



"Without fear and without favour"

Thursday February 28 2008

Letters

Microsoft's new openness is welcome change

From Prof Federico Etro.

Sir, In your editorial "Microsoft's leap" (February 25), you correctly emphasise the importance of last week's announcement by Microsoft that it is taking steps to promote further interoperability in the software industry. This will happen at the global level, going beyond the requirements of the European antitrust authorities, whose reaction has been cold: not surprising, if we recall that Neelie Kroes, the competition commissioner, has explicitly cited as one of her objectives a radical reduction of the alleged monopolist's market share (a view she reiterated in public interviews last week).

Such an objective may reflect a dangerous misunderstanding of this dynamic market. As a wide academic literature has shown, a large market share in the high-tech sector can be the consequence of low prices charged by a leader in a market with network effects and endogenous entry, and not of unconstrained market power. Therefore, antitrust enforcement to promote consumer welfare should not be driven by the aim of reducing a company's market share, but should instead preserve competitive entry in the market.

Not only should Microsoft's move (as you suggest) not be dismissed, but it should be welcomed as an important change in the software sector that will help ensure endogenous entry by facilitating the development of products that work well with Microsoft's own.

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