Are the monopolies in the New Economy natural?
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One of the major challenges of antitrust measures in high tech sectors is the difficulty to adjust sluggish legal processes to breakneck technological and strategic changes of these sectors. So, in the hypothetical case that Microsoft had wanted to go back to the market situation prior to the beginning of the presumed monopoly practices, this would have been impossible.

Among other reasons, this is because, in the meantime, Netscape had been acquired by AOL (America Online), which in turn, aroused suspicion of antitrust attitudes in the Internet access segment. And these suspicions increased with the merger between AOL and Time Warner. These difficulties become more pronounced in markets which work as networks, due to the so-called ‘network effects’ that increase the value for the user when the number of users grows. For instance, the more Windows users there are, the more applications for this operating system are developed.

Some theorists state that the force of ‘network effects’ in this kind of market involves a structural tendency to monopoly. That is because, on the one hand, a desertion by a dominant operator, platform or standard means important ‘switching costs’ for the user. On the other hand, joining the new technology entails great ‘benefits of scale’ (a software applications developer has more incentives to develop applications for Windows than for any other operating system).

The addition of both aspects becomes an important entry barrier, which is called lock in, that requires major investments to overcome it. Hence, in the USA these markets are been defined as ‘winner takes most’. To protect themselves from antitrust accusations, dominant companies of the sector, and Microsoft is not an exception, state that the very structure of the market turns them into ‘natural monopolies’.

However, they continue by saying that this dominant position must be played down, because it is threatened by continuous technological improvements, which can make obsolete the technology on which its pre-eminence is based and substitute it for another more innovative one.

In this sense, the main competition is not in the market (alternative products), but for the market (substitution systems). For example, the real competition for Windows (alternative) is not so much the Macintosh operating system as it is an open source one such as Linux (substitutive), which means a change of computer paradigm. Given this scenario there are two sides: those who defend the impossibility of taking part in these sectors because of their innate technological volatility and in fact self-
regulation; or those who think that, although the current free competition system is badly equipped to face new problems, a competition defence policy can and must be applied.

With Judge Colleen Kollar-Kotelly’s resolution, which prevents Microsoft from being divided into smaller companies, the first formula has prevailed. That is that the PC market (hence the Internet access market) is, at the present time, a Bill Gates’ plan. Let’s see if the dynamism of the New Economy is able to break this ‘natural monopoly’.