

PROFIT OVER PRIVACY

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How Surveillance Advertising Conquered the Internet

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FOR CORRINE

A book about advertising therefore becomes inevitably a critique of the society.

JAMES RORTY, *OUR MASTER'S VOICE*

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INTRODUCTION

THE RACE TO COMMERCIALIZE THE INTERNET IS OVER. Advertising is the big winner. This is excellent news if you are an executive or major shareholder of one of the handful of companies that dominates the \$330 billion global digital advertising economy.¹ For almost everyone else, advertising's good fortunes have meant the erosion of privacy, autonomy, and security, as well as a weakening of the collective means to hold power accountable. This is because the industry's economic success is rooted in its virtually unrestrained monetization of consumer surveillance. Digital advertising technologies are widely distributed, but largely operate under the control of a few giant companies whose monopoly-like market power has, among other ills, unleashed a wave of manipulative communication and deepened a revenue crisis among the nation's most important journalism outlets. For the ownership class of Silicon Valley, digital advertising is a gold mine of epic proportions. For democratic society, it is gasoline on a fire.

This book is about how the race to commercialize the net was won two decades ago by the purveyors of what I call surveillance advertising, a business model based on persistent and invasive data collection. At its core, surveillance advertising uses data to try to find ever more effective ways to predict and influence people's behaviors and attitudes.² As your friendly neighborhood advertising historian will tell you, companies, politicians, and other groups have long been interested in knowing and influencing many kinds of publics. Surveillance advertising on the internet is not so much a new development as it is an acceleration of long-standing social trends at the intersection of technology, marketing, politics, and capitalism at large.

To unpack these dynamics, this book traces the historical construction

of surveillance advertising to the 1990s, when the new technology of the World Wide Web was transformed from an outpost on the fringes of business to a central nervous system for commercial monitoring. To paraphrase Thomas Streeter, surveillance advertising is not something that happened; it is something that was done.³ The massive data collection infrastructure that undergirds the internet today is the result of twenty-five years of technical and political economic engineering. Surveillance advertising was created by marketers, technology start-ups, investors, and politicians, a coalition bound by the desire to commercialize the web as quickly as possible. Through bouts of competition and collaboration, private and public sector interests steered digital networks toward maximizing their monitoring and influence capacities, tilling the soil for all manner of deceptive communication practices and wreaking havoc on less invasive media business models. The legacy of this period is the concentration of surveillance capacity in corporate hands and the normalization of consumer monitoring across all digital media platforms. Although certainly not the only way to write this history, this book is my attempt to give surveillance advertising an origin story.

The political and economic roots of surveillance advertising are important pieces of a larger conversation about internet companies and the power they wield in society. This conversation went mainstream in 2018 as journalists, tech workers, activists, and academics investigated and publicized a cascade of scandals coming from Silicon Valley. In what became known as the techlash, the world's biggest internet companies faced international public rebuke over controversies around gender discrimination, appalling labor conditions, lax data security, anticompetitive behavior, tax avoidance, addictive product design, algorithmic bias, and objectionable military contracts.⁴ Public opinion cratered as pollsters reported that “few Americans trust major tech companies to consistently do what is right.”⁵

Facebook was at the epicenter of the techlash.⁶ Despite efforts by company leaders to avoid culpability and downplay the scope of problems, a public relations crisis erupted when two interrelated scandals spiraled out of the 2016 U.S. presidential election. In the first case, a seedy U.K.-based data broker firm, Cambridge Analytica, used Facebook's data collection tools to secretly harvest information from 87 million unwitting people in an attempt to build psychological profiles for political advertising operations.⁷ The company was hired by Donald Trump's election campaign to, among other tactics, use Facebook's advertising platform to discourage highly specific groups of likely Democratic voters from going to the polls.

Shortly thereafter, Facebook admitted that operatives linked to the Russian government had used its ad system in attempts to spread misinformation, exacerbate political divisions, and influence electoral outcomes.⁸ A federal investigation found evidence that Russia had spent millions of dollars on manipulative campaigns designed to aggravate racial tensions and other social frictions among different groups of U.S. citizens.⁹ Although the frame of foreign election meddling received outsized attention, investigative journalists later revealed that Democratic Party operatives used similar strategies to try to depress Republican voter turnout in an Alabama Senate race.¹⁰ Evidence continues to pile up that such techniques are used widely by a broad range of political actors. Young Mie Kim's groundbreaking research found that unidentifiable "dark money" groups used Facebook to purchase waves of divisive, microtargeted political advertising across key electoral battleground states.¹¹ As the scrutiny intensified, Facebook's founder and CEO, Mark Zuckerberg, was called to congressional hearings to testify about his company's information practices. Making his way up the steps of Capitol Hill, Zuckerberg passed demonstrators holding signs that said "Stop Corporate Spying."¹²

