

Apple at One Trillion

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Apple being worth one trillion dollars is certainly an accomplishment given that most companies that could have possibly become as large have split apart into multiple companies by shareholder desire or regulatory mandate. Apple could eventually suffer a similar fate if shareholders view separate pieces of Apple as being worth more than one large Apple. This will be an omnipresent challenge for Apple's management going forward as it continues to grow.

At the moment a regulatory "break-up" of Apple like that of Bell Telephone many years ago seems unlikely. However, the manner in which Apple dominates some markets could lead to eventual regulatory scrutiny that could inhibit growth or force Apple to cast off a piece of itself.

What this may also indicate is that the global economy has grown to a scale that can accommodate trillion dollar companies while hopefully still being competitive. This is a landscape that is unfamiliar and will be a challenge for regulators. New issues will emerge in considering that a company may need to be near monopolistic in a given country or industry in order to be competitive internationally. However, such a consideration is in direct conflict with a regulator's obligation to protect consumers from monopolistic pricing. As the global economy becomes larger with more trillion dollar companies, how do individual country regulatory bodies fit into an economy of that scale?

Ultimately, I think Apple's accomplishment is indicative of a global economy that is becoming much larger with more trillion dollar companies to appear in the future. The regulation of such growth may not be contained within the legal boundaries

of a given country which indicates a level of global cooperation that, at the moment, does not seem very probable. This is the challenge that a trillion dollar Apple introduces.



About the Author: Tom Arnold is a Professor of Finance at the Robins School of Business at the University of Richmond. His research appears in the *Journal of Finance*, *Journal of Business*, the *Financial Analysts Journal*, the *Journal of Applied Corporate Finance*, and the *Journal of Financial Education*. His research has been mentioned in *The Wall Street Journal*, *The Washington Post*, *The New York Times*, and the *Economist*.