

26

FACEBOOK

Christian Fuchs

Social media and web 2.0 are terms that have become popular since 2005 when Tim O'Reilly, founder and CEO of the computer technology and business press O'Reilly Media, introduced the concept of web 2.0.¹ On the one hand, these notions are capitalist ideologies that have tried to convince investors and advertisers that the Internet has been completely renewed after the 2000 dot-com crisis and that it poses great new investment opportunities.² The ultimate goal underlying the notions of web 2.0 and social media is to attract venture capital investments to the capitalist Internet economy. On the other hand, there is an element of rationality to this marketing ideology: platforms such as Facebook, YouTube, Twitter, Weibo, Wikipedia, Pinterest, etc. do not constitute a completely new Internet, but they have integrated various forms of sociality into their services (i.e., creating and sharing information, communication, and cooperation) that were previously only supported by Internet technologies.³

Facebook is in many of the world's countries one of the most used WWW platforms. At the end of 2014 it had 1.39 billion monthly active users,⁴ which makes it—with around 20% of the world population—one of the media with the largest audience and user group in the world. Facebook is a media giant.

In 2013, 88.7% of Facebook's revenues stemmed from advertising and 11.3% from payments and fees.⁵ In 2014, the advertising share was 92.2%.⁶ With almost \$7 billion in advertising revenue in 2013 and \$11.5 billion in 2014, Facebook is not a communication company but one of the world's largest advertising agencies.

Facebook achieves profits by selling targeted advertising space. The access to the platform is not a commodity. The commodity that is sold is rather users' registration data, profile data, browsing behavior on Facebook and other parts of the World Wide Web, communication content, and social relation data.

This chapter analyzes the political economy of one of the most widely used social media platforms. It discusses Facebook's history followed by a discussions of its economic, political, and cultural profiles.

History

Mark Zuckerberg, Eduardo Saverin, Andrew McCollum, Dustin Moskovitz, and Chris Hughes founded Facebook as a college social network in 2004 at Harvard University. The initial site was www.thefacebook.com. The platform quickly became popular at Harvard University and was extended to other Ivy League universities.

The movie *The Social Network* (Columbia Pictures, 2010) describes the history of Facebook as a bunch of talented Harvard students, who because of a good idea became billionaires and realized the American Dream of becoming rich and famous. The movie frames the story in individualistic terms, neglecting that Facebook, like most large Silicon Valley tech companies, received millions in venture capital, from Peter Thiel, Accel Partners, Jim Breyer, and others, which allowed its expansion as a company.

In 2006, Facebook was turned from a college network into a general social network open to everyone. From then on the users of Facebook increased rapidly, reaching 500 million in 2010 and one billion in 2012. In 2012, Facebook made an IPO on the NASDAQ and became a publicly traded company. Facebook subsequently developed into the social networking site with the largest number of users and the highest profits and one of the world's largest advertising agencies.

Economic Profile

Facebook is a media giant both in terms of the number of its users and its capital. This section outlines Facebook's financial data/market share, properties (corporate structure, holdings, joint ventures), typical corporate strategies, and new developments.

Financial Data/Market Share

According to the *Forbes* 2000 list in 2014, Facebook was the world's 510th largest transnational company (TNC) as measured by a composite index of sales, profits, capital assets, and market value.⁷ In the category of computer services, it was the world's fifth largest TNC, ranked after IBM, Google, Accenture, and Tencent. The following figures illustrate Facebook's profits and revenues. In 2015, *Forbes* listed Facebook as the world's 280th largest company, now ranked

third in the computer services industry behind Google and IBM.

Figure 26.1 shows the development of Facebook's profits in the years 2007–2013 and Figure 26.2 visualizes the development of Facebook's revenues during the same time period.

As indicated by Figure 26.2, Facebook's revenues have been continuously growing since 2007. During the analysed time period, the company had losses in 2007 and 2008 but was profitable in the years 2009–2013. The reason why profits decreased in 2012 is that Facebook had to record expenses made by compensating employees in the form of restricted stock options (RSU) in preparation for its initial public offering on the NASDAQ stock exchange. It wrote down RSU compensation of \$986 million in 2012, which reduced its profits.⁸ In 2013, its profits reached a new high of \$1.5 billion. In 2014, the profits further increased to nearly \$3 billion.

Properties (Corporate Structure, Holdings, Joint Ventures)

Facebook's acquisition strategy is to buy other online technology providers that could either compete with Facebook directly or that allow the company to enhance its own platform and services in other technological realms. The most important acquisitions have been the mobile phone instant messaging app provider WhatsApp (2014, \$19 billion), the online video advertising company LiveRail (2014, \$500 million), Oculus Virtual Reality that produces head-mounted displays (2014, \$2 billion), the photo-sharing platform Instagram (2012, \$1 billion), the face recognition software company Face.com (2012, \$100 million), the advertising technology company Atlas (2013, \$100 million), and the mobile app developer Snaptu (2011, \$70 million).

WhatsApp and Instagram are examples of social media that competed with Facebook, which meant that Facebook became horizontally integrated in social media after acquiring the companies. The acquisitions of Atlas, Snaptu, and Face.com are examples of vertical integration, whereby Facebook extended its services into other realms, such as advertising, mobile phones, and photo tagging. The acquisition Oculus is another example, whereby Facebook extended its business into the virtual reality market. Taken together, these purchases constitute a case of conglomeration within the media technology sector.

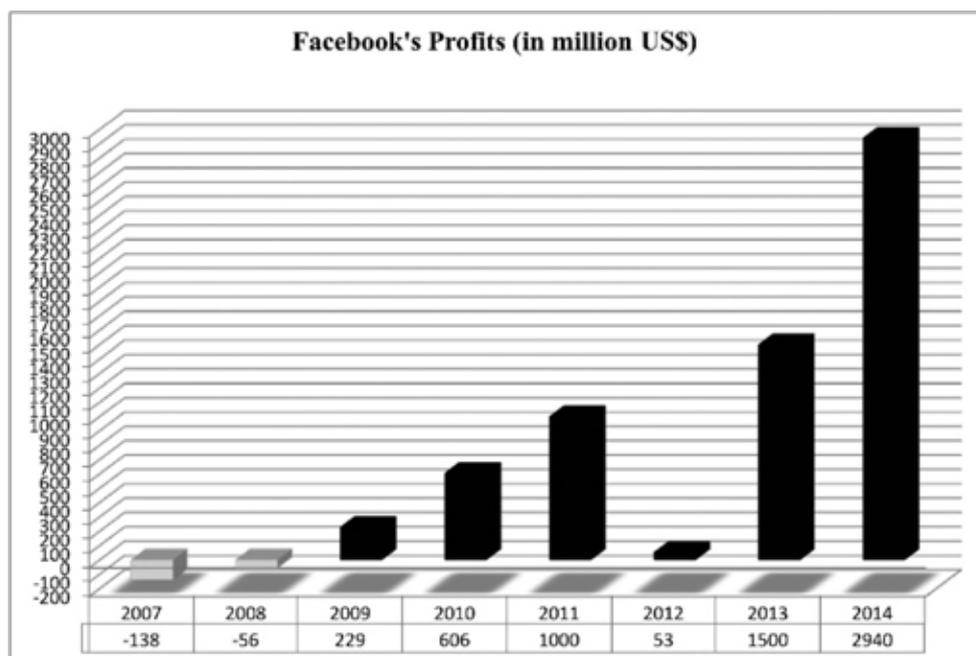


FIGURE 26.1 Facebook's Profits, 2007–2013

Source: SEC Filings, Form-S1 Registration Statement: Facebook, Inc., Form 10-K: Annual Reports

