



November 2024

# **Breaking Up Google Will Be a Great American Catastrophe**

**By Stephen Moore**

**Stephen Moore**

Chairman and Co-Founder of Unleash Prosperity

# Executive Summary

Google is one of America's most successful, profitable and dynamic companies of the 21st century – and arguably over the entire span of U.S. history. It has delivered costless information and unleashed innovation that has led to extraordinary benefits for the U.S. economy, U.S. investors, and U.S. consumers. One study by economists Erik Brynjolfsson of Stanford University and Avinash Collis of the University of Texas estimated several years ago **that the median U.S. user** values search engines at \$17,530 per year. That number is substantially higher today.

But a recent U.S. District Court ruling has charged the company with violating antitrust statutes. Now, the Biden Justice Department – and others – have put forward a collection of proposals that are designed to remedy the alleged harms. These could lead to the breakup of Google or remedies such as requiring the company to split off Android, Chrome or other parallel services Google provides. These cease-and-desist orders will NOT help consumers and will only weaken a company that constantly lowers costs to consumers and adds many hundreds of billions of dollars in wealth to American shareholders and retirees. Americans OWN Google.

The net effect of these proposals would be to kneecap Google in ways that would hamstring the company, harm American consumers, and undermine the competitive foundations of the U.S. economy.

## Background

Earlier this year, in one of the most absurd court rulings in modern times, federal judge Amit Mehta ruled that Google violated US antitrust law by gaining a monopoly in the search engine and advertising markets.

There were three elements of the District Court judge's ruling against Google. First, he claimed that Google has "monopoly power" in product markets for general search services and search-driven text advertising. Second, he claimed that Google's distribution agreements with the manufacturers of desktop and mobile devices are "exclusive" and have "anticompetitive effects." And third, he claimed that Google has exercised its monopoly power "by charging super-competitive prices for general search text ads. That conduct has allowed Google to earn monopoly profits."

These alleged sins, said the judge, violated Section 2 of the Sherman Antitrust Act. Yet the Sherman Act was meant to protect against companies that use their size and scope to RAISE prices. Google's sin is that it produces superior products at prices that are TOO LOW. One statistic was cited as evidence of monopoly behavior: back in 2009 Google controlled 80 percent of the search engine market, and today it is closer to 90 percent.

What was remarkable and dangerous about this decision is that the court openly conceded that Google gained this dominant market share by making the best search engine and that it is made easily available to almost all consumers at very low costs.

Keeping prices low and relentlessly improving product performance is suddenly illegal under a bizarre new conception of antitrust brought to Washington by anti-business trial lawyers and inefficient competitors. It is a concept that "big is bad" and that market dominance is a de facto antitrust violation because it is unfair to a company's inferior competitors.

This is doubly absurd given that we have the Biden administration accusing companies like grocery stores of RAISING their prices. So in America today, if you raise your prices, you are a greedy profiteer, and if you lower your prices, you're a monopolist that has to pay restitution to your less efficient competitors.

In the days or weeks ahead, the court will decide whether to take steps to break up one of America's most iconic companies or to force it to sell off some of its activities and products. With a market cap of roughly \$2 trillion, Google is one of the five most profitable companies in the world that arguably delivers the largest benefit to consumers on a daily basis of any company in world history.

The argument for breaking up Google gets even more nonsensical when you listen to the Biden administration's cock-eyed legal theories for punishing Google. DOJ's chief antitrust officer says: "This landmark decision paves the path for innovation for generations to come and protects access to information for all Americans."

This is a preposterous statement. Few companies in world history spend more money on product innovation than Google does – as this White Paper shows. And as far as ensuring "access to information for all Americans," no company in history has opened up more access to information than Google. No other company even comes close. It has brought the equivalent of the entire Library of Congress to the fingertips of everyone with a laptop computer in a matter of a few seconds. That's not an antitrust violation; it is a miracle of innovation that deserves our deepest appreciation.

Even worse, this lawsuit piggybacks off the hostile actions by America's European and Chinese tech rivals, whose inferior search engines can't compete with Google. As recourse, they want to loot tens of millions of American shareholders who invest in Google. Instead of defending an American company against foreign raiders, we have the U.S. Justice Department and federal courts giving aid to those hostile lawsuits and bolstering their legitimacy.

