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Executive Summary

A bill that could radically harm California's economy, employers, and workers, California Assembly Bill 1776, also known as the COMPETE Act, is rushing forward before any meaningful official analysis of its expected costs and benefits has been conducted. This analysis aims to help fill that analytical gap. The results indicate that AB 1776 would jeopardize about $67 billion in GDP and 180,000 full-time equivalent jobs in its first year in effect by reducing GDP by nearly 1.6%. This impact relative to a baseline scenario without the enactment of AB 1776 would continue growing over time, rising to a relative loss of about $1,000 billion ($1 Trillion) and 1,600,000 full-time equivalent jobs by year ten.

AB 1776 was introduced by Assembly Majority Leader Cecilia Aguiar-Curry in February 2026 and amended in March 2026, with a hearing expected in April 2026.[1] This analysis adapts the deterrence-based methodology developed by Garces, Zetenyi, and Banternghansa (Analysis Group, May 2024) in their assessment of state-level antitrust expansion legislation.[2]

AB 1776 would amend the Cartwright Act[3] to extend antitrust liability to single-firm conduct,[4] explicitly decouple California antitrust analysis from federal precedent,[5] prohibit cross-market balancing of competitive effects,[6] and eliminate any market-power threshold requirement.[7]

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[1]AB 1776, as amended, Aguiar-Curry. Cartwright Act: violations. California Legislature, 2025–2026 Regular Session. Full text available at https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1776

[2]Eliana Garces, Kristof Zetenyi, and Big Banternghansa, "Assessment of Economic Costs of Imposing Abuse of Dominance Standards at the State Level," Analysis Group, May 2024. https://ccianet.org/research/reports/assessment-economic-costs-imposing-abuse-dominance-standards-at-state-level/

[3]The Cartwright Act, Cal. Bus. & Prof. Code §§16720–16728, was enacted in 1907. The California Supreme Court has determined the Act is "broader in range and deeper in reach" than the federal Sherman Act. Cianci v. Superior Court (1985) 40 Cal.3d 903, 920.

[4]Section 16731, as added by AB 1776: "One or more persons shall not act, cause, take, or direct measures, actions, or events that are to monopolize or monopsonize in any part of trade or commerce … or in restraint of trade."

[5]Crowell & Moring LLP, "California Considering A Massive Expansion of Its Antitrust Laws," Client Alert (March 2026). https://www.crowell.com/en/insights/client-alerts/california-considering-a-massive-expansion-of-its-antitrust-laws

[6]Section 16731(d), as added by AB 1776: "Anticompetitive effects in one market shall not be offset by purported benefits in a separate market" and "Harm to a person or persons from the challenged conduct shall not be offset by purported benefits to another person or persons."

[7]Section 16732(i), as added by AB 1776: "A single firm or person has or might achieve a market share or has market power at or above a threshold recognized under Section 2 of Title 15 of the United States Code" is listed as a condition that is explicitly "not required" to establish liability.

These provisions go materially beyond the New York Twenty-First Century Antitrust Act that served as the baseline for the original 2024 study.

Under our central scenario, AB 1776 would impose a deterrence intensity approximately 1.4 times that of the New York Bill, owing to more aggressive features of AB 1776 such as the absence of any market-share threshold and the prohibition on cross-market balancing. The central estimates are as follows:

CA AB 1776 Central Scenario Key Results:	
First-Year CA GDP Loss	**$67 Billion (1.6%)**
First-Year CA Employment Loss	**180 Thousand FTE**
CA Growth Rate Reduction	**1.6%**
Year 10 CA GDP Loss	**$1 Trillion (13.8%)**
Year 10 CA Employment Loss	**1.6 Million FTE**

Key Provisions of CA AB 1776

AB 1776 would amend the Cartwright Act, California's principal antitrust statute, enacted in 1907, by changing the definition of "trust" from a combination of acts by "two or more persons" to "one or more persons."[8] This single definitional change has sweeping consequences. But AB 1776, as amended on March 23, 2026, would go even further.

Several key provisions of AB 1776 that distinguish it from the New York Bill analyzed in the original 2024 study include:

(1) No market-power threshold:

AB 1776 explicitly states that a plaintiff is not required to demonstrate that a firm possesses market power at or above any threshold recognized under Section 2 of the Sherman Act.[9] The New York Bill set a 40% market-share presumption for dominance.[10] AB 1776 sets no floor whatsoever, dramatically expanding the population of firms exposed to potential liability.