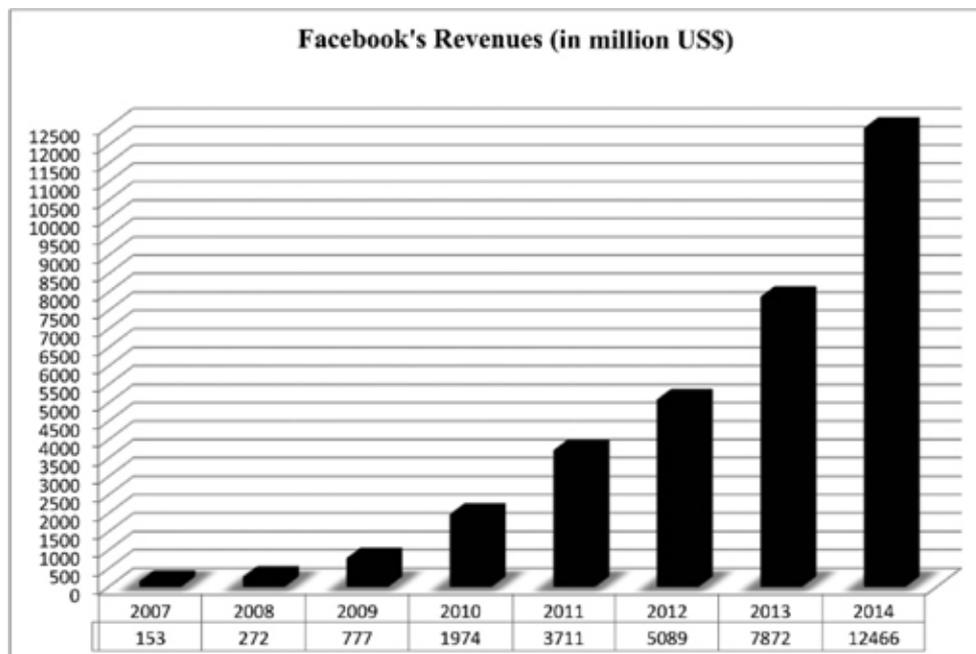


FIGURE 26.2 The Development of Facebook’s Revenues

Source: SEC Filings, Form-S1 Registration Statement: Facebook, Inc., Form 10-K: Annual Reports

The purchase of WhatsApp in 2014 gave Facebook a strong presence in the mobile online communication market. Instagram has become an increasingly popular social network that is focused on image sharing. Its acquisition allowed Facebook to strengthen its presence in the realm of content-sharing networks. Atlas strengthens Facebook’s provision and use of targeted advertising. Snaptu developed the Facebook app for use on all mobile phones, which increased Facebook’s presence on mobile phones. [Face.com](#)’s photo tagging applications are direct enhancements for Facebook that take into account the fact that people use their mobile phones as digital cameras and want to share the images they take with others. Facebook’s purchase of Oculus may have been driven by Google’s development of Google Glass, which may have raised Facebook’s fears about missing out on profits in the augmented reality market.

Whereas Instagram uses a targeted advertising-based capital accumulation model just like Facebook, WhatsApp and Oculus have different strategies: the first charges subscription/access fees, the second sells hardware. Although Facebook uses predominantly targeted advertising (i.e., the commodification of user data as capital accumulation model), it has also created a presence in the commodification of hardware and of the access to online services.

Typical Strategies

Understanding Facebook’s political economy needs to be connected to an analysis of the political economy of advertising. Facebook’s typical capital accumulation strategy is the exploitation of users’ digital labor.

Capitalists’ source of profits is the exploitation of workers’ labor. Capitalism’s essence is that workers work more hours than they are paid for, are only compensated for part of their working day, and do not own the products and value they create. Marx points out that capital has a “werewolf-like hunger for surplus labor.”⁹ He also characterizes capital as “vampire-like,” claiming it “lives only by sucking living labor, and lives the more, the more labor it sucks.”¹⁰ Capital has a “vampire thirst for the living blood of labor.”¹¹ Marx uses the metaphor of the vampire and the werewolf in order to point out that capitalism as system of exploitation is morally detestable, a scandal that confronts the working class and that should be abolished. How does the exploitation of labor work in the case of Facebook?

Dallas Smythe¹² established the notions of audience commodity and audience labor for understanding the political economy of commercial media using advertising as their capital accumulation model. “The work which audience members perform for the advertiser to whom they have been sold is to learn to buy particular ‘brands’ of consumer goods, and to spend their income accordingly. In short, they work to create the demand for advertised goods, which is the purpose of the monopoly capitalist advertisers. While doing this, audience members are simultaneously reproducing their own labor power.”¹³ Smythe’s notion of audience labor challenged the idea that one can only be exploited if one

earns a wage in a factory. He opened up the notion of exploitation for the age of consumer culture. His concepts of the audience commodity and audience labor also challenge the idea that the home and the private sphere are insulated against exploitation, an insight that he shares with Marxist feminism that since the 1970s has stressed the importance of considering reproductive labor as value-generating and therefore exploited by capital. The two notions also share insights with Autonomous Marxism, which stresses that the factory and labor have diffused beyond factory walls and have created a social factory and the social worker.

In the age of capitalist social media, Smythe's notions of audience labor and the audience commodity have gained new attention and relevance.¹⁴ Facebook's commodity is not its platform that can be used without charges. It rather sells advertising space in combination with access to users. An algorithm selects users and allows individually targeting ads based on keywords and search criteria that Facebook's clients identify. Facebook's commodity is space on a user's screen or profile that is filled with ad clients' commodity ideologies. The commodity is presented to users and sold to ad clients either when the ad is presented (pay-per-view) or when the ad is clicked (pay-per-click). The user gives attention to his or her profile, wall, and other users' profiles and walls. For specific time periods, parts of his or her screen are filled with advertising ideologies that are targeted to his or her interests with the help of algorithms. The prosumer commodity is an ad space that is highly targeted to user activities and interests. The user's constant online activity is necessary for running the targeting algorithms and for generating viewing possibilities and attention for ads. The ad space can therefore only exist based on user activities, which provide the labor that creates the social media prosumer commodity. Constant real-time surveillance of users' personal data is an inherent feature of Facebook's capital accumulation model.

