

Microsoft antitrust 3468

[Technology](#), [Computer](#)



Since 1990, a battle has raged in United States courts between the United States

government and the Microsoft Corporation out of Redmond, Washington, headed by

Bill Gates. What is at stake is money. The federal government maintains that

Microsoft's monopolistic practices are harmful to United States citizens,

creating higher prices and potentially downgrading software quality, and should

therefore be stopped, while Microsoft and its supporters claim that they are not

breaking any laws, and are just doing good business. Microsoft's antitrust

problems began for them in the early months of 1990(Check 1), when the Federal

Trade Commission began investigating them for possible violations of the Sherman

and Clayton Antitrust Acts,(Maldoom 1) which are designed to stop the formation

of monopolies. The investigation continued on for the next three years without

resolve, until Novell, maker of DR-DOS, a competitor of Microsoft's MS-DOS,

filed a complaint with the Competition Directorate of the European Commission in

June of 1993. (Maldoom 1) Doing this stalled the investigations even more, until

finally in August of 1993, (Check 1) the Federal Trade Commission decided to hand

the case over to the Department of Justice. The Department of Justice moved quickly, with Anne K. Bingaman, head of the Antitrust Division of the DOJ,

leading the way. (Check 1) The case was finally ended on July 15, 1994, with

Microsoft signing a consent settlement. (Check 1) The settlement focused on

Microsoft's selling practices with computer manufacturers. Up until now,

Microsoft would sell MS-DOS and Microsoft's other operating systems to

original equipment manufacturers (OEM's) at a 60% discount if that OEM agreed

to pay a royalty to Microsoft for every single computer that they sold (Check 2)

regardless if it had a Microsoft operating system installed on it or not. After

the settlement, Microsoft would be forced to sell their operating systems

according to the number of computers shipped with a Microsoft operating system

installed, and not for computers that ran other operating systems. (Check 2)

Another practice that the Justice Department accused Microsoft of was that

Microsoft would specify a minimum number of minimum number of operating systems

that the retailer had to buy, thus eliminating any chance for another operating

system vendor to get their system installed until the retailer had installed all

of the Microsoft operating systems that it had installed.(Maldoom 2) In addition

to specifying a minimum number of operating systems that a vendor had to buy,

Microsoft also would sign contracts with the vendors for long periods of time

such as two or three years. In order for a new operating system to gain

popularity, it would have to do so quickly, in order to show potential buyers

that it was worth something. With Microsoft signing long term contracts, they

eliminated the chance for a new operating system to gain the popularity needed,

quickly.(Maldoom 2) Probably the second most controversial issue, besides the

per processor agreement, was Microsoft's practice of tying. Tying was a practice in which Microsoft would use their leverage in one market area, such as

graphical user interfaces, to gain leverage in another market, such as operating

systems, where they may have competition.(Maldoom 2) In the preceding example,

Microsoft would use their graphical user interface, Windows, to sell their operating system, DOS, by offering discounts to manufacturers that purchased

both MS-DOS and Windows, and threatening to not sell Windows to companies who

did not also purchase DOS. In the end, Microsoft decided to suck it up and sign

the settlement agreement. In signing the agreement, Microsoft did not actually

have to admit to any of the alleged charges, but were able to escape any type of

formal punishment such as fines and the like. The settlement that Microsoft agreed to prohibits it, for the next six and a half years from: * Charging for its operating system on the basis of computer shipped rather than on copies of

