

YouTube Title: “Microsoft Monopoly” <http://www.youtube.com/watch?v=dLKVeFau6vo>

Video Length: 2:33 minutes

The Economy Today Chapter 24: Monopoly

The Micro Economy Today Chapter 10: Monopoly

The Economy Today Learning Objective 2: How monopoly and competitive outcomes differ.

Topics: Monopoly

Key Terms: Monopoly, Barriers to Entry, Anti-competitive Behavior

Summary

This advertisement spoof shows Bill Gates promoting his new game, Microsoft Monopoly version 2.1. In this game players have the opportunity to act like a Monopoly; they set rents to be charged on the houses they own, stomp on the little people who get in their way, and crush and bully competitors into bankruptcy.

Economic Application

The secret to a monopoly’s success often lies in its barriers to entry – obstacles that make it difficult or impossible for would-be producers to enter a particular market. Microsoft was repeatedly accused by the U.S. justice department of creating a barrier through “bundling” its applications software with its Windows operating software. In fact in 2000, a federal judge found Microsoft Corp. guilty of violating antitrust law by waging a campaign to crush threats to its Windows monopoly. According to the judge Microsoft put an “oppressive thumb on the scale of competitive fortune” and “mounted a deliberate assault upon entrepreneurial efforts.” Microsoft tried to keep competitors out of its operating- and applications-software markets by erecting various barriers to entry. This behavior slowed innovation, restricted consumer choices, and kept prices higher than they otherwise would have been.

Multiple-Choice Question

A primary way in which the Microsoft Corporation thwarted competition was through the “bundling” of its applications software with its Windows operating software. This is an example of creating

- a) a barrier to entry
- b) a patent
- c) a government franchise
- d) Monopolistic Competition

Discussion Question

The advertisement spoof describes how the player, as a Monopolist, has the opportunity to stomp on the little people who get in their way and crush and bully competitors into bankruptcy. Describe one tactic used by the Microsoft Corporation to “crush” or “squeeze” competitors.