For Marx,¹⁵ work is the creation of use-values that satisfy human social needs. In class societies, work is at the same time labor that creates a surplus product and surplus value that not the working class, but the dominant class owns. Given that communication serves the human need of social reproduction (i.e., the establishment and maintenance of social relations), it is a form of work. Communication on Facebook and other social media platforms is therefore also a form of work. On commercial, advertising-based platforms, such as Facebook, communication is also a kind of digital labor that creates commodities (user data) that are sold and generate economic value and monetary profit. For understanding exploitation on social media and its connection to labor in the ICT industries in general, the concept of digital labor has been coined and developed.¹⁶

Figure 26.3 shows the process of capital accumulation on corporate social media platforms such as Facebook that are funded by targeted advertising.

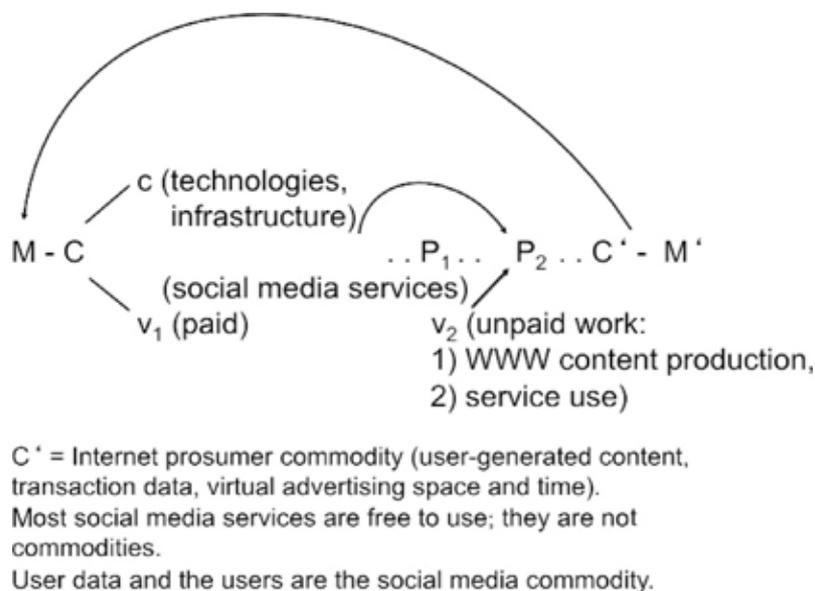


FIGURE 26.3 Capital Accumulation Process for Corporate Social Media Platforms Based on Targeted Advertising

Social media corporations invest money (M) for buying capital: technologies (server space, computers, organizational infrastructure, etc.) and labor power (paid employees). These are the constant capital (c) and the variable capital (v_1) outlays. The outcome of the production process P1 is not a commodity that is directly sold, but rather a

social media service (the specific platforms) that is made available without payment to users. The waged employees' paid digital labor that creates social media online environments that are accessed by users produces part of the surplus-value. The users employ the platform for obtaining information, communicating, and generating content that they upload (user-generated data). The constant and variable capital invested by social media companies (c, v_1) that is objectified in the online environment is the prerequisite for users' activities in the production process P_2 . The products of digital labor are user-generated data, personal data, social networks and transaction data about browsing behavior and communication behavior on corporate social media. Users invest a certain labor time, v_2 in this process. Corporate social media sell the users' data commodity to advertising clients at a price that is larger than the invested portion of constant and variable capital. Partly the users and partly the corporations' employees create the surplus value contained in this commodity. Once the Internet prosumer commodity that contains the user-generated content, transaction data, and the right to access virtual advertising space and time are sold to advertising clients, the commodity and the surplus-value contained are transformed into monetary capital and profit.

Facebook's clients run ads based on specific targeting criteria. For example, the company can target an ad to 25–35-year-old men who are interested in literature and reading. What exactly is the commodity in this example? It is the ad space that is created on a specific 25–35-year-old man's screen while he browses Facebook pages about books or other pages about literature. The ad is potentially presented to all Facebook users who fall into this category, which amounted to 25,593,175 on October 4, 2014. What is the value of the single ad presented to a user? It is the average labor or usage time needed for the production of the ad presentation.

Let's assume these 25,593,175 million users are on Facebook an average of 60 minutes per day and that 60 ads are presented to them during these 60 minutes on average. All the time they spend online is used for generating targeted ads. It is labor time that generates targeted ad presentations. We can therefore say that the value of a single ad presented to a user in this example is one minute of labor, usage, or presumption time.

In 2012, Facebook had 4,619 employees and 1.06 billion active users.¹⁷ In August 2012, users spent on average 7 hours and 46 minutes on the site.¹⁸ We can therefore calculate that an average user spent 93.2 hours per year on Facebook. In total this means $93.2 \cdot 1.06$ billion = 98.792 billion hours of annual Facebook usage time.

Furthermore, from Facebook's financial reports,¹⁹ we have data for 2012, shown in Table 26.1. According to other data, the average working day of Facebook's employees is 9–10 hours, so we can set it at 9.5 hours.²⁰ This means that in total, Facebook employees worked in 2012 around 10 million hours:

$$4,619 \text{ employees} \times 9.5 \text{ hours} \times 5 \text{ days} \times 45 \text{ weeks} = 4,619 \times 2,137.5 \text{ hours} \\ = 9,873,112.5 \text{ hours.}$$

What do Facebook employees earn on average? Statistics from glassdoor.com allow an approximation. Glassdoor is a platform where employees report average salaries and review working conditions. The data in Table 26.2 are based on reports from $N = 1,499$ persons. Based on these data, we can estimate that the salary of an average Facebook employee is \$120,675.

We can approximate Facebook's total 2012 wage costs: If there are 4,619 employees with an average salary of \$120,675, then the average 2012 wage costs are: $4,619 \text{ employees} \times \$120,675 = \$557,397,825$.

