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MPP Master's Project:

Economic Trends Affecting National Discourse

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Section I. Topic and Executive Summary

How has the evolution of advertising technology, and its economic repercussions, contributed to the concentration and polarization of America's traditional media ecosystem and national discourse? What potential policy options can most effectively address the root causes of this trend?

This analysis strove to demonstrate that the polarization currently afflicting American national discourse is partially structural in nature, and that this structural component can be primarily attributed to the major stakeholder groups' competitive responses to disruptive technological innovation and its economic repercussions. Furthermore, the paper illustrates the tangible and material harms caused by growing polarization and offers policy solutions that apply to each of the main stakeholder groups involved in the complex system embodied by the nation's social and political debate. Interestingly, this paper concurred with Mark Twain's observation that "history doesn't repeat itself, but it often rhymes," in that the dated practice of yellow journalism in news media, the recurrent strategy of emulating competitors' tactics in business, and the contemporary rediscovery of narrowcasting as a tool for customer segmentation online, have all reemerged as themes in the internet era's fractured information landscape.

Section II. Introduction

Over the course of the last three decades, the internet has brought about a massive decentralization and democratization of information sources, which has forever altered public discourse in the United States (U.S.). Historically, information channels have been controlled by gatekeepers (e.g., newspaper editors, TV news program directors, etc.) who were the natural arbiters of truth for the American citizenry,

providing a common set of facts on which to ground policy decisions. The internet, as a disruptive innovation, has essentially removed these arbiters from power and placed the onus of separating fact from opinion on the individual.

Americans' mass adoption of new digital information channels has also had profound economic consequences, which can be contextualized in terms of the organizations and industries that have been positively and negatively affected by society's embrace of the internet. Many of the largest U.S. technology companies (e.g., Google, Meta) that have most benefited from the internet revolution are built on advertising-based business models. Technology firms have developed a new set of advertising tools that have completely transformed the advertising sector. Those tools, and the additional disruptive effects of the technology industry, have also had a transformative influence on the adjacent sectors that advertising interacts with. A prime instance is the traditional media industry, where advertising is one of the lesser acknowledged, but ultimately foundational, pillars of both the industry as a whole and the business models of its constituent organizations. Traditional media has had to adapt in its own way to the disruptive forces of the internet, but that disruption has been compounded by the parallel changes facing its foundational advertising partners. It is the interplay between the advertising industry (and the revenue it provides) and the technology and media industries that has underpinned a large portion of the economic dynamism that the U.S. has experienced in the last two decades.

These sweeping economic changes have caused the organizations involved to adapt in myriad ways. Perhaps most noteworthy, and concerning, is how the traditional media industry has responded to the age of the internet, which helped fracture it into like-minded ideological spheres. Given traditional media's role in fostering an informed

citizenry, which is vital to the effective functioning of U.S. representative democracy, the causes and effects of technological and economic disruption in that sector are highly relevant. Furthermore, with the onus of determining fact vs opinion falling squarely on the individual, and with traditional and online social media awash with mis- and disinformation, the resulting polarization of America's national discourse promotes an environment that can hinder compromise and therefore also effective self-government.

