

The Microsoft Monopoly

Criterion A: Describing the Issue

Throughout the years that the personal computer has become the mainstream, different companies have competed over the control of the consumer market. Microsoft, who at one time was a small company with just two employees, has become a computer market juggernaut, rising so fast in power that many did not see it coming. It has taken over the desktop operating system almost completely and it continues to dominate in other areas of the industry as well. It has acquired exclusive control over several computing areas, turning the company into a monopoly.

As with other monopolies that have occurred in the business world, it has caused an enormous impact in IT all over the world. Because of its private control of most of the computing world, it has been given the key, although not intentionally, to the future of our technology.

Criterion B: IT Background of the Issue

Founded in 1975, Microsoft became a leading software designer in 1980 when IBM gave it the job of creating the operating system, or OS, called MS-DOS, for its new line of computers. Microsoft bought MS-DOS from Seattle Computer, even though Seattle Computer was accused of stealing source code from another OS, called CP/M, written by Digital Research. Though CP/M was considered by most to be superior to MS-DOS, Digital Research could do nothing considering IBM made sure that all programs for the IBM PC were only compatible with MS-DOS.¹

As Microsoft continued to dominate in the OS area, they found ways to make it so that their product was the standard. In 1991, Microsoft required all manufacturers installing MS-DOS on any computer to pay a licensing fee for every machine sold, whether they installed MS-DOS or not.² Manufacturers would not pay extra money for a different OS because they already had to pay for MS-DOS.

When Microsoft developed Windows, their influence became even greater. Microsoft's eagerness to spend its money on new software programs, such as word processors, databases, and spreadsheets increased their market share. It has also utilized the "suite" method, which includes several programs in one package that are able to exchange data easily.³ Since it owns the de facto standard OS, Microsoft has control of the specifications of any program run on Windows.⁴

Microsoft is utilizing its OS's dominance to takeover the Internet browser market as well. For many years, Netscape was the dominant Internet browser, until Microsoft Windows PCs were installed free with Microsoft's browser, Internet Explorer. This act forced Netscape to start handing out its browser for free, but the damage was already done. Internet Explorer now owns one-third of the browser market, and is gaining fast.⁵

Criterion C: Analyzing the Impact of the Issue

The Microsoft monopoly continues to create a major impact in the world of international technology. Microsoft has subtly inserted its own ideas to be the future of technology, as we know it.

The principle market in which this is a reality is the OS, which Microsoft dominates with a staggering rate of 95%.⁶ Because of this, developers have no other option except to compete on Windows. In addition to this, owning the majority of the market gives

enormous advantages in software. Microsoft is able to give information about its own OS to its applications software programmers, who in turn exploit the information to create a product that knows exactly what its OS can and cannot do. The statistics really show how this has become a reality. Between 1989 and 1996, Microsoft's share of the spreadsheet market changed from 8% to 87%, and its share of the market for word processors changed from 18% to 90%.⁷

When the choice of whether to give information about Windows to other developers comes along, Microsoft can select who gets the information.⁸ In the words of Steve Ballmer, Microsoft senior executive,

"We could say, hey, we're not publishing any APIs to our operating system. Or we could pick five guys and tell them what's in this operating system - we're not going to tell other people."⁹

One corporation with all this power can only spell disasters for the IT world. If this continues to be the case in the future, the incentive for competition could decrease as well. Microsoft will have no reason to research new developments and update its software. Eventually, Microsoft will be able to charge whatever price it wants for its products.

Criterion D: Solutions to Problems Arising to the Issue

The most obvious solution to this Microsoft Monopoly problem is the breakup up the Microsoft Corporation. Microsoft could be split up into parts based on region and department. This will eliminate the unfair advantage that Microsoft has in applications software by separating the developers of the programs from the developers of the OS.

This would also eliminate the fear of Microsoft in the eyes of the smaller competitors. Since Microsoft would not be a huge corporate giant with infinite power anymore, smaller companies would finally be able to speak out against irregularities caused by Microsoft without the fear of revenge. Downsides include software market confusion for at least an extended period after the initial breakup, trying to figure out whether to continue development for Windows or instead on some other OS. Another barrier to overcome is the governmental mandate required for the breakup, which unfortunately is rather hard to achieve considering the massive amount of legal battles that are prerequisites to such an event.

Another possible solution is the boycott of Microsoft software by all consumers. If a large portion of Microsoft users switched to other providers in all areas of computing, including OSs, servers, and browsers, then a somewhat compounding effect might occur that would force Microsoft to both make itself less assertive on the IT market and give in to fair competition. The only major downside is that for this global boycott to occur, massive planning must be done beforehand, mostly in part of because of the act of convincing so many consumers that the boycott is the only possible answer to the end of Microsoft's tyranny.

Of the two, the split up of Microsoft would be much more beneficial and easier than a global boycott. Usually, when the government gets involved with the regulation of business, people listen. Since the government will not be involved in this global boycott, its effectiveness will likely be hindered.

Criterion E: Selection and Use of Sources

Endnotes

1. Newman, Nathan. From MSWord to MSWorld: How Microsoft is Building a Global Monopoly. (<http://www.netaction.org/msoft/world/part3.html>) p. 1.
2. Kaphing, Randy. Where Do You Want to Go Today?: Microsoft Operating System Monopoly. (<http://members.aol.com/rkaphing/ms/>) p. 1.
3. Newman, Nathan. From MSWord to MSWorld: How Microsoft is Building a Global Monopoly. (<http://www.netaction.org/msoft/world/part3.html>) p. 1.
4. Douglas, Denver. Microsoft, Does Success Mean Monopoly? (<http://www.geocities.com/Heartland/Estates/3797/microsoft.html>) p. 1.
5. Koster, Ken. Microsoft Monopoly. (<http://www-cs.students.stanford.edu/~kkoster/microsoft/netscape.html>) p. 1.
6. Lowe, Roger. At the Crossroads of Choice: The New Middleman. (<http://www.procompetition.org/research/crossroads/middleman.html>) p. 1.
7. Lowe, Roger. At the Crossroads of Choice: The New Middleman. (<http://www.procompetition.org/research/crossroads/middleman.html>) p. 1.
8. Lowe, Roger. At the Crossroads of Choice: The New Middleman. (<http://www.procompetition.org/research/crossroads/middleman.html>) p. 1.
9. Lowe, Roger. At the Crossroads of Choice: The New Middleman. (<http://www.procompetition.org/research/crossroads/middleman.html>) p. 1.

Bibliography

Douglas, Denver. Microsoft, Does Success Mean Monopoly? <http://www.geocities.com/Heartland/Estates/3797/microsoft.html>, 1998.

Kaphing, Randy. Where Do You Want to Go Today? <http://members.aol.com/rkaphing/ms/>, 1998.

Koster, Ken. Microsoft Monopoly. <http://www-cs.students.stanford.edu/~kkoster/microsoft/netscape.html>, 1998.

Lowe, Roger. At the Crossroads of Choice: The New Middleman. <http://www.procompetition.org/research/crossroads/middleman.html>, 1998.

Newman, Nathan. From MSWord to MSWorld: How Microsoft is Building a Global Monopoly. <http://www.netaction.org/msoft/world/part3.html>, 2001.