TABLE 26.1 Financial Data for Facebook, 2012 (\$)

Revenue	5.089 billion
Profit before taxes	538 million
Costs (constant and variable capital, share-based compensations)	1.57 billion

Source: SEC filings, form 10-K, 2012

TABLE 26.2 Estimation of Facebook Employees' Average Wages, $N = 1,499$ (\$)

Software engineer	117,652
Research scientist	128,996
Production engineer	126,565
Product designer	123,460
Operations engineer	98,789
Product manager	136,561

Software engineer	100,100
Technical program manager	146,063
Data scientist	124,051
Engineering manager	155,724
Senior software engineer	147,144
User operations analyst	43,518
Software engineer	145,194
User interface engineer	115,299
Software engineering new grad	106,000
Database engineer	131,500
Applications operation engineer	104,852
Average	120,675

Source: glassdoor.com, accessed December 1, 2013

The data allow calculating the following shares:

- wage share (variable capital) in revenues: 11.0%;
- capital share in revenues (profit + constant capital + share-based compensation): 89.0%;
- profit share in revenues: 10.6%;
- shareholder compensation share in revenues: 34.5%;
- constant capital share in revenues: 43.9%;
- total working hours:
 - employees: 9,873,112.5 hours;
 - users: 98.792 billion hours;
 - total: $9,873,112.5 + 98,792,000,000 = 98,801,873,112.5$ hours;
- number of unpaid working hours:
 - 89% of employees' working hours were unpaid = 8,787,070.1 hours;
 - 100% of users' working hours were unpaid = 98.792 billion hours;
 - total unpaid working hours = $98,792,000,000 + 8,787,070.1 = 98,800,787,070.1$;
- total paid working hours: $9,873,112.5 \times 0.11 = 1,086,042.4$;
- rate of exploitation (Facebook, 2012): $\text{unpaid labor time} / \text{paid labor time} = 98,800,787,070.1 \text{ hours} \div 1,086,042.4 = 90,973$.

The macro-economic wage share is the share of an economy's wage sum in the GDP. The macro-economic profit share is the share of the sum of an economy's profits in the GDP. We can approximate these shares the following way:

Wage Share (ws) = net operating surplus (NOS) / GDP

Profit Share (ps) = compensation of employees (COE) / GDP.

The U.S. economy-wide profit share was 24.8% in 2012 and the wage share 53.1%.²¹ As shown, I estimated the company-level equivalents of the profit share and the wage share for Facebook: Facebook's wage share was 11.0% in 2012 and its profit share 45.1% (when profits are calculated as the sum of actual profits and paid-out shareholder compensation). Facebook achieves such a high profit share by keeping its wage costs low. Calculating exploitation at the level of prices only allows taking wage labor into account, not unpaid labor that also creates value. Therefore, we need to calculate also at the level of labor time in order to analyze non-wage workers' unpaid labor time of non-wage as a source of value. By performing such a calculation, we can see that unpaid labor is a huge source of value for social media.

New Developments

Facebook made an initial public offering on the NASDAQ stock market in 2012 with an opening price of \$38 per stock.²² Its market capitalization (the amount of issued shares multiplied by the stock price) increased from \$81.7 billion at the start of its stock market presence on May 18, 2012, to around \$200 billion in autumn 2014.²³ Facebook's capital assets grew from \$14.9 billion in June 2012²⁴ to \$20.8 billion²⁵ in June 2014. Whereas the market value

increased during the same time period by almost 250%, Facebook's capital increased by 40%. As a consequence, the difference between Facebook's market value and its capital assets increased from a factor of 5 in 2012 to a factor of 10 in 2014. This increasing differential between market value and capital is an indication of Facebook's overvaluation.

Whereas the growth of Facebook's capital is based on the exploitation of users' digital labor, the growth of its market capitalization is based on investors' assumptions that Facebook's profitability will forever grow rapidly. The 2000 dot-com crisis of the Internet economy was an example of financial bubbles that result from the difference between expectations and reality of profitability. Since the mid-1970s, profitability in the world economy has remained unstable and fluctuating, which has increased the growth in speculative financial markets that promise high short-term returns but are high-risk and highly volatile.

Twitter started trading stocks on the New York Stock Exchange in November 2013, Weibo on the NASDAQ stock market in April 2014. Twitter's annual loss amounted to \$647 million in 2013;²⁶ Weibo's annual loss was \$38 million in 2013.²⁷ These two examples, just like Facebook's growing difference between capital and market capitalization, are indications that financial capital underlies the social media industry. The monetary profits are driven by the exploitation of users' digital labor. The financial investments enable social media companies to operate but at the same time decouple their financial economy from their capital/labor economy. This simultaneous coupling and decoupling of the financial and the capital/labor economy in the social media industry can only work as long as a significant amount and share of profits can be derived from targeted advertising and investors maintain large-scale confidence that such ads are a viable form of capital accumulation. How often do you click on an ad that is presented to you on Facebook or another corporate social media platform? And if you click, how often do you buy something on the website to which you are transferred?

Online advertisements' click-through rate is on average just 0.1%,²⁸ which means that users tend to click on 1 out of 1,000 ads presented to them. And if a user clicks on a targeted ad, we do not know whether such single clicks make them buy commodities on the websites they are referred to or not. In addition, more and more users find any form of online advertising annoying and use ad-block software and do-not-track cookies. If the belief that targeted ads work suddenly dwindles when one larger social media platform is in decline, for example, the social media bubble may burst. Bursting financial bubbles always have devastating social, political, and economic effects. There are many reasons not to wait until the social media bubble explodes, but to start establishing and supporting alternatives to corporate social media.

Political Profile

This section discusses Facebook's ownership structures, ties to the state and lobbying efforts, corporate board members and interlocking directorates, and social marketing.

Ownership

Table 26.3 shows Facebook's largest shareowners. The difference between class A and B stock is that holders of class A stock have one vote per share while holders of class B stock have 10 votes per share at the Annual Facebook Meeting.²⁹

Mark Zuckerberg is not only Facebook's co-founder, chairman, and CEO, he also holds the majority of all stock and absolute majority of the voting power, which means that he is the company's main financial profiteer and decision-maker. Facebook co-founders Dustin Moskovitz and Eduardo Saverin also hold significant shares of stock and voting power. The U.S. financial investment company Fidelity controls a significant share of class A stock, which shows the importance of financial investors for corporate social media.

Large investors in Facebook that funded the company's early development were the U.S. venture capital firm Accel Partners, which owned around 15% by investing \$12.7 million in 2005, and Mail.ru that invested \$200 million in 2009. In 2010, Accel Partners sold its Facebook ownership share for \$35 billion.³⁰ Mail.ru sold its Facebook shares in 2013 for \$525 million.³¹ These examples show a typical strategy of financial capital: investing in start-up companies and selling their ownership shares after these firms have increased their capital or market value in order to make a profit.

Facebook's successful exploitation of digital labor translates into a growing wealth for its owners. In 2014, Mark Zuckerberg was the world's 13th richest person,³² his net worth being \$34.1 billion. In the computer industry, only Bill Gates (Microsoft, #2) and Larry Ellison (Oracle, #5) were richer than Zuckerberg.

