact?

Other (small) things

- how to think about the distinction between P and D?

- what determines the dynamics of the P-D difference?

- $\mathbb{E}_\omega[\overline{\rho}]$ is key: can you do some "shift-share" decomposition over the business cycle?

- a bit more intuition about results: e.g. is $\epsilon/\overline{\sigma} = 0.11$ or $cov(\overline{\sigma}, \overline{\rho}) = 0.01$ high or low?

- how important is the Calvo probability for the results?

- what if we also don't know θ, can we still easily separate out super-elasticity?