(2) Prohibition on cross-market balancing:

The bill prohibits anticompetitive effects in one market from being offset by benefits in a separate market, and prohibits harm to one person from being offset by benefits to another

[8]Section 16731, as added by AB 1776: "One or more persons shall not act, cause, take, or direct measures, actions, or events that are to monopolize or monopsonize in any part of trade or commerce … or in restraint of trade."

[9]Section 16732(i), as added by AB 1776: "A single firm or person has or might achieve a market share or has market power at or above a threshold recognized under Section 2 of Title 15 of the United States Code" is listed as a condition that is explicitly "not required" to establish liability.

[10]Eliana Garces, Kristof Zetenyi, and Big Banternghansa, "Assessment of Economic Costs of Imposing Abuse of Dominance Standards at the State Level," Analysis Group for CCIA, May 2024. https://ccianet.org/research/reports/assessment-economic-costs-imposing-abuse-dominance-standards-at-state-level/

person.[11] This directly contradicts the multi-sided platform framework recognized by the Supreme Court in *Ohio v. American Express*[12] and is particularly consequential for technology platforms and diversified firms.

(3) Liberal interpretation directive:

Courts are instructed to liberally interpret California's antitrust laws to best promote free and fair competition, creating an interpretive presumption that favors plaintiffs.[13]

(4) Explicit decoupling from federal precedent:

The bill states that several well-established federal antitrust principles are "not required" to prove a claim, including the as-efficient-competitor test, predatory pricing recoupment, and quantitative evidence requirements.[14]

Two companion bills have also been introduced: SB 1074, the BASED Act, targeting leading digital services with prescriptive regulations inspired by Europe's Digital Markets Act, and SB 1365, which would allow certain city attorneys to bring Cartwright Act claims.[15]

A broad business coalition led by the California Chamber of Commerce has opposed the bill, arguing that no economic or cost-benefit analysis has been conducted to demonstrate either a need for the legislation or an assessment of its likely effects.[16] The coalition characterizes AB 1776 as a "cost driver" that would chill common pro-competitive practices.[17] This analysis contributes to filling that analytical gap.

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[11]Section 16731(d), as added by AB 1776: "Anticompetitive effects in one market shall not be offset by purported benefits in a separate market" and "Harm to a person or persons from the challenged conduct shall not be offset by purported benefits to another person or persons."

[12]*Ohio v. American Express Co.*, 585 U.S. 529 (2018). The Supreme Court held that in two-sided platform markets, anticompetitive effects on one side must be weighed against procompetitive effects on the other. AB 1776 Section 16731(d) explicitly rejects this framework.

[13]Section 16733, as added by AB 1776: "Courts shall liberally interpret California's antitrust laws to best promote free and fair competition and be mindful that California favors 'maximizing' effective deterrence of antitrust violations." Citing *Clayworth v. Pfizer, Inc*. (2010) 49 Cal.4th 758.

[14]Section 16732(a)–(i), as added by AB 1776, lists conditions including altered prior course of dealing, differential treatment, below-cost pricing, and conduct that makes no economic sense apart from its tendency to harm competition. None are "required" to establish liability.

[15]SB 1074 (Wiener), the Blocking Anticompetitive Self-preferencing by Entrenched Dominant platforms (BASED) Act, would ban tech companies with >$1 trillion market capitalization and 100+ million U.S. monthly users from promoting their own products ahead of competitors. Crowell & Moring LLP, "California Considering A Massive Expansion of Its Antitrust Laws," Client Alert (March 2026). https://www.crowell.com/en/insights/client-alerts/california-considering-a-massive-expansion-of-its-antitrust-laws

[16]California Chamber of Commerce, "Business Groups Oppose Undermining of California's Antitrust Law in AB 1776," February 17, 2026. https://advocacy.calchamber.com/2026/02/17/business-groups-oppose-undermining-of-californias-antitrust-law-in-ab-1776/

[17]CCIA, "CalChamber Led Coalition Letter on California AB 1776", March 31, 2026, available at https://ccianet.org/library/calchamber-led-coalition-letter-on-california-ab-1776/

CA AB 1776 Would Create Uncertainty, Litigation, and Costs, Jeopardizing California's Economic Engine

California is home to 58 Fortune 500 companies.[18] The state's economy, now the fourth largest in the world with a GDP approaching $4.3 trillion, is powered by the revenues earned by, and billions of dollars in compensation and taxes paid by, these leading companies centering their operations in the state.