Ties to the State and Lobbying Efforts

An important link between the capitalist economy and the state is taxation. In the U.K., Facebook paid £238,000 corporate tax on a U.K. revenue of £175 million (0.1%) in 2011.³³ In 2012, it paid no corporate tax on U.K. revenues of

£223 million.³⁴

In order to avoid paying taxes, Facebook makes use of what is called the “Double Irish Strategy” in the economic world: its European headquarters are based in Dublin, Ireland. Existing tax regulation allows Facebook and other transnational companies to shift revenue from a country with higher tax rates to ones with lower tax rates. In the “Double Irish Strategy,” two companies work together: one is an Irish company resident in a tax haven (the Cayman Islands in Facebook’s case), while the other one resides in Ireland. The company based in Ireland receives revenues that Facebook makes outside of the U.S. that it offshores to the company in the Cayman Islands by paying licensing fees to it that are tax deductible in Ireland. For the remaining profits, it pays corporate tax at the level of 12.5% in Ireland. Using this strategy, Facebook in 2011 paid only £2.9 million in taxes on non-U.S. profits of £840 million (0.3%).³⁵

TABLE 26.3 Facebook’s Largest Shareowners (%)

	<i>Class A Stock</i>	<i>Class B Stock</i>	<i>% of Voting Power</i>
Mark Zuckerberg, chairman and CEO	0.00001	74.3	55.2
All other directors and executive officers together	0.9	9.0	6.0
Dustin Moskovitz	2.3	8.5	6.9
Eduardo Saverin	0.0002	9.3	6.9
Entities affiliated with Fidelity	7.1	–	1.8

Source: Facebook SEC filings, form DEF 14A, Definitive Proxy Statement 2014, March 31, 2014

Facebook’s tax avoidance strategy is indicative of how states operate under neoliberal capitalism. The state is not passive or unregulated, but rather regulates the economy with the help of laws in such a way that capitalist companies derive profits at the expense of the public. The bourgeois state’s law protects capitalism. Legislation tends to be predominantly national, whereas the capitalist economy is global, which creates a contradiction between national legislation and global capitalism. Also the Internet is a global system. Internet companies such as Facebook therefore bring together global capitalism and a global communication system, which makes it difficult for nation states to effectively regulate and tax such corporations. Being driven by the fear of losing investments in their countries, many states choose not to tax global corporations at all, which undermines public finances and is an even more severe problem in times of austerity.

Facebook has again and again faced massive public criticism because of privacy violations. For example, the *Europe v. Facebook* initiative³⁶ filed 22 complaints against Facebook to the Irish Data Protection Commissioner. It argued that Facebook had breached European and Irish data protection laws. The issues in question concerned users’ consent to the privacy policy; excessive data storage; liberal standard privacy settings; the deletion of postings, images, and messages; consent to the storage of data about pokes; shadow profiles; tagging; mobile data use; postings on other users’ walls; facial recognition; and third-party applications and likes.³⁷ The legal results of this conflict were negligible and did not in any way decrease Facebook’s capacity to commodify personal data. Ireland’s Data Protection Commissioner, Billy Hawkes tends to be soft on companies and concluded that it is a fair deal that Facebook provides free platform access and in return commodifies personal data.³⁸

The privacy critique of Facebook is a rather liberal discourse grounded in the ideology of possessive individualism whereby data are seen as an individually owned private good that is in the wrong hands because it is owned by Facebook and not by the users. The logical implication is that it is evil if Facebook makes profits out of data, but legitimate if a user makes profit out of his or her own data. An individualistic privacy discourse cannot adequately challenge the profit and commodity logic. A socialist privacy strategy that argues for privacy of consumers, workers, and citizens, while simultaneously advocating for greater surveillance of the state and companies reverses the existing power relations. Such a strategy can challenge the power of corporations and the capitalist state while strengthening citizens’ interests. In a classless society devoid of any domination, more personal data can be shared in public because humans would be less prone to suffer disadvantages when doing so than in class-based societies.

In the years 2011–2014, Facebook spent annually between \$1 million and \$6 million on political lobbying.³⁹ It hired lobbying firms such as Elmendorf Ryan, Peck Madigan Jones, Squire Patton Boggs, Steptoe & Johnson, and Stewart Strategies & Solutions for this purpose. Facebook paid for lobbying on political issues and laws concerning visas and permanent residency for high-tech workers, online privacy, children’s online privacy and safety, corporate taxes, intellectual property, advertising, free trade, and education about the Internet. These examples show that laws in capitalist societies are not just issues of rational parliamentary discourse and decision making, but rather have their own political economy in which corporations purchase lobbying efforts that represent their interests as commodity.

Three examples of Facebook’s lobbying spending—corporate tax, data protection policies and legislation, and

lobbying—show how bourgeois state power⁴⁰ works in favor of Facebook. State power supports, protects, and legitimizes Facebook’s exploitation of digital labor and its monitoring of users for economic purposes.

The bourgeois state supports Facebook, but the reverse is also true. Facebook has supported the state’s power of control over citizens: In June 2013 and with the help of the *Guardian*, Edward Snowden revealed the existence of large-scale Internet and communications surveillance systems such as Prism, XKeyscore, and Tempora. According to the leaked documents, the National Security Agency (NSA) in the U.S. obtained direct access to user data from seven online/ICT companies via the Prism program, including Facebook.⁴¹ Mark Zuckerberg denied that his company is part of Prism in a posting on Facebook from June 7, 2013. The question is, however, why the NSA should make such claims in its internal documents if they are not true and why Edward Snowden should lie.

Driven by the ideology that surveillance and violence (warfare, law, and order politics) are fixes to terrorism after 9/11, Western nation states have intensified and extended surveillance, including Internet surveillance. In the surveillance-industrial complex, user data are first externalized and made public or semi-public on the Internet in order to enable users’ communication processes, then privatized as private property by Internet platforms in order to accumulate capital, and finally particularized by secret services who bring massive amounts of data under their control that are then made accessible and analyzed worldwide with the help of profit-making security companies. As such, the relationship between Facebook and the nation state is a very good example of how state power and corporate power scratch one another’s back.

Corporate Board Members and Interlocking Directorates

Facebook received its first venture capital injection of \$500,000 from Peter Thiel in 2004. Thiel is a co-founder of PayPal and a venture capitalist. Thiel is also on Facebook’s board of directors, which is an example of financial investors not just acquiring economic shares of a company, but thereby also gaining an important role in its governance structure. Table 26.4 gives an overview of Facebook’s board of directors and indicates of which other company boards the directors are members.

Table 26.4 shows that Facebook’s board is interlocking with other corporations, especially with companies in the realms of finance and venture capital, media and entertainment, and retail. The link to the financial industry shows that Internet companies such as Facebook tend to be started and based on venture capital and financial investments that allow financial companies to gain governance and ownership stakes. Facebook also interlocks with other media companies with which it does not compete.