Can anyone imagine for a moment that a German, Japanese or a Chinese court would be foolish enough to rule against their own domestic company that has come to dominate a globally strategic industry and has created tens of thousands of high-paying jobs for its citizens while making hundreds of billions of dollars for its own citizen shareholders?

Many conservatives moan that Google has algorithms that discriminate against studies and voices of those on the right of the political spectrum. But there are dozens of other search engines available for disseminating information, and we certainly don't want the government or politicians like Democratic Senators Bernie Sanders and Elizabeth Warren regulating what can and can't be accessed on a private search engine platform. Does anyone think it would be better to trust the accuracy and honest coverage of information from search engines out of China?

# Big Doesn't Mean Bad

Fundamental to the District Court ruling against Google is that it has been TOO successful and its search engine products are TOO valuable to consumers. Even the judge in the case understands the reason for that success. As he **wrote** in the decision, “Google is widely recognized as the best [general search engine] available in the United States.” He went on to assert that Google’s rivals “have not succeeded in part due to their inferior quality” and that “Google has no true competitor . . . [It] is the only real choice.”

Indeed, Google handles about 88 percent of all search queries in North America (and about 91.5 percent globally), even though the switching costs from one search engine to another are nothing more than a few extra clicks. There are many competitors to Google’s search engine. One primary rival, Bing, comes installed with Microsoft Windows – giving it a natural advantage. But fewer than 10 percent of searches in the United States are on Bing. And in 2021, the top search term on Bing was “Google,” **according to SEO Hustlers**.

What’s often lost in abstractions about antitrust law are the extraordinary contributions Google – along with other highly successful technology companies – has enabled: 1) the creation of high-paying American jobs, 2) massive consumer surplus to American businesses and shoppers, and 3) a huge boost to the value of Americans’ stock portfolios (its market cap exceeds \$2 trillion). And Google’s success is not a product of government favoritism, but rather innovative business practices and methods.

But those are far from the only benefits that emanate from being a large company.

## Efficiency and lower prices

In the liberal worldview, large companies use their size to gouge consumers with higher prices. The reality is quite different.

Large companies have typically realized their size through a potent cocktail of innovation and ingenuity – and they’ve succeeded because they offer a better product or service at a lower price. That’s Business 101. And as they grow, they can spread their fixed costs across a larger pool of assets, while also realizing economies of scale. Let’s also remember that in a free-market economy, companies face the constant threat of competition. If they fail to innovate and/or keep their prices too high, they’re going to lose market share to their rivals.

Consider Google. While it has been the largest actor in the digital advertising market for several years, its success has coincided with a multi-year decline in online advertising costs. A **study** published in 2022 by Laffer Associates and Unleash Prosperity found that digital ad time and space that cost \$100 in 2009 cost \$71 in 2022, a decrease of 29 percent. Newspaper advertising only fell 7 percent during that same period.

A more recent **study**, published by the left-leaning Progressive Policy Institute, reached a similar conclusion. It found that from 2010-2022, there was a 27 percent reduction in the price of Internet advertising sales. During the same period, the price of television advertising fell just 1 percent.

The U.S. economy has been saddled with high rates of inflation in recent years. It’s lunacy that the Biden administration, and its supporters, have launched a crusade against a highly-successful company that is helping to keep prices down.

## Resources to invest in new tech

Private sector spending on research and development is fundamental to boosting corporate productivity, which is a linchpin of economic growth. That's because R&D spending unlocks the innovations that eventually spread throughout the economy – giving rise to better products and services at more competitive prices. And it's big companies that make the biggest R&D investments, [as seen in 2023](#):

**Amazon \$85.6 billion**

**Meta \$38.5 billion**

**Apple \$29.9 billion**

**Google \$45.4 billion**

**Merck \$30.5 billion**

**Microsoft \$27.2 billion**

## U.S. Competition Policy Undermining U.S. Competitiveness

For several years, the U.S. government has struck a hostile posture toward technology companies. While the suit against Google was initially filed by the Justice Department during the Trump years, the campaign against tech companies – and mergers in several different industries – dramatically escalated during the Biden presidency.