As an illustrative example, state income tax withholding on stock-based compensation from technology companies has grown to more than $10 billion annually, underscoring how deeply California's fiscal health depends on maintaining a hospitable environment for technology companies.[19] In short, the firms that AB 1776 would subject to dramatically expanded antitrust liability risks and costs are the same firms generating the tax revenue that funds California's schools, infrastructure, and public services.

AB 1776 would significantly expand litigation risk for these employers by broadening the Cartwright Act's reach to single-firm conduct, eliminating any market-power threshold, prohibiting cross-market balancing of competitive effects, and instructing courts to liberally interpret the statute in favor of plaintiffs. These provisions would expose routine business practices like volume discounts, loyalty programs, and bundled product offerings to potential liability under a legal framework explicitly decoupled from the federal consumer welfare standard.

Companion legislation would further amplify this risk: SB 1365 would empower certain city attorneys to bring Cartwright Act claims independently, multiplying the number of potential enforcement actions by allowing ambitious local politicians to get a media spotlight for imposing litigation and related costs on leading California employers and taxpayers. The combined effect would be to create a litigation environment in which California businesses, regardless of market share, could face antitrust exposure for conduct that is recognized as routine and generally procompetitive under established federal law and case law.

This expanded litigation risk comes at a time when California is already losing major employers to states with more favorable regulatory and tax environments. According to CBRE, 561 companies relocated their headquarters nationwide between 2018 and 2024, with the San Francisco Bay Area suffering a net loss of 156 corporate headquarters over that period, which was the steepest decline of any metro area in the country.[20] High-profile departures include Chevron (to Houston), Tesla, SpaceX, and X (to Texas), Oracle (initially to Austin, then

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[18] Fortune, "Fortune 500" (June 2025); Governor of California, "California leads the nation—again—with most Fortune 500 companies" (June 4, 2025). https://www.gov.ca.gov/2025/06/04/california-leads-the-nation-again-with-most-fortune-500-companies

[19] California Legislative Analyst's Office, "California's Economy and Taxes" (2026), noting stock-pay withholding exceeds $10 billion annually. https://lao.ca.gov/laoecontax; https://lao.ca.gov/LAOEconTax/Article/Detail/843

[20] CBRE, corporate headquarters relocation data (2018–2024), as reported in Fox News, "Red states keep winning over corporations fleeing blue strongholds" (Feb. 27, 2026). https://www.foxnews.com/politics/red-states-keep-winning-over-corporations-fleeing-blue-strongholds-what-know

Nashville), Charles Schwab (to Westlake, Texas), Hewlett Packard Enterprise (to Houston), McKesson (to Irving, Texas), and Public Storage (to Frisco, Texas).[21]

The Tax Foundation ranks California 48th out of 50 states on its 2026 State Tax Competitiveness Index, noting that the state's top marginal individual income tax rate of 13.3 percent, compounded by a 1.1 percent uncapped payroll tax, yields an all-in top rate of 14.4 percent, and that its "tax code that is uncompetitive and threatens to get worse is increasingly driving jobs to other states."[22] Companies that have relocated consistently cite high taxes, burdensome regulation, and elevated operating costs as primary motivations. AB 1776 would add a potent new factor to that calculus: the prospect of facing the most aggressive state-level antitrust regime in the country, one that explicitly rejects the federal precedents on which firms have relied for decades to structure procompetitive business conduct.

The fiscal consequences of accelerated business departures would be severe. California already faces projected structural deficits of approximately $35 billion annually starting in 2027–28,[23] driven in part by the state's heavy reliance on income taxes from high earners and capital gains; these are revenue streams that decline when wealthy residents and major employers leave.[24] The Legislative Analyst's Office has cautioned that the recent AI-driven surge in income tax collections is likely temporary and should not be treated as a durable revenue base.[25]

Against this backdrop, a policy that deters investment, chills procompetitive business practices, and encourages firms to relocate operations to jurisdictions with more predictable legal frameworks would compound an already precarious fiscal situation. The businesses most directly affected, including technology companies and digital services providers, are precisely the employers whose income and payroll tax contributions have been propping up the state's budget in recent years. Undermining the conditions that keep these firms in California would jeopardize not only the jobs they provide but the tax revenue on which millions of Californians depend.