The vitriol levied at Facebook around the election reflected a deeper complaint: the pervasive consumer surveillance at the heart of the internet's advertising business model was out of control. The large reserves of public goodwill that Facebook, Google, and the like had enjoyed for much of their existence seemed to be running dry. Certainly these companies had faced criticism in the past—as one journalist put it, "Power breeds resentment"—but the techlash was different in that it fostered more than disconnected, one-off condemnations of this or that shameful incident.¹³ A structural analysis began to take shape, particularly around the collective harms of business models based on surveillance advertising.¹⁴ As Nathalie Maréchal argued, microtargeted advertising "drives company decision making in ways that are ultimately toxic to society."¹⁵ It was becoming widely obvious that consumer data collection was not simply about providing "relevant" ad messages, as ad platforms often claimed. "Their business depends on manipulating behavior," wrote the *Financial Times*' Rana Foroohar. "It is a business model that causes endless collateral damage."¹⁶ Even the creator of the World Wide Web weighed in. "We don't have a technology problem," said Tim Berners-Lee. "We have a social problem."¹⁷

In this sense, what is important about the techlash is not that it was propelled by a series of extraordinary scandals. It is the realization that

these scandals were business as usual, outgrowths of a surveillance advertising system that most people had simply taken for granted as the way the internet works. In a telling observation, the *New York Times* noted that Cambridge Analytica did not need to “build everything from scratch” because “Mark Zuckerberg and others had already built the infrastructure” for them.¹⁸ Facebook and other ad platforms framed the scandals as a matter of “bad actors” hijacking their systems, but this defense was a shallow attempt to obscure the fact that data-driven influence peddling is their industry’s bread and butter.¹⁹ Facebook had not been hijacked. Its platform had been used as intended. The same was true for disinformation operations, which simply plugged into the existing digital advertising apparatus to reach groups deemed most susceptible to political influence. Leveraging surveillance to strategically target vulnerable audiences is not some rogue use of digital advertising technology; it is its fundamental feature. Just months before becoming infamous in the election aftermath, Cambridge Analytica received a prestigious award from the Advertising Research Foundation trade group for its cutting-edge work in psychological profiling.²⁰ As Dipayan Ghosh and Ben Scott put it in their summary of the election scandals, this stuff is “digital marketing 101.”²¹

The Business of Surveillance Advertising

Today more money is spent on digital advertising—meaning online and mobile formats—than on any other media channel in the United States.²² Analysts estimate that more than half of global ad spending goes to digital platforms.²³ Consumer monitoring is now effectively ubiquitous under what Julia Angwin calls a “dragnet” of surveillance.²⁴ This system depends on an infrastructure of data collection and targeted messaging that undergirds nearly all modern digital media. Leading ad platforms like Google and Facebook operate vast networks of surveillance that extend well beyond their own sites and applications. A study of one million popular websites found that nearly 90 percent collect and exchange data with external third parties of which most users are unaware.²⁵ From period-tracker apps to porn sites, ad platforms scoop up all manner of sensitive personal information to power their “digital influence machine.”²⁶ Privacy has been obliterated as surveillance advertisers have created numerous ways to link online and off-line information.²⁷ According to internet security expert Bruce Schneier, internet privacy is a lost cause: “There are simply too many ways to be tracked.”²⁸

Surveillance advertisers use data to build consumer profiles, sorting people into various categories and rating them against any number of predictive benchmarks such as creditworthiness, propensity to buy a luxury car, or risk for alcoholism. Facebook maintains profiles not only for its 2.7 billion users but also for people who have never signed up for any of the company's services.²⁹ Seemingly innocuous data can be used to make startling and intimate predictions. In a highly publicized 2013 study, researchers were able to divine a range of sensitive personal attributes using only Facebook "likes."³⁰ Personality traits, political and religious views, sexual orientation—all were predicted with high accuracy. A follow-up study found computational derivation of personality traits based on people's digital footprints to be more accurate than judgments made by friends and family members.³¹ As one headline put it: "Facebook knows you better than your mom."³²

The business objective of all of this data collection and profiling is to sell the capacity to influence people's actions and attitudes, what Shoshanna Zuboff calls the "means of behavioral modification."³³ Today, the cutting edge of this practice uses data signals to forecast and test people's vulnerability to different kinds of appeals.³⁴ Advertising that is designed to exploit emotions and personality traits has been found to be particularly promising.³⁵ Internal documents leaked in 2017 show that Facebook claimed its ad platform could predict the emotional states of teenage users to enable advertisers to reach those who feel "worthless" and "insecure" in real time.³⁶ The unspoken premise was that emotionally vulnerable consumers are more pliable to persuasion.

