

# The microsoft case

Business



## The Microsoft Case

Microsoft antitrust behavior investigation was because of monopoly that its product enjoyed in the market. America believes in a free market where individuals or groups have an opportunity to make a choice on what to do in the market. Microsoft antitrust behavior resulted from its action of creating and enforcing universal operating system in personal computers, which dictated the kind of computer that an individual would use (Wilcox). This has created an imperfect competition in the market. I agree that Microsoft was trying to gain power in the computer industry because Microsoft made difficult for people to make rational choices in the market. The behavior of Microsoft in the market employs x-inefficiency tactics. The operating systems that Microsoft produced dictated the machine that an individual would buy. Microsoft cooperation developed rent-seeking behavior by initiating mechanisms, which hampered competition in the industry.

Argument against monopoly may portray the practice as bad, but it has numerous merits if adopted in the market. Monopoly leads to economic development as portrayed in the case of Microsoft. The economic profit that Microsoft makes contributes towards the economic growth of United States of America. Another benefit of monopoly is that the producers are responsible for their products. Market structure refers to players involved in the market. Monopoly provides a single player in the market who does not face any competition in the market. Pure monopoly has the following characteristics in the market a single firm in the market, the firm dictate the price of the product in the market, substitute goods are absent in the market and barriers to market entry exists (Trucker, 2010). Marginal cost that the firm incurs influence the price of its products. In the case of Microsoft, other

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firms could not penetrate the market because the operating system that Microsoft developed accepted specific machines in the market. Microsoft products promote bundling in the industry. This development made Microsoft to enjoy pure monopoly that has made to command the market power in the industry.

Market barriers influence the players into the market. Microsoft case developed operating system that could not be used by other firm. Attempts by other firms to develop system that would substitute products for Microsoft have been futile. This has limited the players in the market. Microsoft uses the market barrier to safe guard the profit of the corporation. Natural monopoly occurs when the start up cost for a particular business is quite high. The high start up cost will lock firms or individuals from venturing in specific line of business. The government may come in to regulate cases of natural monopoly because it aims at protecting its consumers.

Natural monopoly may lead to dead weight loss to society. The case of Microsoft cooperation is not natural monopoly because many firms are willing to get into the market but Microsoft has consistently produced operating systems that have made it difficult for the firms to penetrate the market. Government monopoly is a case where cooperation owned by the government supplies the product in the market without competition. The demand curve slopes downward because of the relationship between quantity demanded and price of the products. Demand increases with a decrease in prices. Microsoft enjoys economies of scale due to the expansion it makes into the market. The price setting power lies in the hands of the firm that enjoys monopoly. In this case, Microsoft enjoys monopoly pricing. When firms are in competition, market forces would act as the price marker.

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In conclusion, monopoly creates incomplete competition in the market.

#### References

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