How Far Will Microsoft Get? Essay, Research Paper

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The first question that we must ask is, ?How dangerous is Microsoft?? There are two chief groups as the objects of that question ? that of Microsoft?s product consumers and that of Microsoft?s competitors. A distinction must be made between the two when answering such a question due to the extreme differences between both. Whether a decision or action made by Microsoft is beneficial or not to one of the two does not mean that it?s true for the other. Often times the opposite is true. In fact, most consumers barely regard Microsoft as the dangerous monsters some view them to be. What Microsoft leads their consumers to believe is that their product is superior, and more affordable. Many competitors have voiced cries of monopolistic abuse saying that Microsoft unfairly exploits it?s ownership of the personal computer operating system. One of the main complaints they have is with the Microsoft ownership of the actual base operating system of all Windows computers: MS-DOS. Bill Gates, the chairman and co-founder of Microsoft, has done an excellent job of hiding DOS behind his company?s Windows software. Together, DOS and Windows have had an incredible influence on the computer world taking almost 95% of the personal computers on the market. Because of Microsoft?s dominance in these two areas of personal computing the company receives an advantage that is essential in determining the danger Microsoft exhibits toward their competitors. Bill Gates tightened his grasp on the industry through an ingenious deal he made with PC producers. In the contract, Gates is guaranteed payment for every computer shipped, regardless of whether or not his operating system was installed in the computer. Thus, without paying double, the manufacturers could not install another company?s operating system — therefore Microsoft was awarded a near monopoly. The title to these two programs, especially Windows, provides Microsoft with an unrestricted and exclusive median to promote, feature, and offer its programs. Offering its programs as pre-installed applications of Windows software allows Microsoft to seize a large portion of the software market, especially in the word-processing and spreadsheet division where Microsoft presents its Word and Excel programs. These two applications have been incorporated, along with others, into a package known as Microsoft Office. With this program, Microsoft has captured ninety percent of that market. Furthermore, because Microsoft controls the operating system of the PC, its competitors must render their applications and software compatible with the parameters contrived by Microsoft. Consequently, these competitors must always be at the mercy of changes made by Microsoft. This limits the ability of these companies to plan for the long-run. As stated by Gary Reback, the attorney for the competitors of Microsoft filing a suit against the corporation, Microsoft retains a monopoly of the operating system in personal computers, which, essentially, is the brain. This ?brain? controls the arms and legs of the computer (software) and inherently controls the arms and legs of the industry that are the competitive firms. This kind of control is deemed unlawful, unfair, and anti-competitive by Reback, the firms, and many others. It is this kind of control that strengthens Microsoft and makes the company that much more dangerous to competitors. Another example of the danger that Microsoft threatens toward its competitors is an issue involving the release of Microsoft?s new operating system, Windows 95. Whether intentionally or not, the arrival of this new operating system was delayed again and again by Microsoft. This in turn delays other companies dependent on the Microsoft operating system in order to maintain some degree of competition. These delays result in additional, unwanted expenditures and other costs easily swallowed by the Microsoft Corporation, but inflicting severe detriments to other smaller companies who cannot afford the added costs. The danger of Microsoft to its competitors is now becoming more and more evident. Microsoft is further alleged of exploiting its ownership of the PC operating system in such ways as ?including secret parts of Windows that help its own applications?. When considering whether a monopoly should persist or not the factors must be examined closely. Whether or not the consumers are being exploited is something that is essential when contemplating the break-up of a monopolistic firm. Often times, and in the case of Microsoft, the consumers benefit from the monopoly. In the matter of Microsoft, being in the industry of PC and the products that are Microsoft are thriving, the other firms in the industry are thriving as well, but only not in comparison to Microsoft. Microsoft freely provides the technical details of its software to rivals, thus allowing them to get up to speed with Microsoft and, to some degree, compete with it. Capitalism has allowed Bill Gates to thrust ahead of his former peers and develop what is nearly a natural monopoly. Under the perfect competition of capitalism Carl Marx deemed that the individualistic and unorganized process of this market system would eventually lead to its own downfall. Capitalism would become so complex that, without direction, its freedom would lead to ruination. Marx was in favor of monopoly, though he never foresaw their existence in capitalism. He believed that, especially if the government should regulate it, monopolies would bring the market system into a more centralized and equal type of economy: socialism. In viewing Microsoft, Henry George, a Victorian economist, would be opposed. For many people have gained great wealth by obtaining what he calls ?unearned income.? This unearned income took form in the money that was made as a result of possessing shares of Microsoft whose stock skyrocketed, leaving many people millionaires. Marshall, another Victorian economist, almost need not apply to the concerns of Microsoft. His philosophy of supply and demand is principally in accordance with chief market doctrines of supply and demand. It is apparent to all of whom study economics that in the short-run consumer demand takes precedence over supply, whereas the positions are reversed in the long-run. Along with supply in the long-run costs of production helps govern and assert the price of the product. . But while Microsoft may be limiting its competition, it is aiding the consumer. For it is able to charge a lower price and produce more efficiently because of smaller costs than if it existed in a purely competitive industry. Moreover, Microsoft is not the stereotypical monopoly, in that it continues to innovate — how else are upgrades to its present software explained. Thus, by rule of reason it would not be right to break-up this firm, for its existence is beneficial to the public. Slight regulatory action may be needed though in order to provide its competitors with more of a fighting chance. Competition still exists though and in the unpredictable industry of technology a firm can plummet and rise swiftly (IBM, for example, replaced Apple Computers in the early 1980s, but was soon ousted by the income bent Microsoft). Microsoft recent affluence may connote a peak of its power. It seems to have saturated all easily obtained territory. Its profits may soon begin to dwindle as it loses its might — this will be proven in the near future as Microsoft takes on Linux. It seems to some that the impatience and over confidence of Bill Gates may soon lead to his company?s downfall as the leader of the industry.

33d