TABLE 26.4 Facebook’s Interlocking Board

<i>Name</i>	<i>Role at Facebook</i>	<i>Other board involvements</i>
Mark Zuckerberg	Chairman, CEO	
Sheryl Sandberg	Chief Operating Officer	Walt Disney Company (entertainment)
Marc Andreessen	Director	Andreessen Horowitz (venture capital), eBay Inc. (online retail), Hewlett-Packard Company (ICTs)
Erskine B. Bowles	Director	Morgan Stanley (finance), Belk Inc. (retail), Norfolk Southern Corporation (railway)
Susan Desmond-Hellmann	Director	The Gates Foundation (private foundation), The Procter & Gamble Company (consumer goods)
Donald E. Graham	Director	The Washington Post Company (news media)
Reed Hastings	Director	Netflix Inc. (online entertainment)
Peter A. Thiel	Director	Thiel Capital (venture capital), Founders Fund (venture capital), Clarium Capital Management (hedge fund)

Source: <http://investor.fb.com/directors.cfm>, accessed October 4, 2014

Social Marketing

Corporate social responsibility (CSR) is an ideology that capitalist companies use for trying to present themselves in a positive light to the public. Media and communications companies have discovered the importance of CSR as a way to distract attention from how their capitalist operations harm humans, society, and nature.⁴² The critical cultural theorist Marisol Sandoval has theorized and analyzed CSR in the media and cultural industry, and she claims:

CSR matches the logic of contemporary capitalism: in the context of globalization and neoliberal deregulation, which created

regulatory gaps, the idea of socially responsible corporations [. . .] is used as an argument to legitimize deregulation and voluntary corporate self-regulation. [. . .] CSR furthermore becomes a necessary component of corporate image and reputation management.⁴³

CSR is a *contradictio in adjecto*: capitalist corporations necessarily exploit workers and are therefore always irresponsible. “CSR cannot fulfil its promises, it cannot wipe off the monstrous features of capital, it cannot make corporate media social.”⁴⁴

Unlike many other transnational media companies, Facebook did not have a CSR strategy as of 2014 and also did not publish CSR reports. This may be an indication that Facebook’s management thinks it is inherently doing good by allowing people to communicate and providing a platform for charities, that this circumstance is self-explanatory, and that it therefore does not have to write ideological reports explaining what is good about it.

Communication as such is, however, neither good nor evil. Facebook is a platform for the Clean Clothes Campaign, War on Want, and Oxfam, among many others. Indeed, Facebook provides publicity for fascist and far-right groups such as the German NPD, the French Front National, the English Defence League, and the British National Party. Therefore, there is nothing inherently benevolent or morally good about Facebook as such.

In 2013, Mark Zuckerberg helped found the advocacy group FWD.us that works for immigration reform. The main funders are Silicon Valley capitalists such as Zuckerberg, Reid Hoffman (LinkedIn), Drew Houston (Dropbox), Steve Chen (YouTube), Brian Chesky (Airbnb), Reed Hastings (Netflix), Marissa Mayer (Yahoo!), and Eric Schmidt (Google). Others include, for example, Bill Gates and Steve Ballmer (Microsoft), or Tim Armstrong (AOL). Zuckerberg explained that to “lead the world in this new [knowledge] economy, we need the most talented and hardest-working people,” which is why FWD.us lobbies for immigration reforms that “attract the most talented and hardest-working people, no matter where they were born.”⁴⁵

Zuckerberg makes clear his instrumental and particularistic understanding of political causes. He does not mention what should happen with poor migrants that flee from poverty and warfare caused by global imperialism and who therefore want to get into Western countries. FWD.us rather supports providing “law enforcement the tools necessary to secure the borders.”⁴⁶ The focus here aligns FWD.us with the right-wing goal of closing the borders for poor migrants and also other Silicon Valley firms that develop surveillance technologies funded by the state.

Zuckerberg focuses political attention on lobbying for easier immigration for the lucky few who are highly skilled. The goal of FWD is to provide a legal framework that makes it easier for tech companies to employ workers whose skills produce a lot of surplus value and therefore help these corporations to further increase their profits. As such, Facebook’s understanding of social causes is imperialist and capitalist. It seeks only its own monetary advantages, not advantages for all and for society as a whole. Zuckerberg and other Silicon Valley capitalists are surely convinced that egoistic profit seeking creates a better society, but the reality of neoliberalism—the massive increase of inequalities—has falsified such assumptions.

Cultural Profile

This section discusses Facebook’s ideology and aspects of popular culture.

Symbolic Universe/Ideology

Facebook’s self-understanding is that it is an online platform that wants “to give you the power to share and to make the world more open and connected.”⁴⁷ Zuckerberg continuously foregrounds Facebook’s use-value for sharing, communication and sociality:

- “At Facebook, we build tools to help people connect with the people they want and share what they want, and by doing this we are extending people’s capacity to build and maintain relationships. People sharing more—even if just with their close friends or families—creates a more open culture and leads to a better understanding of the lives and perspectives of others. We believe that this creates a greater number of stronger relationships between people, and that it helps people get exposed to a greater number of diverse perspectives.”⁴⁸
- “Our mission is to make the world more open and connected. We do this by giving people the power to share whatever they want and be connected to whoever they want, no matter where they are.”⁴⁹

Social media ideologies use language that constantly stresses sharing, empowerment, connecting, opening, access, inspiring others, creating, informing, fun, collecting, and loving something. This engaging/connecting/sharing ideology is grounded in an individualistic and consumerist notion of freedom that stresses social media’s enablement of single users to communicate, create, consume, and share more. Corporate social media have hijacked the concept of free

access and turned it into an ideology that tries to conceal the existence of a mode of capital accumulation based on the commodification of personal data and targeted advertising. Corporate social media present themselves as free, open, and social, but are in reality unfree, closed, and particularistic machines for the commodification of personal data that produce and sell targeted ads. The problem is that Internet companies, consultants, managers, and those who believe in their ideology do not see that freedom is, as Karl Marx stressed, a “realm of freedom”⁵⁰ that is not based on the logic of profitability and accumulation but the principle “from each according to his ability, to each according to his needs!”⁵¹ The implication is that the “first freedom” of the media “consists in not being a trade.”⁵²

The engaging/connecting/sharing discourse is an ideology because it only views social media positively and is inherently technological-deterministic. It assumes that social media technologies have positive effects, and it disregards the power structures and asymmetries into which it is embedded. Social media ideology is an expression of what Herbert Marcuse terms one-dimensional language, by which he means “ideas, aspirations, and objectives that, by their content, transcend the established universe of discourse and action are either repelled or reduced to terms of this universe.”⁵³ The engaging/connecting/sharing ideology stresses only the use-value and advantages of social media in order to ideologically forestall discussion and critique of its negative, exploitative, dominative dimensions of exchange value and surveillance.

