

## [The Hitchhiker's Guide to Markup Estimation](#)

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Is it feasible to estimate firm-level markups with commonly available datasets? Common methods to measure markups hinge on a production function estimation, but most datasets do not contain data on the quantity that firms produce. A recent literature has concluded that, without such data, it is not possible to obtain informative estimates of firm-level markups.

We use a tractable analytical framework, simulation from a quantitative model, and firm-level administrative production and pricing data to challenge that conclusion. We find that, while the level of markups that are estimated without quantity data is biased, these estimates do correlate highly with true markups. They also display similar correlations with variables such as profitability and market share in our data and our model. Aggregate trends in markups also seem to be well-captured when markups are estimated without data on quantity.

Finally, we show that imposing a Cobb-Douglas production function or simplifying the production function estimation may reduce the informativeness of markup estimates.