Section III. Core Mechanisms of Action and Definitions

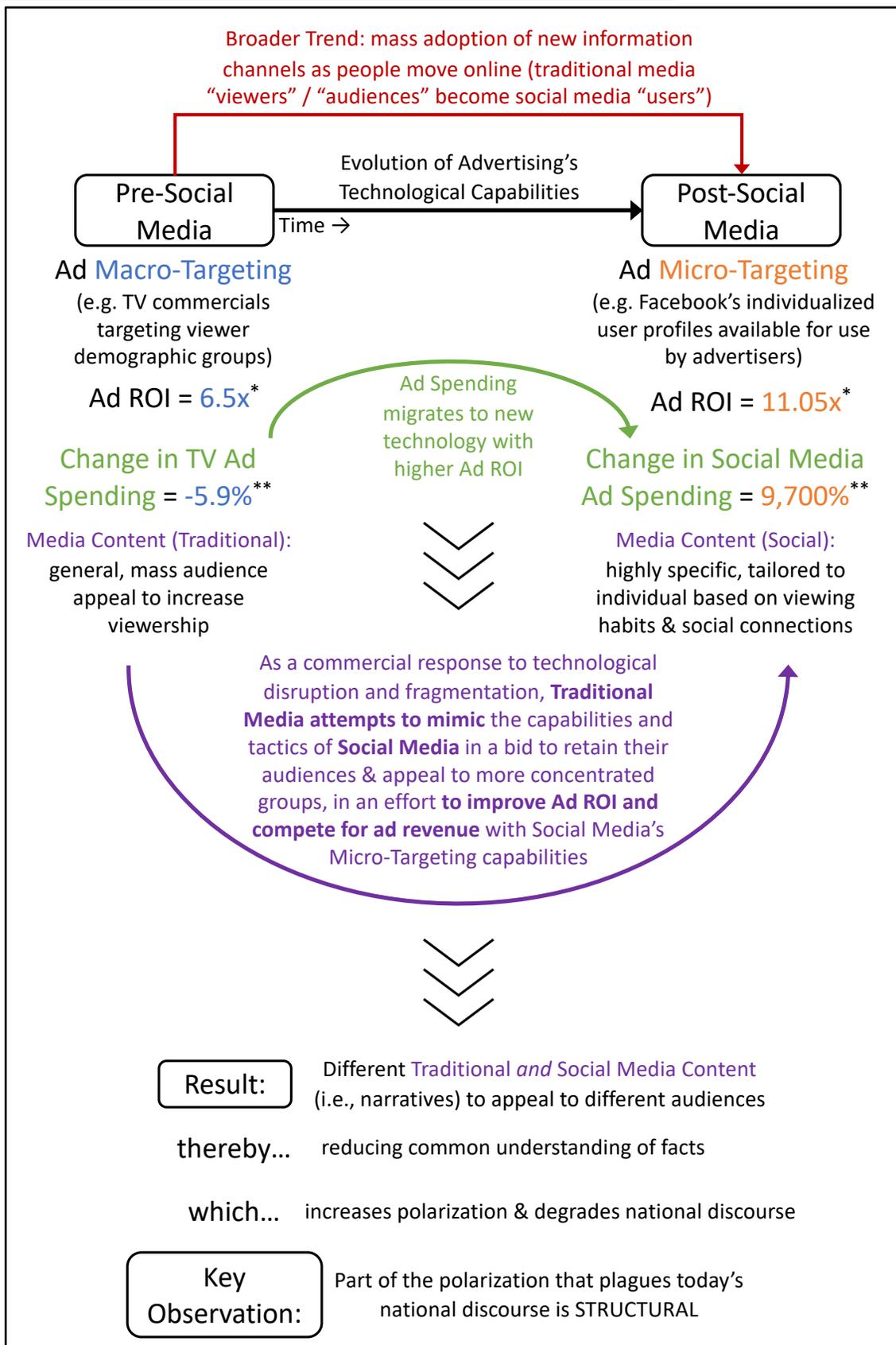


Figure 1: Core Mechanisms of Action

*Compares TV ad ROI to Digital Search ROI from 2018 (Statista 2018)

**Compares the change in TV vs Social Media ad spending from 2007-2020 (Wood 2020)

The system in Figure 1 depicts the various mechanisms of action that are the core components of this paper’s hypothesis. The key observation is that, as advertising spending moves online to exploit new ad technologies offering higher returns on investment (ROI), traditional media has competitively responded by adapting its content strategy from focusing on a diverse general audience to focusing on more targeted, ideologically based, audiences. Figure 1 shows that the return on one dollar of ad spending for TV is lower than the return for digital search by 4.6x (Statista 2018). Furthermore, it shows the marked decline in TV advertising spending compared with the substantial growth of social media ad spending between 2007 and 2020 (Wood 2020). Traditional media’s objective in the internet era is to offer advertisers a more concentrated viewer base to more effectively compete with social media and deliver higher ad ROI. Thus, the macro-targeted ads of the pre-social media era are attempting to imitate (as effectively as they can, given their technological capabilities) the micro-targeted ads enabled by the new technology built into social media. Due to these underlying competitive and economic forces, the current level of polarization in U.S. national discourse can be seen as partially structural in nature.

Definitions

<p><u>Ad Macro-Targeting</u>: The tools that advertisers had at their disposal pre-social media, e.g., television commercials with one or two demographic variables defining their target audience.</p>	<p><u>Ad Micro-Targeting</u>: The tools that advertisers have at their disposal post-social media, e.g., highly individualized user profiles built by social media sites like Facebook that allow advertisers to accurately target individuals and groups using multiple demographic variables. Includes any type of targeted ads, from digital search ads based on input text to ads based on user social profiles and internet usage data.</p>
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<p><u>Pre-Social Media</u>: The era prior to the mass adoption of smartphones and the proliferation of social media (before circa 2007), where the primary information channels were centralized under traditional media (aka “pre-internet era”).</p>	<p><u>Post-Social Media</u>: The era after the mass adoption of smartphones, social media, and online tracking tools (from circa 2007 through the present), where information channels are highly decentralized (aka “internet era”).</p>
<p><u>Ad ROI</u>: The return on investment on advertising spending, i.e., a dollar spent on a TV advertisement will generate x% in revenue for the advertiser. Also referred to as Return on Advertising Spending (ROAS).</p>	<p><u>Ad Spending</u>: The total amount of advertising dollars spent in a given year, on a type of advertising tool or a specific channel / medium (e.g., macro-targeted TV ads vs micro-targeted digital ads).</p>
<p><u>Media Content (traditional)</u>: Describes unidirectional information channels that predate the internet era (e.g., television, newspapers, radio, journals, magazines, billboards, etc.; aka “old media” or the “traditional media industry”) that are designed to appeal to the mass market and increase overall viewership, thereby attracting advertisers with the general size of their single audiences. Content typically offered more centrist informational perspectives to avoid alienating and losing viewers.</p>	<p><u>Media Content (social)</u>: Describes multidirectional information channels that arose after the internet era (e.g., websites, blogs, social media networks, digital communities, etc.; aka “new media”) that are designed to be decentralized and participatory, thereby attracting advertisers with the ability to micro-target many smaller audiences. Content typically tailored to the specific informational perspectives or preferences of the targeted group.</p>

Section IV. Advertising Industry

The advertising industry has been one of the major components of the U.S. economy throughout the 20th and 21st centuries. In overall terms, the industry tends to rise and fall along with the fortunes of the wider economy. According to IBISWorld, total advertising expenditures in 2023 are forecasted to reach \$345.4B, and then hit \$365.8B by 2029 (IBISWorld 2022). Figure 2 below shows the total advertising spending trends over approximately three decades, with a 2023-2029 projection period. This includes the sum of publicly available ad expenditures by U.S. firms and an

estimate of unobserved spending like direct mail, sales promotions, etc. (IBISWorld 2022).