Yet there is good cause to be skeptical of claims about surveillance advertisers' persuasive power. As Cory Doctorow argues, microtargeted advertising is more a sales pitch aimed at marketers than a consumer mind-control ray.³⁷ Despite the proclamations of self-interested proponents and well-meaning critics, many studies find that internet advertising is not all that effective at modifying consumer behavior.³⁸ But, as Doctorow points out, focusing on the effectiveness of a given ad campaign misses the forest for the trees. Leading advertising platforms like Google and Facebook have created a global communications infrastructure grounded in covert surveillance and asymmetrical control over information. In building these kinds of systems, ad platforms encourage, naturalize, and profit from manipulative and discriminatory behaviors by their clients, rendering internet users as little more than marks to be sold to the highest bidder.

Surveillance advertising is a propulsive force in creating what Robert McChesney calls a “golden age of insincere communication.”³⁹ This explains how it was business as usual when the British army used Facebook to run a recruitment campaign targeting sixteen-year-olds around the time that standardized test results were released, typically a moment of heightened anxiety about the future.⁴⁰ The ads suggested that students who were disappointed in their academic performance should pursue a career in the armed forces, rather than, say, aim to attend university. In 2015, antiabortion groups used mobile geofencing to send ads to women who visited reproductive health clinics across the United States. The emotionally charged messages were triggered via GPS location data and were sent to women up to thirty days after leaving the clinics.⁴¹ Time and again, researchers have documented how the negative impacts of commercial surveillance disproportionately affect marginalized communities.⁴²

The surveillance advertising industry is dominated by two ad platforms, Google and Facebook, which together control nearly three quarters of the U.S. internet advertising market.⁴³ These companies are the world’s foremost purveyors of commercial surveillance and among the most valuable corporations in existence. Market power and political power are deeply intertwined. Google is not only the leading lobbyist in the tech sector. It is also the largest lobbyist in the United States, maintaining a “55,000 square foot office, roughly the size of the White House, less than a mile away from the Capitol Building.”⁴⁴ In the wake of the techlash, surveillance advertisers mounted a lobbying offensive to stave off the threat of potential government regulation.⁴⁵ As the *Guardian* wrote in a headline: “Forget Wall Street, Silicon Valley is the new political power in Washington.”⁴⁶

One of the most troubling outgrowths of the Google/Facebook duopoly is that their market dominance has exacerbated a revenue crisis among U.S. news organizations. For over a decade, news outlets have been confronting a death spiral in which declining ad revenue prompts cutbacks and layoffs, which reduce the quantity and quality of news production, which further depresses revenue. Although the problem is multifaceted, the fact that 70 percent of online advertising spending in the United States goes to Google and Facebook means that news organizations must compete with every other ad-supported internet service for the scraps.⁴⁷

Newspapers, still the most important source of original reporting, have suffered the worst. According to the Pew Research Center, the total number of newsroom employees in the newspaper sector was cut in half between

2006 and 2018.⁴⁸ As ad platforms have grown rich using consumer data to power targeted advertising, news organizations have shuttered their doors at an alarming rate. Paper closures have created a dramatic expansion of what Penelope Muse Abernathy calls “news deserts.” Today, “half of the 3,143 counties in the country now have only one newspaper, usually a small weekly, attempting to cover its various communities.”⁴⁹ The dismal outcome of this journalism crisis, writes Victor Pickard, is “a lack of public access to high-quality information, a loss of diverse voices and viewpoints, and the evisceration of public service journalism.”⁵⁰

The median annual salary for newspaper reporters is about \$35,000.⁵¹ In 2018, Mark Zuckerberg earned the same amount roughly every seventy-five seconds.⁵² One of the richest people on earth, Zuckerberg owns estates and properties in Lake Tahoe, Hawaii, San Francisco, and Palo Alto. Shortly after purchasing the Palo Alto residence, Zuckerberg spent an additional \$45 million to buy the houses of his four immediate neighbors—you know, for privacy.

