

The Telegraph

No, we aren't "the product" of Facebook and Google, and privacy is not "the cost" of using them

Ryan Bourne

August 2, 2019

It's the must-say cliché about Big Tech. On a new Netflix documentary, *The Great Hack*, digital media professor David Carroll repeated that, when it comes to social media platforms, "we are the commodity".

Such thinking is common in writing about Google and Facebook. Tropes such as "you're not the consumer, you're the product" are repeated ad nauseam. The idea is the same. Since Facebook and Google do not charge us for services, it's said we pay through giving up our information, in turn sold to third parties for well-targeted advertising.

So entrenched is this belief, a Financial Times editorial this week advocated overhauling competition laws to acknowledge that "digital services increasingly cost long-term privacy rather than money".

Woah, there. Before good policy is sacrificed to this meme, let us pause and reflect. Yes, Facebook and Google make money through information-infused advertising targeted at granular user populations. But there's nothing new about this practice. Nor does it follow that users are "the product" or that privacy is "the cost" of digital services.

Journalists, of all people, should understand this. Free newspapers and free-to-air broadcasters, such as ITV and Channel 4, have similar business models. All seek to capture readers or viewers by providing good quality content.

Generating these large audiences is necessary for their advertising space to generate revenue. Media companies must profile their readers or viewers, pitching this demographic information to would-be advertising buyers. Yet, strangely, nobody says ITV viewers or Metro readers are "the product" or a "commodity" of the companies.

True, TV networks and papers don't collect much individual level data or enjoy the scale of information of Google or Facebook. Yet this is a matter of degree, not principle. One senses the teeth gnashing comes precisely because tech has disrupted the traditional media's approach.

Advertisers on Facebook can now target ads at 35 to 40-year-olds, living in the Medway towns, who are interested in water polo; obtaining real-time feedback on the ad's success. That obviously helps maximise the effectiveness of ad spend. None of that makes our data "the product" or privacy "the cost" of Google or Facebook though. In fact, there are three clear reasons why such claims are misguided.

First, and most obviously, the value of these firms' advertising space is dependent on strong user numbers. Google must deliver an accurate search engine, and Facebook high-quality networking and applications, to keep us using their websites or apps. That provides an incentive to respond to our wants and needs, including on privacy. We might not be paying customers, but we are much-needed consumers.

For now, these firms are successful. Alternatives are just a click away with Yahoo, DuckDuckGo and Bing but Google still has an 88pc UK market share in internet search. Facebook is currently the largest UK social media site in terms of reach, consumption and revenue. The point though is we aren't powerless pawns here; we willingly use both because we like their products. If that changes and user numbers collapse, so will their business models.

Second, perhaps less obviously, much "data" commonly described as "ours" is actually the creation of Facebook's own structure and processing. Writing out your personal details, friends list, and upcoming social events on a sheet of paper might have some inherent value to certain companies, but it will be relatively small.

No, what Facebook does that adds value is processes this raw data, linking with others, in turn making predictive profiles across larger populations. It's this new information that's valuable for improving its consumer service and being attractive to advertisers.

Our data might be an input to a product, in other words, but "we" aren't. As George Mason University economist Alex Tarrabok has explained, those who demand "access" to "our data" or demand it be made portable for other sites miss the point. There'd be no value to a list of photos we'd "liked" or bars we'd "checked in" to using Facebook's platform. Information like that becomes valuable because of how Facebook processes or aggregates it.

Finally, the Financial Times' assertion that "digital services increasingly cost long-term privacy" is incredibly misleading. Some people may well be "privacy fundamentalists" who see divulging any personal information as a cost. But 74pc of UK internet users feel confident about managing their data online. We'd be troubled if our health or financial information were exposed, obviously, but we are relaxed about tech firms knowing our click habits or on-site browsing history.

Indeed, one study of nearly 1,600 internet users in the US found that "85pc are unwilling to pay anything for privacy on Google" and of the remaining 15pc, the median amount they would give up was "a paltry \$20 per year". This suggests for most people the privacy given up on Google is no cost at all

By and large, we seem satisfied with the current grand bargain of cheap or zero-priced content financed by targeted ads. Is this surprising? Targeted advertising can be highly beneficial for us as customers too, alerting us to things we want to buy and avoiding wasting time scrolling elsewhere.

None of this is to deny that genuine privacy breaches that break terms and conditions should have consequences. It's little surprise that Facebook usage fell following scandals associated with third parties' wrongful access to data. More transparency on who has access might help inform users.

But the zeitgeist here is troubling. In a trivial sense, Facebook and Google's profitability of course relies on its users and their information. To declare from this that "we are the product" is to spread a misleading cliché that ignores the obvious value-added activities these companies deliver to both users and advertisers.

Ryan Bourne occupies the R. Evan Scharf Chair for the Public Understanding of Economics at Cato. He has written on a number of economic issues, including: fiscal policy, inequality, minimum wages and rent control.