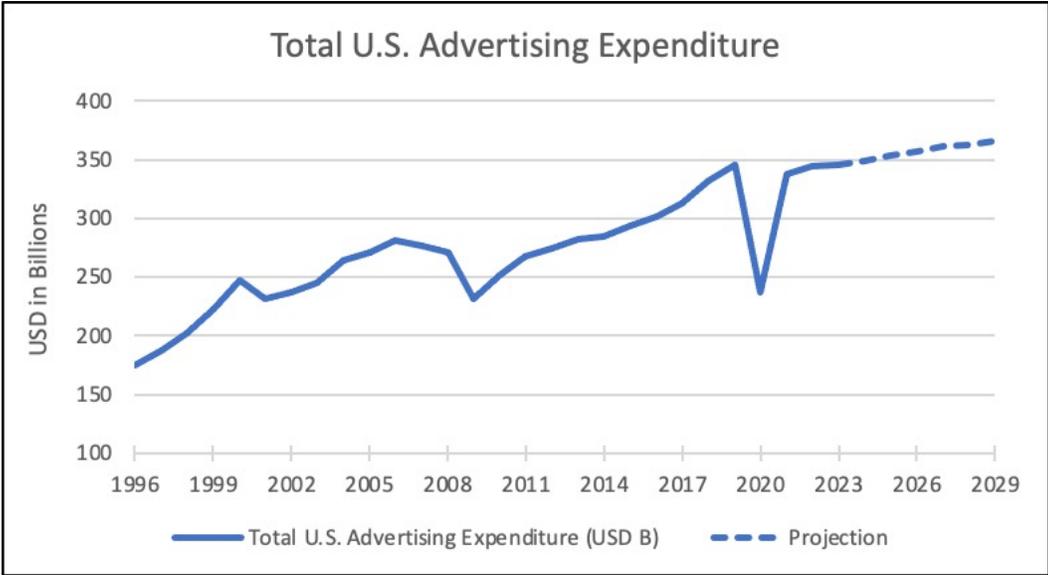


Figure 2: U.S. advertising expenditure from 1996-2022, and forecast of 2023-2029 (IBISWorld 2022)

IV. Part A. History, Channels, Business Models, and Major Players

The advertising industry has co-evolved with capitalist-driven technological innovation dating back to the industrial revolution in the late 1800’s. With the invention of the printing press, and the subsequent declines in production costs, advertising became the means by which organizations (often businesses) were able to affect the behavior of a population and to bring attention to their aims, whether those were to sell goods to new customers or to hire workers for an assembly line. Print was the dominant medium until the advent of mass radio in the 1920’s, both of which drove the creation of ad agencies that helped firms reach their target audiences. Concentrated on Madison Avenue in New York, NY, advertising agencies leveraged techniques like sex appeal and emotional persuasion to design client campaigns. Albert Lasker, known as the “father of modern advertising,” showed how effective the new industry could be as he applied the

concept of “salesmanship in print” to the psychology of the consumer. By 1934 advertising revenue was the primary funding source for broadcast radio, and the predominance of the ad-supported business model was cemented (“History of Advertising” 2020).

After World War II and the mass suburbanization of the 1950’s, the arrival of television brought with it a new way for firms to reach consumers, who needed to furnish their newly minted homes. As the medium of television progressed from basic broadcast to cable in the 1980’s, a vast new array of advertising opportunities sprouted to further differentiate customers based on the specialized content topics they could now tune directly into (e.g., ESPN for sports enthusiasts or HGTV for home improvement buffs). Finally, in the late 1990’s and early 2000’s, the widespread adoption of the internet made advertising central to a large swath of the U.S. economy (“History of Advertising” 2020). The industry effectively underpinned the fortunes of technology giants such as Alphabet and Meta, and spawned a new data brokerage industry to buy and sell descriptive customer information collected at the individual user level.

Despite its various evolutionary stages, the overall advertising industry has remained between 2% and 3% of national gross domestic product (GDP) between the 1920’s and today (Molinari and Turino 2018; “History of Advertising” 2020). The result has been progressive large-scale shifts of advertising spending from one channel to the next as new technologies are adopted by mainstream audiences. Therefore, the recent migration of ad spending to digital mediums is nothing new for the industry. Figure 3 below shows how the primary advertising channels (also referred to as mediums) have waxed and waned over the past four decades (Wood 2020). It is worth noting that, as

digital mediums have grown in popularity, television has not faced as steep of a revenue drop as newspapers and magazines. Thus, digital ad spending has primarily come at the expense of print channels, and there is a certain level of robustness that is protecting video-based mediums, which will be discussed in more detail below.

