In your Face! The Facebook Corporate Bonanza

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Facebook transforms who you are, your likes, dislikes, beliefs and fantasies, all of it into a commodity that it alone owns, 600 million intimate profiles of people like you and me

Many moons ago, when the Web was still in its infancy I wrote that the way the Web was evolving led inevitably to the emergence of monopolies, whether of content or access to information. In the early days it was Portals, or the 'place' where you entered the Web eg, Netscape, Microsoft, CNN or whatever, that commanded 'value'. Success, and hence an implied value, was measured in terms of 'hits' or to paraphrase, the proverbial 'boots on the page'. It was assumed that advertising would be the revenue stream as users clicked on links and hopefully bought stuff.

Back in the 90s, traditional print publishers (many of whom still hadn't gotten their heads around Quark Xpress or even email) were scrambling to figure out whether the Web was friend or foe? But from the very beginning it favored the big publishers, especially multi-media publishers. They not only had the cash to invest in developing new production tools, more importantly they already owned and had already produced the content. Putting it up on the Web was merely a question of refreezing the content, misleadingly called convergence. In a phrase, a license to print money if you can corner your particular market niche (Facebook's is apparently a 600 million 'niche'!)

It's all down to numbers, so for example, direct mail shots posted to your home have around a 2% (or less) success rate. This means you've got to send a lot of mail if you want to make money. Imagine then what is possible if you can just get 1% of Facebook's 600 million users to click/buy or whatever whilst on FB?

Apparently–though I'm not one of them–there are people who are addicted to FB and spend an inordinate amount of time noodling around the 'place', helping create FB's online 'culture' but a 'culture' or rather commodity that ultimately belongs not to the users but to Facebook's shareholders. Social media? I think not.

So for example, FB makes it really difficult to delete the mass of stuff you've parked on its servers (it's taking me the better part of a day to try and clean out my FB account and I'm still not sure I've really removed everything). Tim Berners-Lee, one the inventors of the Internet and the Browser has this to say about FB:

> "Berners-Lee highlighted Facebook, LinkedIn and Friendster, noting how such sites lock data in. "Your social-networking site becomes a central platform – a closed silo of content, and one that does not give you full control over your information in it."" — 'Tim Berners-Lee warns of threats against web', PC Pro

22 November, 2010

FB is not doing anything new, it's just doing it much better than the (already) traditional imitation printed pages of the news and entertainment sites. It's the nature of the interaction, with the Website acting as a virtually transparent intermediary between people, that's the secret to the success of FB. And none of it would be possible without Broadband, something that didn't exist in the early days of the Web except for governments and corporations.

But behind the development of the Web was the driving force of the military and the financial sector. So all the while, banks and financial services plus the largest of the media corps, eg the Wall Street Journal, were busy building globe-spanning infrastructure tied together by satellite and had been doing it since the 1970s. Once the major technical problems had been solved this merry bunch was joined by manufacturing and distribution, eg supply chains. Along with the state and the military, these form the bulk of what we call the Internet. It's also what makes the capitalist version of globalization possible.

It's only relatively recently that we've seen retailing assume such importance–aided by the death of the High Street and a critical mass of broadband connections as well as more reliable transaction processes–join in the fun of making money out of the Web. Once the technology had gotten sorted, the big retail chains got onboard, essentially refreezing the mall store online, piggy-backing on the infrastructure and stock that already existed just as the print publishers had done a decade earlier.

But as the Web evolved many realized that the real value of the Web lay in the users themselves, or rather the users as data that can be used for marketing and of course, for spying on us, for which the "social media' sites are ideal vehicles, especially if nearly everyone uses the same platform. This is why Facebook is so critical with its 600 million users, a sizable fraction of the global population!

But do they still need users to spend money? Not directly though all income is obviously welcome, because on the strength of the 'goodwill' value of FB they raised cash to buy real companies that produce useful tools for the Web and digital media in general! Behind this nifty move was Goldman Sachs that has invested a lot of moola in FB ($1.5 billion) and itself is no slacker when it comes to smoke and mirrors.

Why FB took off while others failed to command the Webspace so thoroughly is simply the law of the capitalist jungle. But who cares? FB's major rival, MySpace (owned by Murdoch's News Corp), was clunky by comparison and not so 'usr-friendly' but by the time it got a Facelift it was too late, FB had reached a 'critical mass' of users. So now, when you join the Web and want to connect to your friends, where else would you go but FB? Others are creeping alongside like Linkedin but it targets mainly business users.

So Facebook is 'worth' (I use the term advisedly) we are told, $50 billion or $60 billion! Based on what? With a turnover allegedly of $2 billion, it's definitely not income. So what is going on here? Is this another Dotcom bubble about to burst? Or is it the Web version of murky mortgages and dodgy derivatives?