It didn’t have to be this way. No law of nature says that every new communications technology must be harnessed to the cause of advertising, let alone transformed into an engine of systemic consumer surveillance. Although there were strong social pressures to bring advertising to the internet, there was no guarantee such efforts would succeed, particularly not on the World Wide Web, which was released into the public domain by Tim Berners-Lee in the hopes that it might become a “universal medium for sharing information.”⁵³ Early web technology was designed to be open-ended and flexible, but it was also anonymous and nonintuitive, hardly optimized to serve the marketing needs of business. So how exactly did we get here? One might look to Silicon Valley itself for some answers.

What’s Politics Got to Do with It?

One of the more interesting ripples of the techlash has been a procession of Silicon Valley defectors taking to opinion pages and conference daises to lament the state of their industry.⁵⁴ Having more or less disembarked from the surveillance advertising money train, a handful of former executives and investors have newly emerged as conscientious objectors. Chamath Palihapitiya, who served as Facebook’s vice president of growth, confessed that he felt “tremendous guilt” for his role in the company’s global expansion, even though it made him extremely wealthy.⁵⁵ After condemning his former employer for “creating tools that are ripping apart

the fabric of society,” Palihapitiya added: “I don’t use this shit and my kids are not allowed to use this shit.”

Another prominent voice in this chorus belongs to venture capitalist Roger McNamee, an early Facebook funder and erstwhile mentor to Mark Zuckerberg. In a *New York Times* op-ed titled “A Brief History of How Your Privacy Was Stolen,” McNamee decried the tech sector’s embrace of “business models based on surveillance and manipulation.”⁵⁶ According to McNamee, there are two major causes at play. One is that technological innovation has removed prior constraints on data gathering and processing, making it easier than ever to push the norms of decency in business. The other is a recent cultural shift in Silicon Valley, whereby company leaders and investors have moved away from ethical capitalism to pursue aggressive, greedy, and monopolistic business practices. As Google and Facebook raked in the profits, ethics were thrown out the window, and consumer surveillance began to flourish in more industries across the economy.

For McNamee, these shifts have “transformed capitalism”⁵⁷ to such an unpleasant degree that it is now necessary for the government to step in. Although he rightly calls attention to the growing harms of commercial surveillance, McNamee’s account rests on the idea that the marriage between technology and capitalism has only recently become dysfunctional, and now that things have gone off the rails, external political forces must be marshaled to bring things back into proper alignment. In this telling, the techlash represents an aberration from a benevolent technocapitalism that normally functions largely outside of politics. The state enters into the picture only as a last resort, the bumbling sheriff summoned to rein in the excesses of power-hungry villains like Mark Zuckerberg, Peter Thiel, and the “PayPal mafia.”⁵⁸

This book makes a different case. Surveillance advertising has never existed outside of politics. On the contrary, like every other communications system in existence, the internet’s prevailing economic structure has been heavily shaped by public policy. Perhaps the most important policies are those created by what Paul Starr calls “constitutive choices,” the formative decisions that have structuring effects on subsequent media system development.⁵⁹ For example, various forms of legislation, regulation, and government subsidy were foundational to the establishment of U.S. commercial broadcasting in the 1920s and 1930s. It was the Federal Radio Commission, at the behest of Congress and the executive branch, that “cleared the dial” of many public and nonprofit broadcasters to give

exclusive licenses (for free) to some of the nation's most powerful technology companies.⁶⁰ From that point forward, broadcasting proceeded almost entirely on advertising-supported basis.

In the absence of public activism, the state has reliably made media policy in service of private sector interests, but no political outcome is ever guaranteed. Commercial radio was highly contested, as evidenced not only by organized citizen opposition but also by the decisions of peer nations like Great Britain to reject advertising and establish alternative public models.⁶¹ Ideally, democratic political institutions should provide countervailing levers of control over media development, though U.S. history shows a mixed track record in that regard.⁶² Nevertheless, even in the face of strong structural inertia, there are always real political choices to be made, especially during a platform's formative years. The internet was no exception.