Such an undialectical one-dimensional ideology is not just a discourse from and about Facebook, but it is also embedded in Facebook’s design as well. Facebook is all about “liking” what others post, which fosters a culture of agreement without disagreement, of cheering and celebrating that suppresses critique. Facebook’s one-dimensional culture of positivity that represses critique turns, however, into a repressive negativity, namely into an individualism that makes users compete for likes, attention, and recognition. Facebook is not just a capital accumulation machine that exploits digital labor but also a machine for the production and reproduction of the neoliberal self.

Ideologies are strategies of dominant classes and groups for legitimatizing their power. It is not determined how dominated groups and individuals react to ideologies. It is, however, rather difficult for users to think of corporate social media use as labor or exploitation because the inverted commodity fetishism present on corporate social media creates a social experience and social use-value for users that tries to ideologically hide the role of the commodity and class relations.⁵⁴ There are empirical indications that social media users on the one hand cherish the social use-value such platforms offer, but at the same time have concerns about privacy and surveillance.⁵⁵ Users tend to have relatively little knowledge about how the surveillance and commodification of data actually works and, at the same time, are highly critical of targeted advertising.⁵⁶ The more users know about how targeted advertising works, the more skeptical they tend to be of it.⁵⁷

Popular Culture

Facebook has become one of the main platforms for popular culture that shapes human practices, communication, and meaning-making in everyday life. Facebook is a public relations platform for all sorts of commercial and non-commercial popular culture. It has also been the subject of popular forms of culture, such as *The Simpsons* (Season 23 [2013], Episode 11: The D’oh-cial Network). The most well-known example is the 2010 movie *The Social Network* (distributed by Columbia Pictures, a division of Sony Pictures, which is a subsidiary of Sony) that tells the story of Facebook’s creation as a college network. The film achieved worldwide box-office revenues of more than \$220 million.⁵⁸ The movie advances the ideological view that in the American Dream a good idea such as Facebook can make you famous and popular. It completely ignores Facebook’s political economy and the fact that Facebook’s popularity would have been unlikely if financial companies, such as Accel Partners, Greylock Partners, or Meritech Capital, had not provided millions of U.S. dollars in venture capital. The capitalist culture and finance industry has a huge influence on what becomes popular. The movie, however, focuses on the individual activities of entrepreneurs and completely ignores the role of users’ digital labor in Facebook’s economic growth.

Concluding Remarks

This chapter has shown that Facebook is a capitalist social media giant that exploits users’ digital labor, commodifies personal data, fosters financialization, undermines capital taxation and the public interest, is part of a surveillance-industrial complex, fosters an uncritical and one-dimensional engaging/connecting/sharing-ideology, and is a machine for the production and reproduction of the neoliberal self.

The critique of the political economy of global media giants is useful not just for its critique of media capital, however, but also as a way to understand various expressions of underlying capital/labor contradictions and also as a way to reflect upon and support the potential for class struggle and alternatives to a capitalist media world. As such,

there have been attempts to establish alternative, non-commercial, non-profit, and user-controlled social media platforms such as N-1, Lorea, Diaspora, identi.ca, StatusNet, Quitter, Vinilox, Load Average, Thimbl, or Crabgrass. The problem they face is Facebook's monopolistic status that tends to lock in users, as well as the lack of resources (money, employees, users, server space, bandwidth, etc.) necessary for operating an anti-capitalist social media platform. Such anti-capitalist social media are critical but, at the same time, they are marginalized and largely invisible to most people.

In 2014, the social network Ello presented itself as alternative to Facebook and to targeted advertising ("simple, beautiful & ad-free"), which attracted users and made it the 6,112th most accessed website in the world on October 4, 2014.⁵⁹ Its capital accumulation model was to sell special features. Venture capital firm Fresh Tracks invested around \$435,000 into Ello in 2014. Ello is not fundamentally different from Facebook because both are capitalist social media. Being ad-free is not enough—the point is that you have to be non-capitalist in order to be an alternative to Facebook. In late 2014, Ello received another venture capital injection of \$5.5 million.

Facebook is an expression of the contradictions of communication in capitalism. It shows how social life under capitalist relations serves particular profit interests that monetarily benefit single individuals. As an alternative, digital class struggle is a political strategy that aims at creating a non-capitalist, commons-based Internet. Such a strategy needs to consider the relationship between social movements and state power, alternative social media projects and public service social media, civil society and state institutions. In addition, digital labor unions could support these struggles. We need a participatory media fee that taxes the rich companies and distributes this income to all citizens with the help of participatory budgeting. In turn, these citizens would be obliged to donate it to non-commercial alternative media projects. We need an alternative Internet and an alternative to Facebook. A truly social media is a good idea that has not yet been realized, and it can only become reality within and through class struggle against capitalism. This requires the "responsibility to socialize corporations" (RSC),⁶⁰ which entails "replacing the privately owned and controlled commercial media system with a commonly owned and controlled commons based media system."⁶¹

Notes

- 1 See Tim O'Reilly, "What Is Web 2.0: Design Patterns and Business Models for the Next Generation of Software," September 30, 2005. <http://oreilly.com/web2/archive/what-is-web-20.html>
- 2 Christian Fuchs, *Culture and Economy in the Age of Social Media* (New York: Routledge, 2015); Christian Fuchs, *Digital Labor and Karl Marx* (New York: Routledge, 2014); Christian Fuchs, *Social Media: A Critical Introduction* (London: Sage, 2014).
- 3 Fuchs, *Digital Labor* . . . , 2014; Fuchs, *Culture and Economy* . . . , 2015.
- 4 Facebook, SEC Filings, Form 10-K, 2014.
- 5 Facebook, SEC Filings, Form 10-K and Annual Report 2013.
- 6 Facebook, SEC Filings, Form 10-K and Annual Report 2014.
- 7 <http://www.forbes.com/global2000/list/>
- 8 Facebook, SEC-Filings, Form 10-K, 2012.
- 9 Karl Marx, *Capital. Volume I* (London: Penguin, 1867), 353.
- 10 Marx, *Capital*, 342.
- 11 Marx, *Capital*, 367.
- 12 Dallas W. Smythe, "Communications: Blindspot of Western Marxism," *Canadian Journal of Political and Social Theory* 1(3) (1977).
- 13 Smythe, "Communications . . .," 6.
- 14 Fuchs, *Culture and Economy* . . . ; Fuchs, *Digital Labor* . . . ; Fuchs, *Social Media* . . . ; Lee McGuigan and Vincent Manzerole, eds, *The Audience Commodity in a Digital Age: Revisiting a Critical Theory of Commercial Media* (New York: Peter Lang, 2014).
- 15 Marx, *Capital*, Chapter 1.
- 16 Trebor Scholz, ed. *Digital Labor: The Internet as Playground and Factory* (New York, Routledge, 2013).
- 17 Facebook, SEC filings, Form 10-K, 2012.
- 18 Ben Parr, "You Spend 8 Hours Per Month on Facebook," <http://mashable.com/2011/09/30/wasting-time-on-facebook/>, accessed on January 7, 2014.
- 19 SEC filings, Form 10-K, 2012.
- 20 Steven Grimm, "What are the Average Working Hours per Day for a Facebook Engineer?," *Quora*, Oct. 31, 2010, www.quora.com/Facebook-company/What-are-the-average-working-hours-per-day-for-a-Facebook-engineer, accessed on January 7, 2014.
- 21 Annual Macro-Economic Database of the European Commission's Directorate General for Economic and Financial Affairs (AMECO), http://ec.europa.eu/economy_finance/db_indicators/ameco/index_en.htm.
- 22 Yahoo! Finance, <http://finance.yahoo.com/>
- 23 Yahoo! Finance, <https://ycharts.com/>
- 24 Facebook, SEC filings, Form 10-Q, June 30, 2012.