MS-DOS shipped; * Imposing minimum quantity commitments on manufacturers; *

Signing contracts for greater than one year; * Tying the sale of MS_DOS to the

sale of other Microsoft products;(Maldoom 1) Although these penalties look to

put an end to all of Microsoft's evil practices, some people think that they are not harsh enough and that Microsoft should have been split up to put a stop

to any chance of them forming a true monopoly of the operating system market and

of the entire software market. On one side of the issue, there are the people who feel that Microsoft should be left alone, at least for the time being. I am one of these people, feeling that Microsoft does more good than bad, thus not

necessitating their breakup. I feel this way for many reasons, and until Microsoft does something terribly wrong or illegal, my opinion will stay this way. First and foremost, Microsoft sets standards for the rest of the industry to follow. Jesse Berst, editorial director of Windows Watcher newsletter out of Redmond, Washington, and the executive director of the Windows Solutions Conference, says it best with this statement: " To use a railroad analogy, Microsoft builds the tracks on which the rest of the industry ships its products." (" Why Microsoft (Mostly) Shouldn't Be Stopped." 4)

With Microsoft creating the standards for the rest of the computer industry, they are able to create better standards and build them much faster than if an

outside organization or committee were to create them. With these standards set,

other companies are able to create their applications and other products that much faster, and better, and thus the customers receive that much better of a

product. Take for instance the current effort to develop the Digital Video Disc (DVD) standard. DVD's are compact discs that are capable of storing 4900

megabytes of information as apposed to the 650 megabytes that can be stored on a

CD-ROM disc now. For this reason, DVD's have enormous possibilities in both the computer industry and in the movie industry. For about the last year, companies such as Sony, Mitsubishi, and other prominent electronics manufacturers have been trying to decide on a set of standards for the DVD format. Unfortunately, these standards meetings have gone nowhere, and subsequently, many of the companies have broken off in different directions, trying to develop their own standards. In the end, there won't be one, definite standard, but instead, many standards, all of which are very different

from one another. Consumers will be forced to make a decision on which standard

to choose, and if they pick the wrong one, they could be stuck down the road with a DVD player that is worthless. Had only one company set the standards,

much like Microsoft has in the software business, there wouldn't be the confusion that arose, and the consumers could sit back and relax, knowing that

the DVD format is secure and won't be changed. Another conclusion that many

anti-Microsoft people and other people around the world jump to is that the moment that we have a company, such as Microsoft, who is very successful, they

immediately think that there must be something wrong; they have to be doing

something illegal or immoral to have become this immense. This is not the case.

Contrary to popular belief, Microsoft has not gained its enormous popularity through monopolistic and illegal measures, but instead through superior products. I feel that people do have brains, and therefore have the capacity to

make rational decisions based on what they think is right. If people didn't like the Microsoft operating systems, there are about a hundred other choices

for operating systems, all of which have the ability to replace Microsoft if the people wanted them. But they don't, the people for the most part want Microsoft operating systems. For this reason, I don't take the excuse that

Microsoft has gained their popularity through illegal measures. They simply created products that the people liked, and the people bought them. On the other side of the issue, are the people who believe that Microsoft is indeed operating in a monopolistic manner and therefore, the government should intervene and split Microsoft up. Those who are under the assumption that Microsoft should indeed be split up, believe that they should either be split into two separate companies: one dealing with operating systems and the other dealing strictly with applications. The other group believes that the government should further split Microsoft up into three divisions: one company to create operating systems, one company to create office applications, and one company to create applications for the home. All of these people agree that Microsoft should be split up, anyway possible. The first thing that proponents of Microsoft being split up argue that although Microsoft has created all kinds of standards for the computer software industry, in today's world, we don't necessarily need

standards. Competing technologies can coexist in today's society, without the

need for standards set by an external body or by a lone company such as

Microsoft. A good analogy for this position is given in the paper, " A Case

Against Microsoft: Myth Number 4." In this article, the author states that

people who think that we need such standards, give the example of the home video

cassette industry of the late 1970's. He says that these people point out that

in the battle between the VHS and Beta video formats, VHS won not because it was

a superior product, but because it was more successfully marketed. He then goes

to point out that buying an operating system for a computer is nothing at all

like purchasing a VCR, because the operating system of a computer defines that

computer's personality, whereas a VCR's only function is to play movies, and

both VHS and Beta do the job equally. Also, with the development of camcorders,

there have been the introduction of many new formats for video tapes that are

all being used at once. VHS-C, S-VHS and 8mm formats all are coexisting together

in the camcorder market, showing that maybe in our society today, we are not in

need of one standard. Maybe we can get along just as well with more than one

standard. Along the same lines, there are quite a few other industries that can

get along without one standard. Take for instance the automobile industry. If you accepted the idea that one standard was best for everyone involved, then you