The Federal Trade Commission, led by Lina Khan, has led this campaign. A recent [report](#) by the House Committee on Oversight documents the extraordinary lengths to which Khan has gone to corral American business. The report points out that Khan has betrayed the Commission's independent mission by abusing her authority, trampling on the due process rights of regulated parties, upending the rule of law, and violating ethics standards. Khan has orchestrated wholesale changes in FTC rulemaking practices and policies--enabling extreme Commission overreach at the expense of consumers, regulated businesses, and the public in general. The Committee report says of FTC under Khan, "Its singular purpose is to impose left-wing ideology over American markets and companies, disregarding American consumers and mirroring the European models that the Khan FTC strives to imitate."

Khan and her fellow crusaders overlook that antitrust laws exist to protect American consumers from companies that gain such large market share they can impose high monopolistic rents on consumers and other business customers.

The FTC's decisions are routinely overturned by the courts – most notably in cases involving Meta and Microsoft. This is predictable. Because as noted above, there is virtually no evidence that Google and other tech platforms are increasing prices. Just the opposite. The prices of everything from computer software, to making online purchases, to cell phones, to accessing social media platforms, to internet communications have fallen over the past three decades.

The case against Google rested on a new legal theory that the company is hurting its competitors — many of which aren't even located in the United States. Many of them are in enemy territory: China. This would be like



Burger King suing McDonald's because more customers are choosing the golden arches. It appears that the crime that Google is being charged with is that the company is TOO successful, and consumers like and use it TOO much.

It's an example of extreme government overreach – and contradicts decades of antitrust precedent. A product that consumers can use for free is judged by a court to be breaking the law – and the beneficiaries from the court ruling will be companies in the same space offering inferior services.

## Collusion with foreign competition agencies

The most extreme example of the Biden administration's anti-corporate mindset came when officials with the Federal Trade Commission tried to kneecap select U.S. companies by colluding with foreign competition authorities.

In two proposed mergers – Illumina-GRAIL and Amazon-iRobot – all of the companies were headquartered in the United States. But both mergers were scuttled after the FTC lobbied European regulators to intervene. Shortly after the Amazon-iRobot merger was called off, iRobot announced it would be laying off 350 employees in the United States – about one-third of its workforce.

The FTC also coordinated with European Union regulators on the U.S. enforcement of the EU's Digital Markets Act and Digital Services Act. Both measures targeted U.S. technology companies – even the Biden administration's trade representative designated the Digital Markets Act a digital trade barrier – and required them to share customer data with third parties – or face punitive fines (up to 20 percent of their global revenue). The Digital Services Act also targeted U.S.-based online service platforms. (Apple has already been charged with violating the Digital Markets Act; Google and Meta are being investigated.)

The report by the House Committee on Oversight notes that, “while the FTC has been supporting EU efforts to adopt laws now being turned on U.S. tech competitors to European companies, the FTC has been failing consistently in proceedings against those same U.S. companies under U.S. laws.”

## Failing to recognize competition from China

The United States is the world's innovative technology leader. Emblematic of this leading position is artificial intelligence, where companies in the United States regularly push forward groundbreaking progress.

But there's no guarantee that America's pre-eminence will continue – and breaking up innovative technology companies could enable other countries to move ahead. A Georgetown University **report** has found that Google has been responsible for more highly cited AI-focused research papers than all but one other entity: the Chinese Academy of Sciences. Number three is China's Tsinghua University. (Stanford and MIT rank fourth and fifth.) And 26 percent of highly-cited publications came from China in 2021, while 17 percent came from the U.S.

A breakup of Google would undermine the company's ability to pursue the cutting-edge research needed to realize more AI progress – and threaten America's broader technological leadership. The winner from this would be entities in China, which are closely linked to the central government. And given the government's increasingly

hostile posture, it's reasonable to expect that China would pursue AI research discoveries that could threaten the economic security and national security of the United States.

One possible remedy in the Google case is splitting off Android from Google. This would also benefit China – the technology giant Huawei, in particular. Huawei would face less competition as it tries to build market share for its Harmony operating system. Yet Harmony has less robust security and data protections than those offered by Google, according to a [report](#) issued last year by Omdia.

