Antitrust practices and market power

Business

Antitrust Practices and Market Power The United s vs. Microsoft was an antitrust law case where Microsoft was accused of abusing its monopoly power and engaging in activities that violated the Sherman Antitrust Act. The case was filed by twenty states and the United States department of justice. The primary complaint was that Microsoft abused its power bout the sale of the operating system and the web browsers. Its Intel-based computers contained the software, and they came hand in hand with the computer. The issue was whether it was right to present the two items as a pair without giving any opportunity to the rest of the web-browsers in the market (Economides, 2001). By pairing the two together, every Windows user had a copy of the internet explorer which led to Microsoft's victory in the market. It was clear that bundling them together had restricted the access for other browsers in the market that had to be bought. It is alleged that Microsoft used its monopoly power to favor the internet explorer over the other web browsers.

In its defense, Microsoft said that merging its operating system and the Internet Explorer was as a result of fair competition and invention, and that would enable users to use the internet explorer for free. It was still clear whether the operating system and the Internet Explorer were two separate items or whether they were one piece. However, Microsoft maintained that it had made its operating system a bit more expensive, and thus it could not be said to be y free. The case focused on predatory strategies Microsoft had engaged in and a market barrier to entry as opposed to interoperability (Brinkley, 2000). The action by Microsoft to favor internet explorer over the rest of the browsers in the market violated the Sherman antitrust law section 1and 2 where Section one states that any contract that would cause restraint

in trade among several states and thus the contract could be declared illegal. Section two, on the other hand, states that any company that will attempt to monopolize any part of trade shall be declared guilty of a felony punishable in a court of law (St. Olaf College, 2004).

A monopoly is a company that has only one seller in the market who has absolute rights in a particular interest, and they are te only seller in the market thus have the right to fix the price. In most cases, the cost of entering into the market is very high thus causing a barrier to entry to new entrants. The monopoly fixes the price as consumers will still buy. There are monopolies owned by the government especially where the good concerned is too sensitive to be handled by private owners. Oligopoly, on the other hand, is a market structure where there are only a few firms dealing with the same product and control the market as they set prices. Since the products are usually almost the same, they engage in price wars. A company that sets its prices lower than the rest is likely to get a higher market share than the rest. Due to this issue, sometimes the companies agree to price fixing where there is a price floor and a price ceiling.

Monopolies and oligopolies have a bad reputation for reducing the standards due to absolute power in the market. They have the absolute power to do anything that they wish because the consumer will still demand the goods. However, monopolies sometimes benefit the society in several ways especially if the product in question is a necessity. For instance, in the case of oil companies that are oligopolistic in nature, the government can regulate the prices through price fixing and thus ensuring that the consumer is not disadvantaged. In the case of automobile companies, the different companies aim at producing quality goods to the consumer and thus

benefiting the entire market. A monopoly, such as the Kenya power and lighting company in Kenya is controlled by the government (Mwale, 2001). There are standard prices set by the government that enable consumers to get power at fordable prices. When the monopolies are in the water, power and gas industry, then the buyer is assured of fair prices for quality goods.

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