would never be tempted to purchase a BMW, Lexus, Infiniti, Saab or Porsche automobile, due to the fact that these cars all have less than one percent market share in the automobile industry and therefore will never be standards.

Probably the biggest proponent of government intervention into the Microsoft

issue is Netscape Communications, based out of Mountain View, California.

Netscape has filed law suits accusing Microsoft of tying again. (" Netscape's Complaint against MicroSoft." 2) This time, Microsoft is bundling their world wide web browser, Internet Explorer 3. 0 into their operating system, Windows 95. Netscape is the maker of Netscape Navigator, currently the most widely used internet browser on the market, and now, facing some fierce competition from Microsoft's Internet Explorer. Netscape says that in addition to bundling the browser, Microsoft was offering Windows at a discount to original equipment manufacturers (OEM's), (" Netscape's Complaint against MicroSoft." 2) to feature Internet Explorer on the desktop of the computers that they shipped, thus eliminating any competition for space on the desktop by rival companies such as Netscape. If the OEM wants to give the consumer a fair and even choice of browsers by placing competitors'

browser icons in a comparable place on the desktop, Netscape has been informed

that the OEM must pay \$3 more for Windows 95 than an OEM that takes the Windows

bundle as is and agrees to make the competitors' browsers far less accessible

and useful to customers. ("Netscape's Complaint against Microsoft.")

2) Another accusation that Netscape is making against Microsoft is that they are

doing the same type of things with the large internet service providers of the

nation. They are offering the large internet providers of the nation, such as

Netcom and AT&T, space on the Windows 95 desktop, in return for the internet

provider's consent that they will not offer Netscape Navigator, or any other

competing internet software to their customers. ("Netscape's Complaint

against Microsoft.") 3) Netscape is becoming ever more concerned with

Microsoft's practices, because for now, they are going untouched by the

government and it looks as if it will stay that way for quite some time now.

The

are very much worried, as they watch the numbers of users switching to

Microsoft's browser, and the number of users using Navigator slipping.

Besides

all of the accusations of monopolistic actions Netscape lay down on them,

Microsoft does seem to have one advantage when it comes to the browser wars.

Their new browser, version 3.0, matches Netscape's feature for feature, with

one added plus: it is free and Microsoft says that it always free. So is their

internet server, Internet Information Server. Whereas Netscape charges \$50 and

\$1500 for their browser and their web server, respectively. ("Netscape's

Complaint against Microsoft." 3) With all the information that has been

presented for both sides of the issue, you are probably left in a daze, not

knowing what to think. Is Microsoft good? Or is Microsoft bad? Well, the answer

is a little bit of both. Even though the Justice Department found that Microsoft

might be practicing some techniques that are less than ethical, they did not

find that Microsoft was breaking any anti-trust laws, nor did Microsoft actually

admit to the accusations when they signed the agreement. If anything, them signing the agreement was more of a sorry than an full fledged admission of guilt. Other people might disagree with me, and there might be a lot of allegations floating around from different companies, but the fact of the matter

is plain and simple. Microsoft has not been formerly charged and found guilty of

any illegal practices pertaining to them being a monopoly. I believe that the government should stay out of the affairs of the economy, rather than get tangled up in a mess, and just end up deadlocked like the FTC did in 1990.

And

even if the government did get involved, due to the extremely fast paced nature

of the computer industry, and the extremely slow nature of the government, there

may not be any resolve for quite a while.

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