Case: U.S. v. Microsoft (1995)

SI 646, Information Economics
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Jan 2007

Read Richard Gilbert. Networks, standards, and the use of market dominance. In John Kwoka and Lawrence White, editors, *The Antitrust Revolution*, volume 3rd ed. Oxford University Press, New York, 1998.

Be prepared to debate the following issues in class. You should be prepared to argue *both for and against* each assertion.

1. When network externalities are important, "Once a product or standard achieves wide acceptance, it becomes more or less entrenched. Competition in such industries is 'for the field' rather than 'within the field.'" (Harold Demsetz. Why regulate utilities? *Journal of Law and Economics*, 11, 1968, at p. 57.)

2. The presence of network externalities may actually encourage innovation by guaranteeing more durable monopolies to innovating winners. (See, e.g., Ronald A. Cass and Keith N. Hylton. Preserving competition: Economic analysis, legal standards and microsoft. *George Mason Law Review*, 8, 1999, at pp. 36-39).

3. Is a market share of 90% or so sufficient to enable a software firm to charge prices that are above the competitive level?