[21] Newsweek, "List of Companies Leaving California for Texas" (Feb. 25, 2026). https://www.newsweek.com/list-companies-leaving-california-texas-11579051
[22] Tax Foundation, "2026 State Tax Competitiveness Index: California" (Oct. 2025). https://taxfoundation.org/statetaxindex/states/california/
[23] https://lao.ca.gov/Publications/Report/5091 (“Starting in 2027-28, we estimate structural deficits to grow to about $35 billion annually due to spending growth continuing to outstrip revenue growth.”)
[24] California Legislative Analyst's Office, "The 2025–26 Budget: California's Fiscal Outlook" (Nov. 2024). https://lao.ca.gov/Publications/Report/4939
[25] California Legislative Analyst's Office, "The 2025–26 Budget: California's Fiscal Outlook" (Nov. 2024). https://lao.ca.gov/Publications/Report/4939

The Modeling Approach

The framework developed by Garces, Zetenyi, and Banternghansa (2024)[26] models the economic costs of state-level antitrust expansion through a deterrence mechanism. The central logic proceeds in five steps:

Step 1:

Firms considering procompetitive conduct (M&A or unilateral practices such as bundling, vertical restraints, and exclusive dealing) weigh the expected benefits against the expected regulatory costs. When expected costs exceed expected benefits, the procompetitive conduct is deterred.

Step 2:

The expected regulatory cost is a function of three parameters that vary by firm size: the investigation rate (probability of being investigated), the challenge rate (probability of being challenged given investigation), and the block/injunction rate (probability of an adverse outcome given challenge). These baseline rates are drawn from Clougherty and Seldeslachts (2013).[27]

Step 3:

Litigation costs are calibrated based on a 2017 survey of legal spending.[28] Settlement costs are set at 20% of foregone benefits.[29] For unilateral conduct, treble damages apply under the Cartwright Act.[30]

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[26]Eliana Garces, Kristof Zetenyi, and Big Banternghansa, "Assessment of Economic Costs of Imposing Abuse of Dominance Standards at the State Level," Analysis Group for CCIA, May 2024. https://ccianet.org/research/reports/assessment-economic-costs-imposing-abuse-dominance-standards-at-state-level/

[27]Joseph Clougherty and Jo Seldeslachts, "The Deterrence Effects of US Merger Policy Instruments," Journal of Law, Economics, & Organization 29, no. 5 (2013): 1114–1144. Reports HSR investigation rate of ~8%, challenge rate among investigated transactions of ~10%, and block rate among challenged transactions of ~8.73%.

[28]Acritas, "Patterns in Legal Spend Report," June 2017. Finds U.S. firms spend on average 0.39% of revenue on litigation. https://phillipskaiser.com/wp-content/uploads/2018/06/acritas_legal_spend_report_2017.pdf

[29]Thad Westbrook, Mitchell Brown, and Thomas Hydrick, "Consent Decrees' Hidden Costs to Businesses and Consumers," Washington Legal Foundation, July 30, 2021. Documents substantial foregone revenue from consent decrees. https://www.wlf.org/2021/07/30/publishing/consent-decrees-hidden-costs-to-businesses-and-consumers/

[30]Cal. Bus. & Prof. Code §16750(a): "Any person who is injured … by reason of anything forbidden or declared unlawful by this chapter, may sue therefore … and shall recover three times the damages sustained by him."

Step 4:

Benefits from M&A are calibrated at approximately 1% of revenue, based on Healy, Palepu, and Ruback (1992).[31] Benefits from unilateral conduct (bundling, vertical restraints) are calibrated at approximately 5.0% of revenue, based on Crawford and Yurukoglu (2012).[32] The prevalence of procompetitive M&A is 4.5% of firms per year, and the prevalence of procompetitive unilateral conduct is 55% of firms.[33]

Step 5:

Deterred conduct produces foregone profits, which reduce investment (per Lewellen and Lewellen 2016)[34], R&D spending (per Brown, Fazzari, and Petersen 2009),[35] payroll, and employment.

The original paper applied this framework to seven states, finding that implementing New York Twenty-First Century Antitrust Act-type legislation in California would reduce first-year GDP by 1.1% ($40 billion on 2022 GDP of approximately $3.6 trillion) and cost 116,000 jobs.[36]

We adapt the original methodology in two principal ways. First, we recalibrate the intervention rate parameters to reflect AB 1776's more aggressive provisions. Second, we update the macroeconomic inputs to 2024–25 data.

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[31]Paul Healy, Krishna Palepu, and Richard Ruback, "Does Corporate Performance Improve after Mergers?," Journal of Financial Economics 31, no. 2 (1992): 135–175. Finds average operating cash flow improvements of approximately 1% of sales following mergers.

