The government is winning the public relations contest in its antitrust action against Microsoft. At the trial the government has successfully portrayed Microsoft as a powerful bully that roughs up rivals and Microsoft's chairman, Bill Gates, as an unlikable character who plays to win at all costs. These criticisms make good press—they might even prompt you to cross Gates off your Christmas list—but they have little relevance to the true purpose of antitrust law, which is to protect consumers against monopoly abuses.

The Microsoft trial illustrates a common problem in the antitrust arena. Enforcement actions often focus on how a firm's actions hurt competitors, when they should focus on whether those actions benefit or harm consumers. The problem is especially severe in cases that accuse firms (such as Microsoft) of "predatory" behavior. In essence, these cases prosecute firms for pricing or marketing their products too aggressively.

Microsoft's Internet Explorer is a good case in point. The government objects that Microsoft gave Explorer away for free and required the distribution of Explorer with Windows so as to reduce the demand for Netscape's Internet browsing software. These Microsoft actions hurt Netscape, but what were the consequences for consumers? Browsers became cheaper (literally free), and their quality continually improved as Microsoft and Netscape squared off in a fierce contest to produce the best Internet access software.

As Microsoft has aggressively competed against Netscape and other firms, personal computing has become ever more affordable and accessible. Few other industries can boast such an impressive track record of new product development, new customers and sharp declines in quality-adjusted prices. Windows itself has become easier to use, more reliable and much more powerful.

At $50 to $60 a copy (the estimated price of Windows 98 to personal computer suppliers), Windows is remarkably cheap. In fact, it is much cheaper than what would be implied by the textbook theory of monopoly theory. Remarkably, the government has no convincing theory for current software pricing.

Key government witnesses concede that consumers have reaped many benefits but have suffered little or no harm to date from Microsoft's actions. Nonetheless, the government bases its case on a speculative theory that consumers may be harmed in the future. To protect us from that possibility, the government is expected to pursue various so-called remedies, such as requiring that Microsoft detach Explorer from Windows, restrict its contractual relationships with personal computer manufacturers or split itself into two or more companies.

These "remedies" would be a boon to Microsoft's rivals but not to consumers. It is not even clear what problem they resolve. Consider again the browser contest between
Microsoft and Netscape. The government claims that Microsoft unlawfully hampered Netscape's ability to distribute Internet access software. Yet, Netscape distributed more than 100 million copies in 1997 and more than 150 million in 1998. Why then should we want to hamper Microsoft's ability to distribute Explorer or compel Microsoft to distribute rival software?

In short, the government wants to tinker with a tremendously successful industry that has delivered great benefits to consumers based solely on the speculation that Microsoft might cause harm in the future. If this is not enough to set your hair on end, consider this. The government lacks a well-grounded theory of how this industry works. The government cannot explain why we enjoy low prices and high quality today. But it still maintains that it can fashion an antitrust remedy that will make the personal computer industry even more successful in the future. We think not.

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