Microsoft Antitrust Court Case Essay, Research Paper

As this paper is written there is a landmark court case proceeding in Washington in front of a federal judge. This case involves the charging of the Microsoft Corporation for violating antitrust laws set up by the government to preserve market competition. A general overview of the accusations brought against Microsoft by the Justice Department was given by Hayes in the Scholastic Update article The U.S. versus Microsoft (1999). This article explains why the federal government is suing Microsoft and how the government regulates businesses to protect competition.

In order to be able to examine the governments complaint against Microsoft, it is necessary to understand the importance of competition in the capitalist economic system. In a market with no competition a company does not feel pressure to offer the best products at the lowest possible prices. If a business has no competition within a certain market, then it becomes a monopoly where it produces the entire market supply of a particular good. In the case of a monopoly the firm has very strong market power and the consumer is at the mercy of the producer. Government uses antitrust laws as a means of preventing the abuse of market power. These laws are constructed to prohibit mergers that reduce potential competition as well as forbid anti-competitive market behavior. The suit in question charges Microsoft with the violation of the Sherman Anti-Trust Act which is an Act that makes it illegal to use a monopoly in one area to gain a monopoly in another.

The government claims that Microsoft is using their dominance in the operating system market as a means to gain an unfair advantage in another market. Microsoft, by packaging their Internet Explorer product with their Windows operating system, has been accused of trying to gain an advantage in the Internet access market. By requiring their Internet browser to be installed when installing Windows, the government believes Microsoft took business away from other browser makers, illegally undercutting their potential competition. The Justice Department believes Microsoft is conducting anti-competitive business and as a result, they should be forced to remove their browser from the Windows product.

Before Microsoft offered their Internet browser with Windows, consumers were required to buy a browser separately if they wished to get onto the Internet. Microsoft argues that they are not stifling competition, but rather competing well by giving consumers a better product. Microsoft is merely offering a new feature in their operating system just as car manufacturers constantly offer new features in their newer model cars.

So, is Microsoft violating the Sherman Anti-Trust Act by including their Internet browser in Windows? Although Microsoft owns a very large portion of the operating systems market, they do not have a monopoly. Even with the market power that Microsoft has, they still keep their prices low and continue to improve upon the products they offer. The addition of their Internet browser to Windows was not a ploy by Microsoft to gain a monopoly in the browser market but rather a significant improvement to the Windows product.

Finally, the government says they want the public to have a choice of the browser they use. By including their browser in Windows, by no means requires consumers to use that specific browser. If government were to make Microsoft remove their browser from the Windows product it would be like making a bakery remove the chocolate chips from their cookies and requiring them to buy the chocolate chips separately and add them themselves. As ridiculous as the cookie example sounds, it is just as ridiculous to require Microsoft to take out one of the key ingredients in their operating system. In some cases, government intervention is appropriate in order to preserve the ideals of a competitive market. However, the Microsoft Corporation continues to improve upon their products and does not abuse its market power by significantly raising prices. For these reasons government is not justified in its suit against Microsoft.