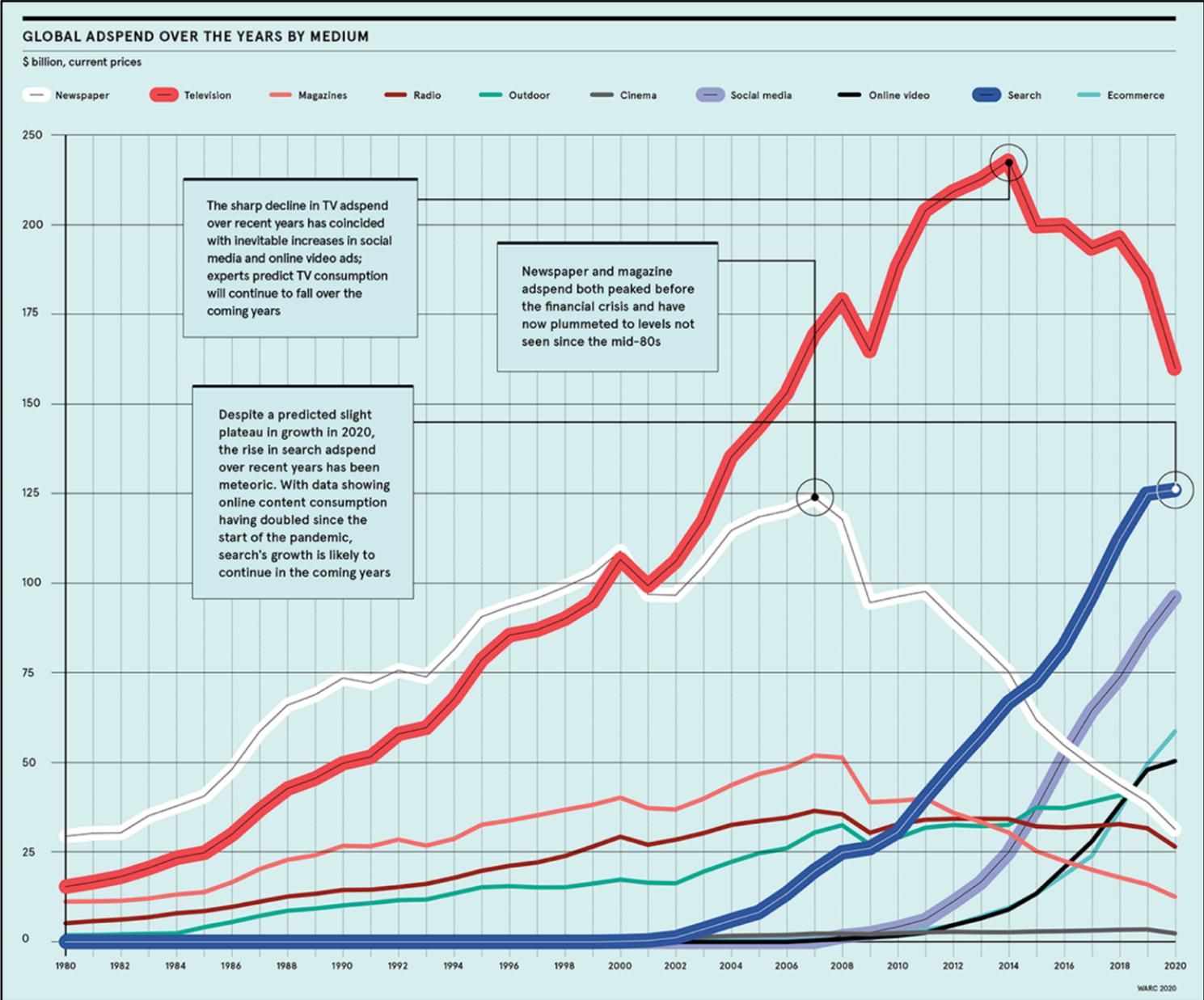


Figure 3: Global advertising spend from 1980-2020 across channels (Wood 2020)

Advertising’s traditional business models can best be understood through the relationships they have with the stakeholder groups and major players within and across industries. The three major subcategories of stakeholders are the publishers (content creators who use ad revenue to subsidize customer access, e.g., TV stations, newspapers, etc.), the advertisers (firms paying for ads to help maintain and grow their customer base, e.g., Coca-Cola, Procter & Gamble), and the customers themselves (who are the targets of the ads, the end consumers of publishers’ content, and the ultimate purchasers of advertisers’ goods) (O’Connell et al. 2021). Each group has their own unique business models, but the overall flow of funds is circular, with advertisers spending to reach end customers via publishers, who provide the content that attracts varying types of customer groups. The subsequent purchasing decisions by customers either justify or rebut advertisers’ and publishers’ investments in each ad campaign. Figure 4 below shows the largest advertisers in the U.S. in terms of their 2021 spending levels (Navarro 2023).