For surveillance advertising, two moments of policy making stand out as particularly important. The first was the overarching decision that the internet would be privatized and commercialized. Beginning in the late 1980s, federal policy makers worked closely with a range of commercial interests to establish what was framed as a "non-regulatory, market oriented" approach to internet policy.⁶³ The guiding principle was that the private sector would lead internet system development, and the government's primary role was to facilitate private profits. This left a regulatory vacuum around consumer data collection and gave the nascent online advertising industry free rein to build business models around hidden surveillance.

The latter moment occurred at the end of the 1990s, when the progenitors of today's surveillance advertising behemoths faced the very first public activism for internet privacy. Responding to increasingly invasive data collection practices, a coalition of advocacy groups mounted a campaign to convince legislators to reverse the government's *laissez-faire* approach to internet privacy. Despite the public concern, Congress and the White House prioritized the growth of the commercial internet over serious consideration of the ramifications of a surveillance-based digital economy. Though largely overshadowed by the web's mythos of friction-free markets and entrepreneurialism, the regulatory foundations of modern commercial internet surveillance were forged in this period through negotiations over privacy policies, user consent, data merging, and industry self-regulation.

McNamee's framing of Silicon Valley's moral failure hews closely to

Shoshanna Zuboff's influential theory of "surveillance capitalism."⁶⁴ Zuboff's premise is that the relationship between technology, business, and consumer data under surveillance capitalism represents a marked deviation from prior modes of economic production. For Zuboff, capitalism has gone "rogue."⁶⁵ Much like diagnoses that ignore the net's political foundations, this position disregards historical continuities to focus only on what is new.⁶⁶ Although the magnitude of contemporary commercial surveillance is certainly mind-bending, the system reflects enduring structural imperatives within a capitalist political economy dependent on perpetual growth.⁶⁷ As Douglas Rushkoff notes, when we point to "corruption" as the source of technology woes, "we are implying that something initially pure has been corrupted by some bad actors."⁶⁸ Concentrating on bad actors often means ignoring the political economic forces that have incentivized surveillance advertising and so fabulously rewarded its most successful practitioners.

Neil Postman once proposed that the first question to ask about a new technology must be: "What is the problem to which this technology is a solution?"⁶⁹ Adding another layer of inquiry, Raymond Williams argued that "the key question about a technological response to a need is less a question about the need itself than about its place in an existing social situation."⁷⁰ In other words, what matters is not only who shapes technology and for what purpose, but also the social position of both the shapers and the purposes. Surveillance advertising has been developed as a tool to help marketers understand, predict, and control consumer behavior. It is a technological response to a concrete business problem: how do we sell more stuff as efficiently as possible? But surveillance advertising also reflects a broader set of deeply rooted social needs within the capitalist political economy. To answer both Postman and Williams, the structural problem surveillance advertising is meant to address is the accumulation of capital, arguably among the most pressing needs of the most powerful people in our society for quite some time.

A Political Economy of Surveillance Advertising

Internet advertising was precipitated by a commercial mass media system that, over the course of the twentieth century, came to play a central role in the global economy. Rather than a break from the past, supercharged online surveillance is better understood as an acceleration of ongoing trends within what might be called the marketing complex. Although

advertising is sometimes discussed as a single industry, it is really a nexus of business activity across many institutions and economic sectors. Companies of all kinds spend money on advertising to reach new and existing customers. They hire ad agencies, public relations firms, and many variations in between to create and execute strategic communication campaigns on their behalf. Most of this money flows through various kinds of media outlets, which earn revenue by selling access to their audiences. John Sinclair summarizes all of this as an “assemblage of interests we can think of as the manufacturing/marketing/media complex.”⁷¹

Adapting Sinclair’s phrase, I use the term “marketing complex” as a shorthand to describe the various private sector institutions that sought to mold the new interactive media of the 1990s into an efficient tool for advertising. My emphasis on marketers is deliberate because although advertising puts a lot of coins in a lot of pockets, the purse is largely controlled by companies looking for ways to drive consumption. Still, the marketing complex is a roomy concept that allows for internal divisions, disagreements, and competition among its participants, all of which are held together by a basic need to continuously enlarge the social canvas on which advertising takes place.

Writing in the 1930s, James Rorty delivered one of the first popular critiques of mass advertising. After working on Madison Avenue, Rorty became disillusioned with what he saw as a profession dedicated to producing vapid and depoliticizing propaganda for consumer capitalism. In a nod to the advertising industry’s subservience to marketers, Rorty called his book *Our Master’s Voice*.⁷² Contemporary internet advertising seems a far cry from the days of sponsored radio broadcasts and print circulars, but there are important continuities in the ways that private sector communications technologies have repeatedly been molded to serve the needs of the marketing complex. Were he alive today, Rorty would no doubt be dismayed, but not surprised, to find that in the era of surveillance advertising, our master’s voice has been augmented by our master’s eyes and ears.