## Google cases would raise prices on consumers

One bitter irony of the U.S. versus Google lawsuit is that whereas the entire premise of antitrust lawsuits is to keep prices low for consumers, this lawsuit would undoubtedly make consumers WORSE off, and simply benefit Google competitors with inferior products.

For example, if Google is forced to spin off Android, which is one of the remedies under consideration by the courts, the result would be higher prices for consumers. Today, Android is a free, open-source mobile operating system. With the Android ecosystem being disrupted, the products that use Android – such as phones, personal computers, televisions, headphones, speakers, and watches – will likely face higher costs, as an Android not linked to Google would no longer be free. Consumers would ultimately bear its costs.

Google will also be less innovative, as it will need to constantly focus on the threat posed by regulators in the United States and throughout the world. That diminished innovation – which could impact AI, search, and other aspects of Google's operations – will ultimately harm consumers.

Another proposed remedy is for Google to share its search data and AI technology with other companies. But that could jeopardize the privacy of search data, which could end up in the hands of rivals with less robust security protocols. There's also a simple issue of fairness – the data belongs to Google and the users searched using Google. A government order to share that data means stepping between Google and its users, with the consent of the users.

Breaking up Google, or requiring it to share data, or any number of other possible remedies, would undermine America's technology leadership. As noted above, that could allow China to ascend. Other countries with hostile intentions, such as Russia, could also fill the void.

The broader concern with the ruling against Google is that it punishes success. What message does that send to small, innovative companies? If they have to worry about judges or regulators interfering with them for pioneering new basic practices in order to grow, and potentially forcing companies to share their expertise with rivals, they may shy away from pursuing those practices – or take them to an entirely different jurisdiction. Either way, the American consumer and the American economy suffers.

In soccer, when a player accidentally scores for the other team, it's called an "own goal." The United States has been enabling a massive "own goal" – and it's been doing so deliberately. The victims of this harebrained approach will be U.S. consumers, U.S. investors, and U.S. workers.



It's rare for Europe to show more support for market principles than the United States. Thus it's striking that in September, the European Union's General Court – the EU second highest court – reversed a \$1.6 billion fine the European Commission had levied against Google, charging it with antitrust violations. And it wasn't even close: “The General Court annuls the Commission's decision in its entirety,” the court said in a press release.

This is one of those rare times when U.S. regulators and judges could learn something from their European counterparts.

## Conclusion

The case against Google is predicated on a falsehood: that Google has harmed consumers by allegedly maintaining a monopoly in search services and text advertising as a result of its exclusive distribution agreements.

The government's crusade against Google, and the recent court decision, should be seen for what they are: brazen attempts to interfere in routine business transactions. Underscoring the folly of the campaign against Google is that if those transactions are deemed illegal, the biggest losers could be the alleged victims. As Josh Withrow of R Street [writes](#),

*If this ruling stands, it would set a troubling precedent for all large technology companies and their ability to make voluntary transactions that boost their products. Ironically, while the most logical remedy would be to force Google to sever these search default arrangements, this approach would potentially harm the companies receiving the payments more than Google itself.*

Rather than punishing success, the federal government must factor in consumer welfare when investigating alleged violations of antitrust statutes. Under the consumer welfare standard—the broadly supported analytical framework widely used for decades in antitrust litigation—business practices that benefit consumers through price cuts, innovation, greater choices, and so on are often lawful; those that harm consumers through price increases, reduced quality, or stifled innovation, for example, are often unlawful.

One of the baselines for the government to sue companies on antitrust grounds is evidence of harm: consumers must have suffered as a byproduct of, say, anti-competitive conduct or bid rigging. But it's essential to remember that any company building a better product at a lower cost, and that consumers want to buy, almost by definition harms its competitors. This is the very essence of what Joseph Schumpeter described as the “creative gales of destruction.” Without these competitive forces, our system of free-market capitalism couldn't exist.

Google is a great American success story. It has transformed how people throughout the world access information and today it is on the cutting edge of artificial intelligence – and it has realized these achievements without seeking favoritism from government. It also employs more than 180,000 people in high-paid jobs. Rather than being prosecuted, the company – and others like it – should be celebrated for their contributions to economic progress and national prosperity.