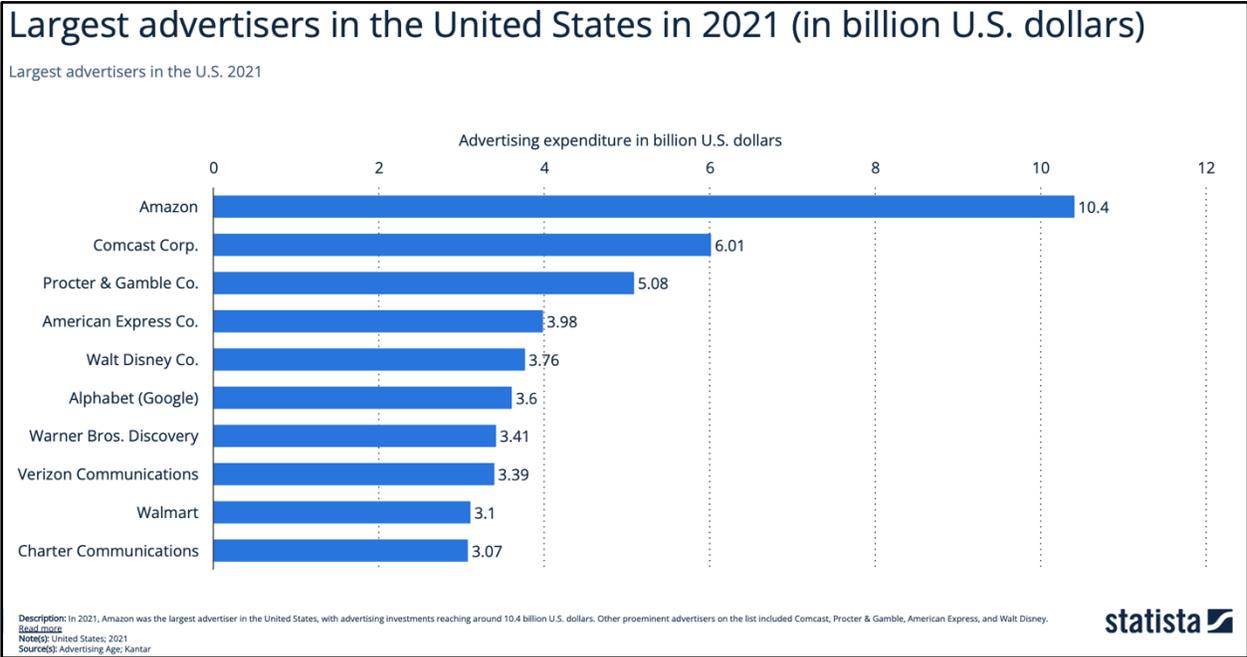


Figure 4: Largest U.S. advertisers in 2021 (Navarro 2023)

Augmenting the relationships between those three categories are ad agencies, who help advertisers design campaigns, place them with publishers, and distill the campaign's approach to customer targeting (i.e., collect and synthesize data on target customer groups and how best to reach them) ("Industry Profile: Advertising in the United States" 2021). The U.S. ad agency sector is highly concentrated, and dominated by the "big five" firms and their subsidiaries: Omnicom, WPP, Interpublic, Publicis, and Dentsu ("Industry Profile: Advertising in the United States" 2021; *The Economist* 2020).

IV. Part B. Television and Traditional Media

According to the market research firm Mintel, approximately 98% of Americans own a television, which makes the medium a valuable way for advertisers to reach target customers at scale. Despite the serious threat from digital channels and the increasing amount of customers' time spent online, television advertising offers a powerful means of connecting viewers that static display or social media ads find hard to replicate. For example, although targeted digital ads are highly effective at reaching ever more specific customer groups, mass market television ads still retain an advantage in their ability to foster a shared consumer experience or ignite a cultural buzz that consumers can relate to (e.g., water cooler conversations about the best ads of the Super Bowl) (Lo 2020). In fact, a 2018 study by Accenture, a consultancy, found that televised ads generate two to four times more brand ROI compared to either social media or short form video, meaning that it is a more lasting way to communicate and instill a brand's image in the minds of consumers. It also produced an 83% greater ROI than the average of all media channels, which make sense given digital media's rise and print media's fall ("Television Turns the Channel on Brand ROI" 2018).

However, more customers, especially the 18-34 age group, are “cutting the cord” and cancelling their paid TV broadcast and cable subscriptions in favor of digital streaming services, which can offer ad-free options. As of 2019, approximately 68% of consumers pay for broadcast or cable television in their homes, compared to 84% in 2012 (Lo 2020). Given this trend, many in the television industry are bearish on the long-term potential of the medium as the Millennial and Gen Z generations shoulder more the burden of supporting the consumer-centric U.S. economy. Keeping both this demographic context and the more resilient benefits inherent to the television medium in mind, it is logical for TV advertisers to target those customers who still watch linear TV (a term for non-internet capable television that features unidirectional, traditional media content). Those customers tend to be older, drawn primarily to live sports and news (see Figure 5 below), and remain an attractive demographic due to the sheer size of the baby boomer generation (Lo 2020).

