

The microsoft case

Business



Section/# Microsoft and Monopoly? Although monopolies are inarguably bad for the market place, the level to which the term is thrown around in modern society in an almost careless manner. As such, the meaning and exact definition of the term has become a bit blurred and lost to society as a whole. In 1998, Microsoft was investigated for anti-trust breach as it related to the Sherman Act of 1890 (Holstein, 1997). As such, the purpose of this brief essay is to take the position that although monopolies are inherently bad for the marketplace, at the time that federal regulators began attempting to break it up, was not an actual monopoly as measured by the true meaning of the term. Additionally, it will be convincingly argued that Microsoft was indeed not a monopoly at the time of the investigation. Some key points that characterize a pure monopoly are the following: 1) only one firm in the market 2) significant barriers to entry exist 3) lack of substitute goods 4) firm is a price-maker.

When one examines Microsoft of the late 1990's, it becomes clear that although the company had a large share of the operating systems market captured, they were still far from being what could be literally considered a monopoly (Khan, 2004). Based on the previous metrics listed, Microsoft falls short on every single determinant. Additionally, although Microsoft offered a host of products that could tangentially be seen as working to squeeze out competition, they still did not maintain any measurable means of creating barriers to entry for firms wishing to take market share from their products. In fact, the major concern among many regulators was the fact that Microsoft improperly bundled many services that were also offered by competitors. As such, these suggestions were not against anti-trust laws but merely an aggressive form of business outreach and marketing to get <https://assignbuster.com/the-microsoft-case/>

consumers accustomed to the products of the firm before they would become accustomed to the products of another firm.

Furthermore, the market demand for operating systems would have been marked by a downward sloping demand curve if indeed Microsoft had a monopoly power in the market. However, the opposite of this has indeed been proven to be the case. Doubtless, Microsoft as a firm was making massive amounts of profit during these and proceeding years. However, Microsoft could be viewed as enriching itself primarily from the correct application of economies of scale as opposed to having a death's clasp on the market in a monopolistic way.

Furthermore, operating systems are an exceedingly expensive product to produce as they require inordinate amounts of programmers spending hundreds of thousands of hours programming and debugging glitches that every new iteration of an operating system are bound to have (McKenzie, 2011). As such, it takes a powerful firm with a ready supply of cash on hand with a powerful presence in the market to be able to make such a product offering in the first place. Therefore, imperfect competition is doubtless to occur as the number of firms directly able to compete on such a scale is greatly limited.

Although it seems implausible that a monopoly could actually benefit consumers, there are isolated cases in which this may be true. For instance, take the situation involved in coming up with new vaccines for the yearly flu. The government regularly subsidizes a given firm to rapidly develop and map out the influenza strain so that the best vaccine possible can be created to be shared with the populace of the nation (Haidar, 2011). In this case, the collaboration of countless firms would equate to a type of deadweight loss

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and not provide as fast a turn around as a single monolithic healthcare and vaccine provider utilizing all of its resources and receiving a substantial amount of governmental funding to create the best vaccine possible in the shortest amount of time possible. In this way, this type of action can be seen as a type of subsidized government monopoly. Although exceedingly rare, cases do exist in which monopolies can work for the benefit of society at large.

Works Cited

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