

HKUST ECON Seminar

1 April, 2026, 3:00 - 4:30 pm

The Spatial Distribution of Markups

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Abstract:

How much does the geographic segmentation of the US economy matter for competition and market power? We answer this question using a quantitative spatial model with multi-establishment firms, oligopolistic competition, and endogenously variable markups, calibrated to match US manufacturing data across 170 Economic Areas. Our benchmark model implies an aggregate markup of 1.26 with substantial variation across locations, from 1.22 in greater New York to 1.35 in Honolulu. The welfare costs of markups are large, 5.8% on average, and considerably higher than the 3.7% implied by an equivalent model without geography and spatial frictions. The welfare costs are also very unevenly distributed, ranging from about 1% or less in large central locations like New York to as much as 20% in Honolulu.