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Press Release

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NEW PHOENIX CENTER STUDY FINDS THAT DOJ'S ANTITRUST COMPLAINT AGAINST APPLE LACKS ROBUST ECONOMIC SUPPORT

Rather than accurately analyze the data, the DOJ's Complaint appears to be little more than an airing of grievances

WASHINGTON, D.C. — In its recent antitrust *Complaint*, the United States Department of Justice (“DOJ”) alleges that Apple is a monopoly that suppresses competition in the smartphone market through deliberate quality degradation to raise switching costs. In a new analysis released today entitled *United States v. Apple: A Review of the DOJ's Case*, the Phoenix Center's economic staff question the economic foundations of the DOJ's case.

The Phoenix Center's economists identify several disturbing problems with the DOJ's allegations. First, the DOJ mischaracterizes Apple's market position and misinterprets the effects of its business practices. Apple's global market share of less than 30%, and the uniformity of its design choices and pricing strategy, undermines the claim that Apple's monopoly power and market share drive its design choices. Second, customer satisfaction data, including sophisticated enterprise users, contradict allegations of quality degradation. Third, Apple's pricing is stable over time, and its profit margins are comparable to industry standards, refuting claims of prices increases and extraordinary profits. Fourth, Apple's higher U.S. market share is better explained by income levels than anticompetitive practices. Fifth, the economic literature on switching costs reveals ambiguous implications for competition, further weakening the DOJ's position. Given the allegations contained in the *Complaint*, the study's authors conclude that the DOJ's antitrust case against Apple lacks strong economic support.

“If the DOJ's case against Apple strikes you as implausible, then you are not alone,” says study co-author and Phoenix Center Chief Economist Dr. George S. Ford. “This case adds to an expanding list of cases by the U.S. antitrust agencies attacking businesses for no reason other than their success in the marketplace, a disturbing trend that shows no signs of slowing.”

A full copy of PHOENIX CENTER POLICY BULLETIN NO. 71, *United States v. Apple: A Review of the DOJ's Case*, may be downloaded free from the Phoenix Center's web page at: <https://www.phoenix-center.org/PolicyBulletin/PCPB71Final.pdf>.

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