As its name suggests, the field of political economy of communications provides a useful lens to make sense of the overlapping layers of politics and economics at play in surveillance advertising’s historical construction and its relationship to larger structures of social power.⁷³ This approach helps to foreground how and why particular surveillance technologies and practices were elevated or suppressed as the web congealed around business priorities. In other words, political economy tests the notion that,

as Jonathan Hardy succinctly put it, “capitalism influenced the internet more than vice versa.”⁷⁴

Historical analysis is foundational to a political economy of surveillance advertising because it denaturalizes prevailing institutional arrangements and social relations, showing the structural forces and human political agency at work. The marketing complex began to coalesce in the late 1800s as the U.S. economy became increasingly organized around mass production and consumption.⁷⁵ Manufacturers, retailers, advertising agencies, and media outlets found common interest in building out national consumer markets. The need to rationalize and professionalize the creation of consumer demand within an increasingly productive and centralized corporate capitalism precipitated what Daniel Pope calls “the making of modern advertising.”⁷⁶ In increasingly concentrated markets, brand advertising became a way for big companies to compete with each other without lowering prices and to erect barriers to keep out potential new competitors.⁷⁷

Although modern ad campaigns took a variety of forms, mass marketing became the prevailing strategy, in alignment with the affordances of industrial printing and broadcasting technologies. Mass-produced goods in the same product category were often more or less equivalent, so advertising was used to create product differentiation, or what Thorstein Veblen called the “production of saleable appearances.”⁷⁸ Over time, the tone of advertisements shifted from the descriptive nature of early print ads to the more affective character of brand marketing, but the core component of mass media advertising was its reach. Beginning with turn-of-the-century large-circulation newspapers and magazines, and intensifying during the network broadcasting era, “scale was king.”⁷⁹

Some degree of market segmentation entered the picture with commercial radio and specialty magazines, but only according to rough estimates of consumer demographics. Gathering and processing detailed information about consumers was for the most part an expensive and time-consuming process. Large swaths of the media sector became dependent on advertising revenue, and on the whole, business was good.⁸⁰ Advertising expenditures settled in to account for between 2 and 3 percent of U.S. GDP.⁸¹ Media empires were created as advertising became a “leading edge of global consumerism,” serving the ideological and market-building needs of a profitable and astonishingly productive industrial economy.⁸²

Things began to shift as the U.S. economy slumped into what Robert Brenner calls the “long downturn,” a worldwide period of debilitating

stagnation that began in the 1970s and dragged into the early 1990s.⁸³ To mitigate what became a crisis of profitability, businesses began to reorganize systems of production, finance, and consumption on a global basis.⁸⁴ This was a complex and uneven process that hinged on investment in heretofore publicly funded information and communication technologies, from computers to telecommunications networks. Dan Schiller has shown that while commodification of information has always been involved in capital accumulation, the last fifty years have seen information and communication technologies become a vital pole of growth for an emergent “digital capitalism.”⁸⁵ The political mobilization of private sector interests played a significant role in these changes. In the United States and elsewhere, policies of privatization, deregulation, and “free trade” achieved mainstream orthodoxy under the moniker of neoliberalism.⁸⁶

Compelled by a changing political economy, the marketing complex embarked on its own lurching reconfiguration around information and communication technologies and the systematic integration of consumer data into advertising practices.⁸⁷ In the 1980s, ad agencies began to use computer databases to target specific audience demographics through tactical ad placement across media channels.⁸⁸ “Customer relationship marketing” strategies such as loyalty programs used data to establish lasting connections with high-value consumers while excluding those deemed undesirable.⁸⁹ Though it had been around for many years, consumer surveillance was now seeping into advertising’s mainstream.⁹⁰ During this period, audience fragmentation and the shifting demographics of the U.S. population put national mass advertising under increasing strain.⁹¹ In 1965, an ad campaign could reach 80 percent of eighteen- to forty-nine-year-old women by purchasing three television commercials; a few decades later, it required nearly a hundred prime-time spots to achieve the same result.⁹² For major marketers, these trends threatened a loss of control over a changing media system that had long been dictated by their interests.⁹³

By the 1990s, the marketing complex was keenly attuned to the emergence of a new crop of interactive media that included the World Wide Web. The web was simultaneously a danger and opportunity, at once conceivable as advertising’s next frontier and its mortal wound. Among the greatest threats was that interactivity would provide individuals with new kinds of media autonomy—perhaps even the power to excise advertising altogether. To turn threat into opportunity, the marketing complex needed the support of the federal government, as well as a push from the investor

class of Silicon Valley. The politicians made the rules that governed the web's commercialization, while the venture capitalists, chasing monopoly profits, supplied the cash. Propelled by this structural inertia, the web became what Joseph Turow calls a "test bed" for data-driven advertising.⁹⁴ This is the jumping-off place of this book.