[32]Gregory Crawford and Ali Yurukoglu, "The Welfare Effects of Bundling in Multichannel Television Markets," American Economic Review 102, no. 2 (2012): 643–685. Reports that bundling increases industry profits by up to 14.5% absent input cost renegotiation and generates total surplus gains of 2.4–6.0% across specifications. We use 5.0%, reflecting the midpoint of the total surplus range and the lower portion of the industry profit range, as the calibration for firm-level benefits of procompetitive bundling and related unilateral practices.

[33]Andrew Stevens and Jim Teal, "Diversification and Resilience of Firms in the Agrifood Supply Chain," American Journal of Agricultural Economics (2023). Finds 71% of firms are horizontally diversified. We define procompetitive unilateral conduct broadly to include any firm-level practice that could face scrutiny under AB 1776's expanded liability framework, including volume discounts, bundled product offerings, selective distribution arrangements, exclusive dealing, and loyalty programs. See also McKinsey & Company, "Growing Beyond the Core Business, Survey," July 2015 (75% of firms pursue activities outside core business); BDC, "Diversify, Diversify, Diversify," November 2015 (68% of small/mid-sized firms have multiple product lines).

[34]Jonathan Lewellen and Katharina Lewellen, "Investment and Cash Flow: New Evidence," Journal of Financial and Quantitative Analysis 51, no. 4 (2016): 1135–1164, at Table 4. Estimates investment-cash flow sensitivity of $0.67 for financially constrained (small) firms, $0.60 for medium firms, and $0.53 for unconstrained (large) firms.

[35]James Brown, Steven Fazzari, and Bruce Petersen, "Financing Innovation and Growth: Cash Flow, External Equity and the 1990s R&D Boom," Journal of Finance 64, no. 1 (2009): 151–185. Finds that an additional dollar of profits leads to a $0.16 increase in R&D spending in technologically intensive industries.

[36]Eliana Garces, Kristof Zetenyi, and Big Banternghansa, "Assessment of Economic Costs of Imposing Abuse of Dominance Standards at the State Level," Analysis Group for CCIA, May 2024. https://ccianet.org/research/reports/assessment-economic-costs-imposing-abuse-dominance-standards-at-state-level/

Rather than re-estimating the full structural model from first principles, we compute a composite deterrence intensity index for each scenario and scale the original paper's California results by the index ratio. This approach preserves the internal consistency of the original model while allowing transparent adjustment for AB 1776's specific features. For the central scenario, the scale factor is approximately 1.4.

Conclusion

AB 1776 represents one of the most expansive state-level antitrust reforms proposed in the United States. Its elimination of market-power thresholds,[37] prohibition on cross-market balancing,[38] and liberal interpretation directive[39] would create a regulatory environment substantially more aggressive than the New York Twenty-First Century Antitrust Act.

Our analysis estimates that the bill's central-scenario cost to California's economy would be approximately $67B in foregone GDP and 180K lost jobs in the first year, which is roughly 40% higher than the comparable estimates for the New York Bill after updating inputs to the latest available data. Over a decade, the annual GDP loss could reach $1 trillion and the foregone job creation could reach 1.6 million full-time equivalents. These costs would be borne not only by leading employers in the state, but small and medium enterprises would also face material compliance burdens.[40]

The California Chamber of Commerce coalition's observation that no economic analysis has accompanied this legislation is well-founded.[41] The costs identified in this analysis are significant, and they underscore the urgency of additional rigorous cost-benefit analysis before the bill advances further.

[37]Section 16732(i), as added by AB 1776: "A single firm or person has or might achieve a market share or has market power at or above a threshold recognized under Section 2 of Title 15 of the United States Code" is listed as a condition that is explicitly "not required" to establish liability.

[38]Section 16731(d), as added by AB 1776: "Anticompetitive effects in one market shall not be offset by purported benefits in a separate market" and "Harm to a person or persons from the challenged conduct shall not be offset by purported benefits to another person or persons."

[39]Section 16733, as added by AB 1776: "Courts shall liberally interpret California's antitrust laws to best promote free and fair competition and be mindful that California favors 'maximizing' effective deterrence of antitrust violations." Citing Clayworth v. Pfizer, Inc. (2010) 49 Cal.4th 758.

[40]U.S. Small Business Administration, "2024 Small Business Profile: California." Small businesses (fewer than 500 employees) represent 99.9% of California businesses and employ roughly half of the state's private-sector workforce. https://advocacy.sba.gov/2024/04/24/2024-small-business-profile-california/

[41]California Chamber of Commerce, "Business Groups Oppose Undermining of California's Antitrust Law in AB 1776," February 17, 2026. https://advocacy.calchamber.com/2026/02/17/business-groups-oppose-undermining-of-californias-antitrust-law-in-ab-1776/