> "The non-public market value of Facebook most recently got a significant hit when a group of shareholders wanting to unload $1 billion worth of the

> company�s shares had to lower their selling price. The suggested FB valuation from that trade position went from $90 billion to $70 billion. While that�s still well above the $50 billion theoretical market valuation put on the social network when it raised money from Goldman Sachs and Digital Sky Technologies in January, the reposition outlined growing concerns among shareholders that Facebook�s market valuation can�t sustain its growth. This introduces a significant question: can you short Facebook?" — 'Can Goldman Sachs Short Facebook?' Wall Street Pit[1]

Shorting is something Goldman Sachs is very good at, they've even shorted an entire country, Greece! What we forget is that at the end of the 90s when the first dotcom bubble burst, a lot of people walked away with a lot of money before it all went belly-up. Money that was invested elsewhere. The similarities with the current crisis should be obvious insofar as is it too was caused by massive speculation and the subsequent unloading of worthless pieces of paper, and the speculators walking away with billions.

For six years I ran one of the first internet development companies in South Africa (1994-2000, until the first bubble burst) and I have always remembered the following exchange that took place on CNN business news one night, at the height of the bubble bursting (late 1999). It went something like this:

> CNN to business guru: So would you advise investors to steer clear of investing in internet companies?
>
> Business guru: Oh no! You have to continue investing, you have no choice but to invest
>
> CNN: Why is that?
>
> BG: Because the technology has to develop and if you don't keep up, you'll fall by the wayside

If nothing else it illustrates just how meaningless money has become as a measure of real wealth but more importantly, we've been here before, this is classic Marx/Engels territory. This is a second industrial revolution on par with the one Marx/Engels unpacked so accurately, so accurately that very little has changed in the intervening 150-plus years.

Marx/Engels described in great detail how revolutions in production technology that were comparably as fast as those taking place today in the world of digital 'production'. A factory owner might invest in a machine that replaces twenty workers only to find a few months later that a rival factory has installed a new machine that does the work of one hundred workers. The first owner either buys it or something even better or he goes out of business. The similarities are surely obvious.

That's why the business guru advised that you had better invest or go under. The development of Web-based technologies are comparable to the development of production infrastructure during Marx/Engels time such as standardized measurements, ever more efficient automatic machines as more and more intellectual capital got embedded in the machines.

It was inevitable: the i-Pad

Accompanying this process is another insidious development, the i-Pad and similar. When it first appeared I just couldn't figure out what the hell use it was, then I tumbled: because Apple is now a content provider as well as a manufacturer, inevitably it will make products that are basically vehicles for selling content. But crucially it needed the wireless network providers onboard. So essentially the i-pad is a phone that you can't use to phone somebody with. It's a content-chowing machine, whether it's your cellular network splitting revenue with Apple or whether its Apple making bread out of i-tunes, books, videos, games or apps and all of it in a proprietary manner contrary to Tim Berners-Lee's vision of an open protocol (the reason why the Web spread so quickly in the first place).

A comparable process is taking place with bandwidth use or so-called Net Neutrality or now the lack of it:

> ""In the world of broadband data caps, the caps recently implemented by AT&T are particularly aggressive," they explained. "Unlike competitors whose caps appear to be at least nominally linked to congestions during peak-use periods, AT&T seeks to convert caps into a profit center by charging additional fees to customers who exceed the cap. In addition to concerns raised by broadband caps generally, such a practice produces a perverse incentive for AT&T to avoid raising its cap even as its own capacity expands."" '56% of US internet connections capped by providers' — RT

Manufacturers becoming content providers started as long ago as the late 1980s when AT&T bought up digital content because having virtually automated its voice network, it could no longer make enough profit out of it to satisfy its shareholders. Microsoft went through the same process (it bought the digital rights to the Louvre Museum around the same time).

The i-pad is a digital version of the Kodak camera that was designed as a vehicle for selling film and processing it because that's where the real money was and it was a long term stream of cash.

What links all these processes together is the increasing monopolization of content and providers by a handful of gigantic corporations who undoubtedly have a major presence on the Web but also in virtually every other facet of modern content production and distribution from the computer chips to the DVDs and all the stops in-between.

And the i-phone surfs in the same murky waters as does Facebook, syphoning off user information about their movements, what they read, what they buy, all of it until now, unknown to i-phone users.

> "Researchers have discovered that the iPhone is keeping track of where you go and storing that information in a file that is stored – unencrypted and unprotected – on any machine with which you synchronize your phone. It is not clear why Apple is collecting this data." — 'Your iPhone Is Tracking Your Every Move' — Readwriteweb

Are people bothered by all this? Apparently not enough of us to make a difference, largely because you can't see it until it's too late to do anything about it. It parallels the so-called anti-terror laws enacted, all of which have a major surveillance component that involves spying on citizens with an ever-increasing intrusiveness. And business has been only too happy to get involved in fighting the 'war on terror' by opening its servers to all manner of surveillance.

But it’s when marketing and the spooks get together that we begin to realize just how pervasive this intrusion has become. When there is no line between marketing data and state surveillance data, it heralds yet another milestone in the creation of the corporate-security state. Imagine the NSA or GCHQ having access to 600 million Facebook profiles and who is to say that they don’t already have that access?

Note

1. Shorting is simply betting that the future value of shares or currency will be lower than it is at the time of ‘purchase’.