Chapter Outlines

In the midst of the economic recession of the early 1990s, policy makers at the highest levels of government were determined to spur growth through free trade agreements and deregulation of telecommunications and finance. In this context, the public sector and noncommercial origins of the internet were jettisoned so that private enterprise could take over to commercialize the digital revolution. Chapter 1 tells this story through examination of internet policy making under the first-term administration of President Bill Clinton. The chapter sketches a genealogy of Clinton's laissez-faire internet agenda, which stemmed as much from neoliberal ideology as from political expedience and the instrumental power of business interests to shape public policy. Many marketers were initially skeptical that the clunky web platform could work as a sales channel, but industry leaders quickly understood that a noncommercial or advertising-adverse medium would undermine their dominant position in the U.S. media system. Chapter 1 shows how the marketing complex ramped up to work with the U.S. government to ensure that the new media, whatever the particular format, would develop in alignment with marketers' overarching business needs.

Drawing on archival records from the Clinton Presidential Library and other sources, the second chapter looks closely at the key articulation of Clinton's second-term internet policy agenda, a document called the *Framework for Global Electronic Commerce*. This chapter develops a case study around the *Framework's* creation to show how "private sector leadership" was reaffirmed domestically, extended internationally, and applied directly to the burgeoning surveillance advertising industry. Zooming in on the mechanics of policy making debunks the notion that neoliberalism represents a minimalist, nonregulatory approach to governance and reveals the antidemocratic nature of internet commercialization. Public and private sectors worked in close quarters to harmonize their objectives for internet development, and despite disagreements in a few areas, they found a great deal of common ground. At the same

time, civil society groups and everyday citizens were largely excluded from closed-door policy discussions.

Chapter 3 addresses the formative business models and technologies of the internet advertising sector. Discussions of surveillance often dwell on a particular technology like the HTTP cookie as a way to point to something concrete that enables consumer data collection. This chapter offers a counterpoint by emphasizing the logistical problems of the advertising business that web technologies were marshaled to solve. Instead of focusing on a specific technical innovation, it is more useful to examine the development of the ad network, a new breed of company that offered centralized ad delivery services to disparate publishers across the web. The most important of these companies was DoubleClick, an early pioneer and enduring market leader that was among the first to integrate surveillance into web advertising in a systematic fashion. DoubleClick exploited the flexible design of the web's communication protocols in order to build a unique system in which every ad served was also an opportunity to gather data about internet users. This created a foundation for the increasingly invasive forms of consumer surveillance that came to occupy the center of the internet advertising industry.

Ad networks propelled the scale and precision of online advertising far beyond what was available at the time, enabling the new industry to make a rapid generational leap. But this growth was dependent on a huge influx of capital that stemmed from the dot-com investment bubble that overtook the U.S. economy in the second half of the 1990s. The fourth chapter revises the legacy of the dot-com bubble as generative of surveillance advertising, looking at the period through the lens of a marketing/finance feedback loop. Internet advertising companies deployed venture capital to roll out new services, acquire competitors, and invest in infrastructure, all while operating at stunning losses. The bubble also played an important role in generating early demand for web advertising. Tech start-ups were among the web's biggest ad spenders, legitimizing the commercial internet at a time when many traditional marketers were still ambivalent about its prospects as a sales channel. The stock market bubble ultimately functioned as a catalyst to surveillance advertising, providing ample material and ideological resources while helping to undermine alternative media revenue models.

