

Anti-trust behavior of microsoft

Literature, Russian Literature



Microsoft is leader in the operating systems market having dominated the market since 1990s. More than 90% of the personal computers in the world arerun through Microsoft's Windows operating system. Such penetration into this market therefore created a strong argument that Microsoft has monopolized this market and should be tried under the anti-trust laws of the country.

There were two potential reasons for the investigation of Microsoft for its anti-trust behavior i. e. its power to charge higher prices than what Windows Operating System could have fetched in the competitive market and its overall market share in the operating systems market as well as in the internet browser i. e. Internet Explorer.

In economics, a monopoly is a special type of market structure where there is only one seller and many buyers with products which have not close substitutes. In such market position, a seller can either attempt to gain complete control over the market and can set prices higher than what could be achieved in truly competitive market or increase or decrease the quantity produced. There are however, certain other conditions to be met if one can completely characterize a firm as a pure monopoly. One of the key characteristics of monopoly market structure is the high barriers to entry either through technological sophistication or through other legal barriers. Further, seller must have the ability to discriminate on price by either reducing the quantity or price in order to sell more. It is also important to note that the firm is considered as the industry itself therefore the study of the firm is also considered as the study of market. (Pindyck & Rubinfeld, 2001)

Considering above assumptions in mind, it could be argued that Microsoft is not a monopoly in its complete sense. Firstly, there were other operating systems already being sold in the market i. e. Apple's operating system as well as Linux and UNIX. Further, since the nature of software is such that its quality cannot be lowered with the passage of time. Further, there were no technical barriers to enter into the market as the product was not developed by using some unique skills or material which were not available to other suppliers in the market. (Chan, The Seattle Times)

It was the overall quality and ease with which a general consumer can use Microsoft's operating system which made it the number one choice for the consumers. The price as well as the graphical user interface of the operating system actually made it simpler for the end users to operate the system without any particular technical knowledge about computer programming. Monopolies could be good because they are quick to achieve the economies of scale and avail lower average variable cost. Low cost therefore could result into the low prices therefore monopolies could be helpful in allowing consumers to enjoy lower prices. For example, Google's search engine services are offered free of cost despite the fact that Google also has achieved the virtual status of a monopoly in the search engine market. Though Google is a monopoly however, its services are offered free of cost to every user therefore this type of monopoly can be good.

Bibliography

Chan, S. P. (The Seattle Times, May 11). Long antitrust saga ends for Microsoft. Retrieved July 25, 2011, from http://seattletimes.nwsourc.com/html/microsoft/2015029604_microsoft12.html

Pindyck, R., & Rubinfeld, D. (2001). Microeconomics. New York: Prentice-Hall .