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Press Release

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NEW PHOENIX CENTER STUDY PROVIDES ECONOMIC FRAMEWORK FOR APPROPRIATE REMEDIES IN GOOGLE SEARCH ANTITRUST CASE

Analysis finds that a more measured initial approach targeting specific anticompetitive conduct is preferable to immediate structural intervention

WASHINGTON, D.C. — In August 2024, Judge Amit Mehta ruled that Google violated Section 2 of the Sherman Act by entering into exclusive distribution agreements with browser and device companies (*e.g.*, Apple, Mozilla, AT&T) to set Google as the default search engine on their devices' browsers (and browser-like applications) in return for a share of Google's advertising revenue. The case now turns to remedies.

In a new analysis released today entitled *Measured Steps: Option Value Theory and Google Antitrust Remedies*, the Phoenix Center's economic staff examine the contrasting remedy proposals from the Department of Justice ("DOJ") and Google. As expected, the DOJ advocates for structural remedies including the divestiture of Chrome and Android, while Google proposes behavioral remedies focused on modifying the set of distribution agreements found by the court to violate Section 2.

Drawing on the economic theory of option value, the Phoenix Center's economists argue that a more measured initial approach targeting the specific anticompetitive conduct is preferable to immediate structural intervention. This recommendation stems from the weak causal evidence linking the agreements to Google's market position or quality of its products, the irreversibility of structural remedies, and the significant uncertainty surrounding both the effectiveness of proposed remedies and the future evolution of search markets, particularly given the emergence of Artificial Intelligence ("AI"). Maintaining flexibility through targeted behavioral remedies, while preserving the option for more aggressive intervention if needed, likely better serves the goals of antitrust enforcement in this and similar cases.

"The Google case demands measured intervention over immediate structural changes," says study co-author Phoenix Center Chief Economist Dr. George Ford. "Given the weak causal evidence linking distribution agreements to Google's market position and the dynamic nature of technology markets, courts should first target specific anticompetitive conduct while preserving options for stronger remedies if needed."

Co-author Phoenix Center Senior Fellow Professor T. Randolph Beard adds, "A measured and flexible approach, rather than sweeping structural disruption, allows for evidence-based

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adjustments in an industry where AI and other innovations could rapidly transform the competitive landscape."

A full copy of PHOENIX CENTER POLICY BULLETIN NO. 72, *Measured Steps: Option Value Theory and Google Antitrust Remedies*, may be downloaded free from the Phoenix Center's web page at: https://phoenix-center.org/PolicyBulletin/PCPB72Final.pdf.

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