Chapter 5 gets to the heart of surveillance advertising's construction. As the financial bubble intensified in the late 1990s, a cadre of ad networks began to reconfigure their business model, shifting focus away from

web publishers toward a much greater prize: the massive ad budgets of national marketers. Leveraging outsized financial valuations, ad networks expanded their service offerings, effectively launching a surveillance arms race to improve targeted advertising. I use the lens of platformization to highlight several interconnected trajectories of this buildup, including the creation of new surveillance practices and the broadening of ad networks' ambitions to, as DoubleClick's CEO put it, become the "operating system for advertising on the net."⁹⁵ Platformization represented another milestone in internet advertising's evolution whereby web publishers, retailers, and marketers alike—effectively the whole commercial internet—were compelled by market competition to plug into the developing infrastructure of surveillance advertising. Although these systems often remained ungainly, the platform strategy set a template for the modern surveillance advertising monopolists.

Chapter 6 chronicles the country's first public debate over internet privacy. In the late 1990s, a popular backlash against the merging of off-line and online data produced a potential crisis for the marketing complex. An emergent advocacy community pressured Congress to consider opt-in legislation mandating that companies obtain prior consent from users before collecting their data. Seeing affirmative consent as a threat to the developing surveillance advertising business model, a coalition of marketing trade associations and newly formed online ad industry groups successfully lobbied to maintain the regime of advertising self-regulation. As advertising became a driving force of the internet's commercialization, political leaders chose to let the industry continue to regulate itself, even as it became clear that the sector was solidifying around practices that were obliterating the privacy norms of the day.

By the end of the decade, a sociotechnical infrastructure for surveillance advertising had been established. Although the financial mania of the dot-com bubble did not last, the business practices, technical infrastructures, and political framework of surveillance advertising endured. The final chapter brings this history up to date, connecting the dots between the first and current generations of surveillance advertising. The chapter focuses on Google, which achieved early success in internet advertising without collecting user data but then changed course after it acquired a relic from the 1990s: the ad network DoubleClick. Google's embrace of consumer monitoring marked the ascendance of the surveillance advertising model, effectively ending the debate about whether market forces would provide solutions to internet privacy issues.

The formative moments of any new technology are particularly salient for structuring its future development.⁹⁶ Early policy interventions could have limited surveillance advertising in a number of significant ways, but once momentum and capital accrued, it became increasingly difficult to alter course. With an accommodating political economic framework, surveillance was cemented as the internet's primary business model. When Google and Facebook went on to build advertising empires in the intervening years, they relied on more than just clever technology and heaps of venture capital. They also banked on the political premise that ubiquitous data collection would be permitted by default and that they would be free to build the tools of mass surveillance and targeted persuasion without being held to public account.

In the Introduction of the tenth anniversary edition of *No Logo*, Naomi Klein reflects on the nature of her research for the original book. She notes that once you begin to look deeply into advertising, the conversation broadens to include everything “from how products are made in the deregulated global supply chain to industrial agriculture and commodity prices. Next thing you know you were also talking about the nexus of politics and money that locked in these wild-west rules through free-trade deals. . . . In short, you were talking about how the world works.”⁹⁷

Surveillance advertising has been driven by the overarching imperatives of global capitalism: the profit motive; the struggle to find new areas of investment in age of the “long downturn”; the commodification of information; and the hope that the internet's commercialization would engender a new economy free of the painful contractions that plagued previous decades. So although this book is principally about the construction of surveillance advertising on the internet, it is also about the dynamism of a capitalist economic system that must continually push the boundaries of marketing and finance as sites of expansion. To be clear, my argument is not that the internet—past or present—has been totally and irrefutably dominated by commercial interests. To a greater extent than mass media or proprietary computer networks, the public internet has facilitated a range of activity unbound by the discipline of markets. Unlike cable television or Microsoft's Xbox Live gaming network, the web is home to many noncommercial undertakings, including efforts to critique and counter surveillance advertising. But the marginalization of such activities compared to the commercial fortunes of Google, Facebook, and their ilk is undeniable.

The history of surveillance advertising is in many ways the story of the internet's assimilation into the capitalist political economy. This does not mean that internet advertising developed smoothly or without resistance. Numerous people and institutions pursuing myriad objectives have influenced the internet's evolution, which remains ongoing and uneven. There is thus a practical truth to media critic Bob Garfield's quip that attempting to write about the internet is like "sketching the Kentucky Derby."⁹⁸ But every race eventually produces winners and losers. Three decades after the introduction of the World Wide Web, it is clear who has won and who has lost.

The contemporary internet is not the only one that could have been constructed. The current iteration—heavily integrated into overbearing systems of commercial surveillance—was built with intention for reasons that can be explained. For those who are interested in changing course, it is important to know how we got here in the first place.