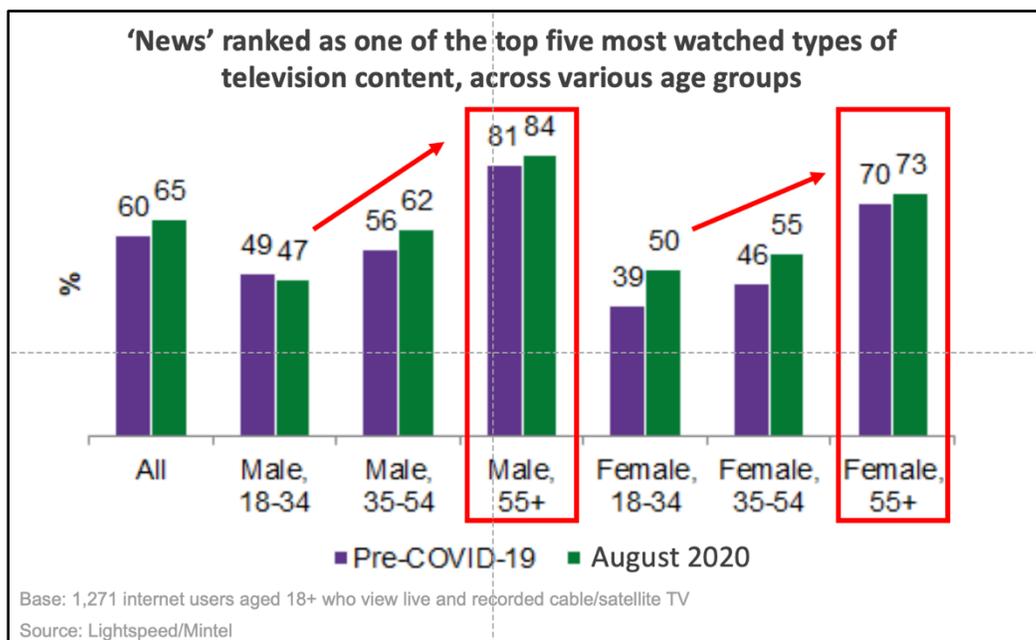


Figure 5: Survey results of TV viewers who rank ‘News’ as one of their top content types (Lo 2020)

Thus, the business adage of “you must meet your customers where they are” applies to television advertising as well. Advertisers and publishers are increasingly viewing the television medium as the domain of older Americans, and therefore must navigate the specialized content focus of each unique cable network by identifying the viewing behaviors of specific sub-demographics within this older age group (e.g., “white males age 55+” or “black females age 55+”). According to *The Economist*, in the four decades prior to 2050 “the proportion of America's population that is over 65 will increase from 13% to 21%” (*The Economist* 2017). Knowing that older Americans watch the news on television, it is logical for news publishers to try to further segment the older demographic and differentiate themselves from their competitors, and a simple way to do that is based on political preferences. Furthermore, the fact that publishers (especially the cable news networks) need scarce ad revenue to remain solvent, a key source of TV publishers’ advertising revenue has been from the rising inclination of political campaigns – who want to reach this large, and politically active, elderly demographic – to purchase political ads on the differentiated news networks. Media content and political advertising will be discussed in more detail below, but the logical progression of customer segmentation strategies unique to the television medium by for-profit publishers (i.e., traditional media firms) is clear.

Finally, current trends portend a melding of the television medium with increasingly more digital channels. A study by the consulting firm BearingPoint found that “television boosts the effectiveness of other media, on average, by 25%,” and the proliferation of smart TVs will allow advertisers to combine the strengths of digital micro-targeting capabilities with those of their large-screen forebearers (Reffait 2019; Lo 2020). Some emerging technologies allow advertisers to streamline and improve ads

on traditional linear TVs. A company called Advocado, for example, leverages audio cues to detect when television ads air, and then presents the consumer with digital ads in real-time to boost messaging for consumers who browse the internet while watching TV. But the endgame for many in the television ad sector is addressable advertising, which allows cable operators (e.g., Comcast, Charter, etc.) to save and serve different versions of ads to customers based on their demographic characteristics via set-top boxes and smart TVs (Lo 2020). Indeed, the future of this medium will face significant disruption, but the underlying exchange of value remains – consumers will still accept exposure to advertising in exchange for free or subsidized content (O’Connell et al. 2021).

IV. Part C. Digital and Social Media

As is evident from Figure 3, the proliferation of internet-enabled devices like the personal computer and smart phone has given rise to the age of digital advertising and social media. Figure 6 shows the share of customers’ time, and therefore attention, that has shifted from traditional channels to digital media formats (Schomer 2021).

The structure of the U.S.’s \$234.4B digital ad industry is similar to that of its offline cousin, but there are key differences that make this two-sided market

significantly more adept at solving the matching problem (i.e., serving the right ad to the right person) (Choi et al. 2020; O’Donnell 2022). They key stakeholder groups (i.e.,

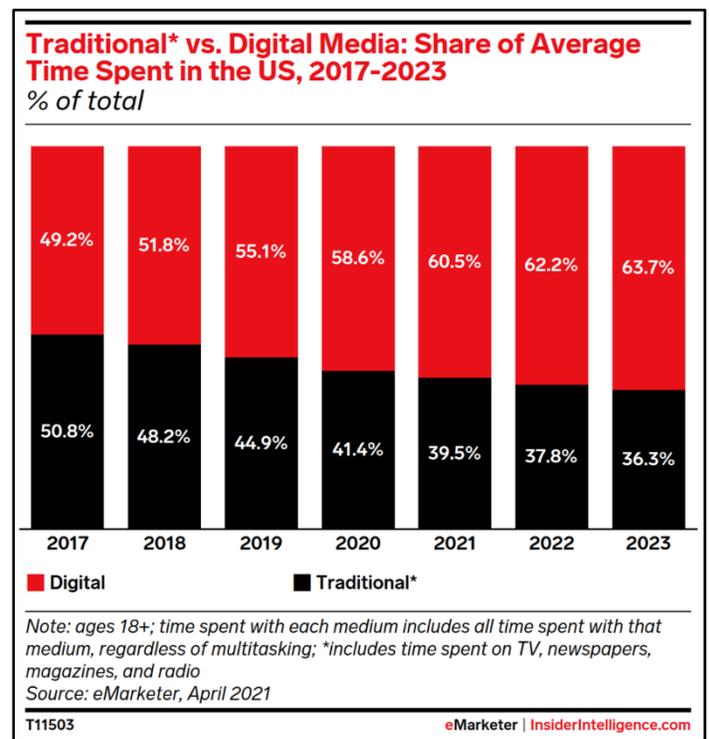


Figure 6: Digital media increasingly claims a greater share of customers’ time (Schomer 2021)

advertisers, publishers, and customers) all still operate online, but they are joined by a fourth group, the intermediaries. The demand side of the online market is defined by advertisers procuring ad impressions (i.e., customer views) on publishers' websites, while the supply side is comprised of publishers (who "own" customers' impressions on their sites) selling ad inventory to the advertisers with the highest willingness to pay (Choi et al. 2020).

