

# The Bias against Advertising

People who dislike markets harbor a special animosity toward advertising as cynically controlling. This is not new. In the mid-20th century John Kenneth Galbraith and other market opponents condemned advertising as business's way to manipulate people into buying things they had no real need for and actually didn't want. To hear them tell it, the consumer is not an agent but a puppet, with advertisers as the puppet masters.

This position was and is wrong—Galbraith and his colleagues, I suspect, did not think *they* were helpless buyers—and it was debunked by sensible people, including Israel Kirzner, the great economist of the Austrian school and student of Ludwig von Mises. After all, advertising is information about products, including products many people may be unaware of but would be happy to learn about. Sure, ads try to be attention-grabbing, but so what? People are busy, and information is all around. So the value of advertising is obvious.

This point is not undercut by the undoubted fact that manufacturers present their products in the best light possible. Part of growing up is acquiring a degree of skepticism about the claims made in advertisements. As long as government doesn't impede competition by blocking entry into markets and as long as consumers have recourse for actual fraud, consumers can be reasonably protected from false information. The value of advertising thus stands untouched.

The claim that ads can easily manipulate consumers is refuted by history and everyday events. If it were true, no business that advertised would fail. But businesses fail every day. The market antagonists who attacked advertising in the 1950s and '60s apparently missed the story of the Ford Edsel, a notorious example of a heavily advertised product from major company that flopped spectacularly.

Alas, we're usually wrong to assume that when a proposition is thoroughly debunked, it disappears and is never spoken of again. That would be nice, but in fact, advocates of freedom well know that hoary falsehoods must be refuted over and over for each new generation if not more often than that.

So the attack on advertising is still with us. Anyone who has seen the Netflix video "The Social Dilemma" will understand this. The program is an attack on all the social-media platforms for, among other things, cynically delivering helpless customers to businesses that want to sell them things. The program goes so far as to feature a retired Harvard Business School professor who said that Facebook et al., are simply "markets that trade human futures"! That sounds horrible, of course, but what she could have meant is anyone's guess. In a real futures market, people buy and sell options to engage in future

transactions involving commodities at prices set in the present. The parties certainly do not buy people, and neither do advertisers on Twitter and the other platforms.

What do they do then? They pay the platform for the opportunity to place their product messages before potential buyers. Stated that way, the process sounds rather benign, and that's because it is.

It also should seem commonplace because it is. This is how print and broadcast media have long made money. Is a newspaper less of a news medium because it sells car dealers and funeral homes space in which they can pitch their products and services to readers? Are radio and television stations not really entertainment and news media because they sell time to businesses to make pitches to listeners and viewers? Is something wrong with commercial billboards? Are potential consumers merely helpless pawns of the advertisers? Of course not.

Broadcast advertising was an ingenious solution to a vexing free-rider problem. With old-style broadcast, a station or network could not charge consumers for its programs. The signal was transmitted, and anyone with a receiver could enjoy the programs. People were able to be free-riders, so as a business model, the drawbacks were substantial. (Entirely viewer-supported programming might work in some circumstances.) Luckily, some bright entrepreneur hit on the idea of selling advertising time to soap and soup companies. In return, the companies got the opportunity to pitch their wares to potential customers.

But notice that buying time did not guarantee that anyone would watch or listen to commercials. Many people instead broke for the kitchen or bathroom. And even if they stayed in their seats, that did not guarantee they would buy what was being offered. But they might, and advertisers were willing to pay for that chance.

Consumers are not puppets. They are human agents with preferences and interests. And they can take as active a stance toward advertising as they choose.

All of this applies to the social media. Even if advertisers have access to all the data that participants choose to give away through their online activities, it is no assurance either that they will click on ads or that they will buy the products even if they do click on ads. It's been pointed out that in 2017 only *0.9 percent* of Facebook ads were clicked on. I'd like to know what percentage of clickers actually bought something. That hardly supports the claim that the social media are diabolical platforms for manipulating helpless people on behalf ruthless sellers.

So much for the hysterical insistence that Facebook et al. collect so much data on their participants that they can predict with great precision any individual's behavior and thus guarantee success to their advertisers.

This does not mean that the social media are beyond all criticism. One can be rightly irritated by their condescension toward participants, as when they suppress controversial links, and other objectionable features. But among their least objectionable features is they sell businesses the opportunity to pitch their products to us.