- 25 Facebook, SEC filings, Form 10-Q, June 30, July 2014.
- 26 Facebook, SEC filings, Form 10-K, 2013.
- 27 Facebook, SEC filings, Form F-1 – Registration Statement.
- 28 Comscore, *The Power of Like2: How Social Marketing Works*. White Paper. June 2012. www.comscore.com/Insights/Presentations-and-Whitepapers/2012/The-Power-of-Like-2-How-Social-Marketing-Works
- 29 Facebook, Definitive Proxy Statement, 2014.
- 30 <http://techcrunch.com/2010/11/19/accel-facebook-chunks-of-stock/>
- 31 Megan Davies, “Russia’s Mail.Ru sells remaining Facebook stock,” *Reuters Online*, September 5, 2013 www.reuters.com/article/2013/09/05/us-mailru-results-idUSBRE98409720130905.
- 32 Abram Brown, “Forbes List of the World’s Billionaires 20.4,” *Forbes*, March 3, 2014, www.forbes.com/sites/abrambrown/2014/03/03/forbes-billionaires-full-list-of-the-worlds-500-richest-people/#7e56caec87.
- 33 Stephen Moss, “Should We Boycott the Tax-avoiding Companies?” *The Guardian Online*. Shortcuts Blog. October 17, 2012. www.guardian.co.uk/business/shortcuts/2012/oct/17/boycotting-tax-avoiding-companies
- 34 Juliette Garside, “Facebook’s UK corporation tax bill: £0,” *The Guardian Online*. October 8, 2013. www.theguardian.com/business/2013/oct/08/facebook-uk-corporation-tax-zero-income
- 35 Rupert Neate, “Facebook Paid £2.9m Tax on £840m Profits Made Outside US, Figures Show,” *The Guardian Online*. December 23, 2012. www.theguardian.com/technology/2012/dec/23/facebook-tax-profits-outside-us
- 36 *Europe versus Facebook*, <http://europe-v-facebook.org/EN/en.html>
- 37 For a detailed discussion, see: PACT 2012, Annex 2.D, June 29, 2012, www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131388.pdf.
- 38 Mark Tighe, “Data commissioner: I Was Not Too Soft on Facebook,” *The Sunday Times*. January 8, 2012, www.thesundaytimes.co.uk/sto/news/ireland/News/Irish_News/article853298.ece.
- 39 Data source for all information provided in this paragraph: OpenSecrets.org, “Facebook Inc,” www.opensecrets.org/lobby/clientsum.php?id=D000033563
- 40 I here use the term “bourgeois state power” in order to indicate that under socialist governments, limits could be put on corporate power.
- 41 Glenn Greenwald and Ewen MacAskill, “NSA Prism Program Taps in to User Data of Apple, Google and Others,” *The Guardian Online*. June 7, 2013. www.theguardian.com/world/2013/jun/06/us-tech-giants-nsa-data
- 42 Marisol Sandoval, *From Corporate to Social Media: Critical Perspectives on Corporate Social Responsibility in Media and Communication Industries* (New York: Routledge, 2014).
- 43 Sandoval, 2014, 251.
- 44 Sandoval, 2014, 253.
- 45 Mark Zuckerberg, “Mark Zuckerberg: Immigrants are the Key to a Knowledge Economy,” *The Washington Post*. April 10, 2013. www.washingtonpost.com/opinions/mark-zuckerberg-immigrants-are-the-key-to-a-knowledge-economy/2013/04/10/aba05554-a20b-11e2-82bc-511538ae90a4_story.html
- 46 FWD/us, www.fwd.us/about_reform, accessed on October 5, 2014.
- 47 “About Facebook,” , accessed on October 4, 2014.
- 48 “Mark Zuckerberg’s Letter to Investors: “The Hacker Way,” *Wired Online*. February 1, 2012. www.wired.com/2012/02/zuck-letter
- 49 Mark Zuckerberg, “Mark Zuckerberg’s Full Statement on Facebook Buying WhatsApp,” *The Guardian*. February 20, 2014. www.theguardian.com/technology/2014/feb/20/mark-zuckerberg-statement-facebook-buying-whatsapp
- 50 Karl Marx, *Capital Vol III: A Critique of Political Economy: Vol. 3* (London: Penguin, 1894), 958.
- 51 Karl Marx, *Selected Writings*, 2nd ed., ed. David McLellan (Oxford: Oxford University Press, 2000), 615.
- 52 Karl Marx, *On Freedom of the Press & Censorship* (New York: McGraw-Hill, 1974), 41.
- 53 Herbert Marcuse, *One Dimensional Man* (Boston, MA: Beacon Press, 1964), 12.
- 54 Christian Fuchs, *Digital Labor and Karl Marx* (New York: Routledge, 2014).
- 55 Thomas Allmer, Christian Fuchs, Verena Kreiling, and Sebastian Sevnani, “Social Networking Sites in the Surveillance Society: Critical Perspectives and Empirical Findings,” in André Jansson and Miyase Christensen (Eds.), *Media, Surveillance and Identity: Social Perspectives* (New York: Peter Lang, 2014), 49–70.
- 56 Ibid.
- 57 Ibid.
- 58 Box Office Mojo, “The Social Network.” Accessed October 4, 2014 from www.boxofficemojo.com/movies/?id=socialnetwork.htm
- 59 Data source: www.alexa.com
- 60 Marisol Sandoval, *From Corporate to Social Media: Critical Perspectives on Corporate Social Responsibility in Media and Communications Industries* (New York: Routledge, 2014), 256.
- 61 Ibid., 257.