However, in the digital space, intermediaries (e.g., Alphabet) facilitate matching advertisers and publishers via tools and algorithms to manage data and more efficiently serve ads (Choi et al. 2020). Early in its development (circa 1994) digital ads were sold based on the "cost per mille" (CPM), which reflected the cost per 1,000 impressions (aka views). As the digital ad industry began to translate more and more offline ad practices to the online domain, the "cost per click" (CPC), wherein the ad sale was only realized if a customer clicked on it, became the dominant pricing tool. CPC was, in essence, the online version of paying for a customer's direct response, a practice commonly used by offline advertisers (e.g., direct mail campaigns). CPC was especially important for search engines, who faced an inherent conflict of interest if sales were based on CPM – increasing revenue would require users to spend more time on their search results page, an outcome that is incompatible with the goal of helping customers quickly find information online (Evans 2009). In many digital mediums, not just search, impressions or clicks are sold either through guaranteed (aka a direct sale) or non-guaranteed channels. Direct sales (aka the guaranteed channel) encompass the sale of a given number of impressions at a fixed price in advance, while non-guaranteed sales occur in real-time via ad exchanges (aka "real-time buying," or RTB). This RTB system allows the price of ads to fluctuate based on demand, and has spawned a whole new

industry of exchanges to facilitate the practice of automated “programmatic buying.” The advantages of RTB are compelling – publishers are able to monetize ad inventory beyond the contracted amount (which governs direct sales, in contrast) while advertisers are able to buy impressions based on user-specific information gleaned from customers’ web browsers (via data files called “cookies”) (Choi et al. 2020). This mechanism, namely the tracking of customer web use, is an important illustration of how the realms of targeted advertising and privacy collide, which will be discussed in greater detail in subsequent sections.

Circling back to the key players in the intermediary space, there are essentially two giants, Alphabet (the owner of Google) and Meta (the owner of Facebook), who together control ~78% of the market as of late 2022, as seen in Figure 7 (*The Economist* 2022b). Their market positions, Meta’s especially, have

expanded almost to the point of usurping the role of publishers, as customers visit each of their respective sets of product offerings to view native content (e.g., YouTube video content for Alphabet, and Facebook social media feeds for Meta). The primary business models of both Google and Facebook are based on two distinct advertising channels, direct search and social media respectively. Other digital ad channels include display (aka banner), video, and email, all of which have varying levels of efficacy, and therefore ROI (O’Donnell 2022). Although ROI is much easier to gauge with online tracking and ad targeting tools, most

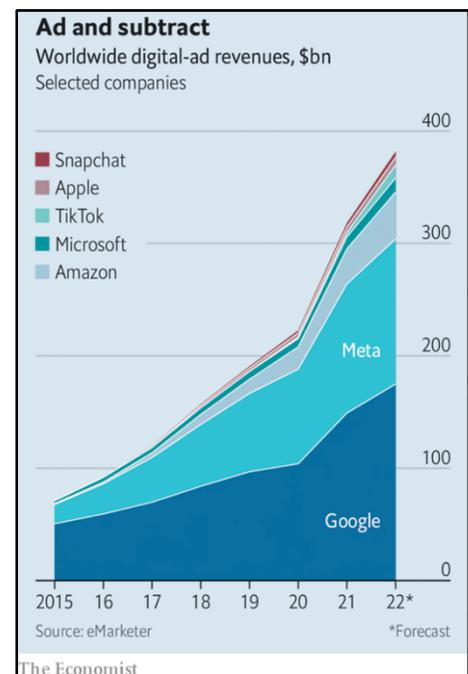


Figure 7: Major players’ share of global digital ad revenue (*The Economist* 2022b)

advertisers still find it difficult to measure. Figure 8 shows the results of a joint survey by the research firms Catalyst, Kantar, and Statista that reflects the ease of measuring ROI across the various digital mediums (Statista 2020). Based on these results, the ROI, and by implication, the efficacy, is greater in the channels that lead most directly to purchasing outcomes. A customer purchase through an email marketing link, for example, is much easier to attribute to that email than a customer who sees a social media influencer’s endorsement and then independently proceeds to their web browser

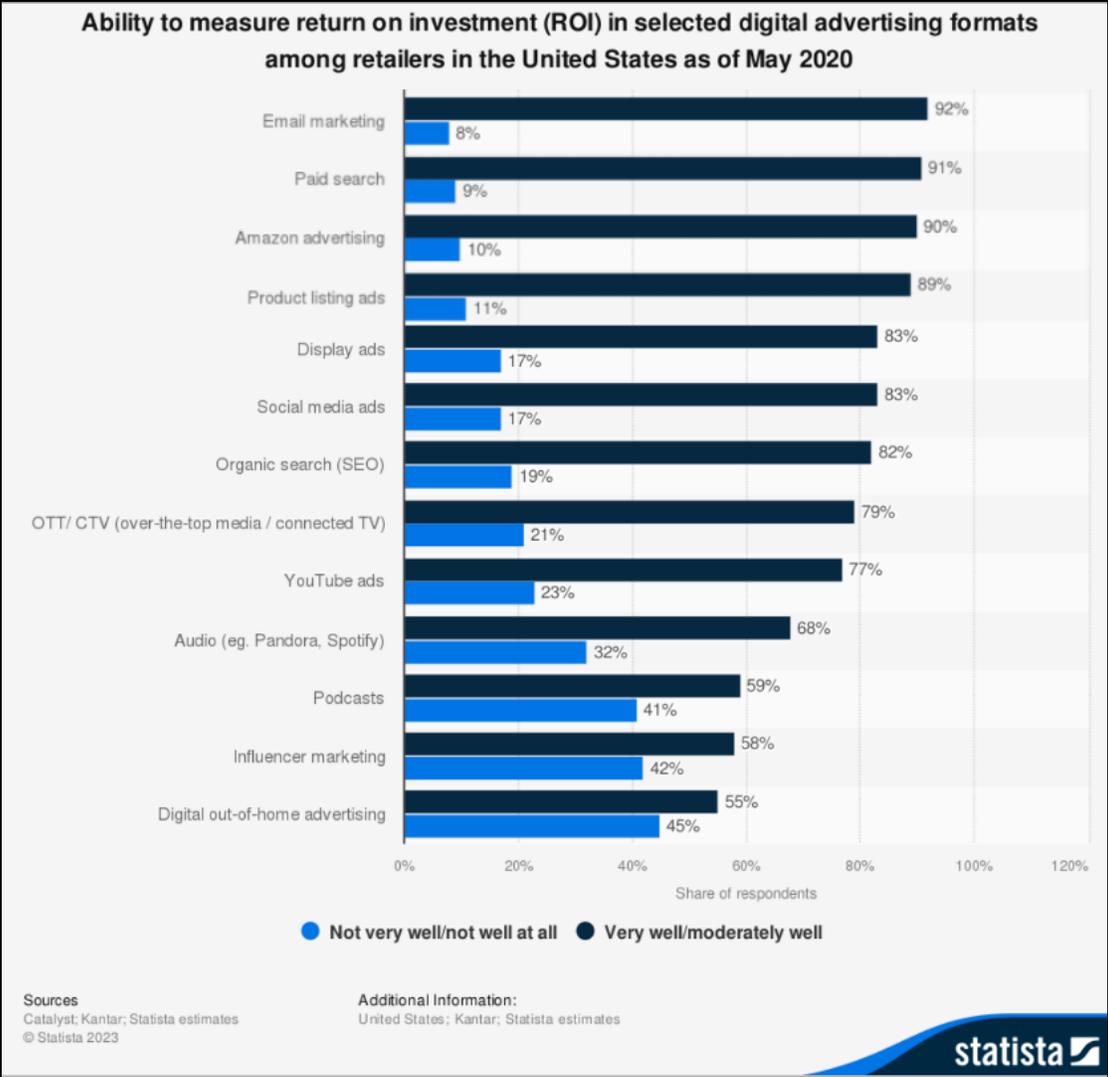


Figure 8: Survey on ease of ROI measurement for digital channels (Statista 2020)

to make a purchase. This is where the subject of online tracking technologies come into the foreground.

Online tracking is primarily done using “cookies,” or small files that web browsers retain to show what sites a user has visited. These were the lever that allowed sites like Facebook to display ads to customers, and then directly connect their decision to click on the ads with their actual purchase decisions on advertisers’ websites, further justifying investments in CPC campaigns. This technology has recently been weakened by Apple, whose iPhones are widely used in the U.S., via new privacy initiatives that aim to bring transparency to how users are tracked across websites and platforms online (*The Economist* 2022a). The result is a decline in revenue for many social media firms, who have now found it hard to attribute their ads to customer purchasing decisions. Meta alone estimated that Apple’s policy change cut their top-line revenue by \$10B in 2022 (*The Economist* 2022a). This development is giving firms with first-party data an advantage, as they’re able to directly convert clicks to purchases and forego a dependence on cookie technology. Amazon, for example, has a rapidly growing search business that allows them to keep the entire customers decision chain – from ad impression to purchase – contained on their website (*The Economist* 2022b). In 2021 Amazon first reported their revenue from native ad sales that amounted to \$31B, which is approximately equal to the combined ad revenue of the entire global newspaper industry (*The Economist* 2022b).

In addition to the move to leverage first-party datasets, the digital ad industry is encountering another, more fundamental, limitation – the fact that revenue gained from the migration of ad spending away from print was a one-time event, and has left less non-digital ad dollars able to be diverted online (*The Economist* 2022a). In fact, the

advantages of natively owning the entire customer journey is driving cash-rich, ad-centric tech firms to look to new mediums like audio, gaming, or cannibalizing more of the television ad market via the proliferation of smart TV services (O’Donnell 2022).

That said, digital ad industry growth is not limitless. In a *Harvard Business Review* article, Moorman et al. reports on an annual “decrease in traditional advertising spending of -1.4% between February 2012 and 2022, compared to an annual increase of 7.8% for overall marketing budgets during this same period.” That finding supports other trends described above, but the researchers also observed a surprising return of advertising spending to traditional channels for multiple reasons, ranging from growing consumer trust in traditional advertising to firms’ responding to the decline of online tracking tools (Moorman, Ryan, and Tavassoli 2022). No matter where the final equilibrium lies in the digital ad space, this multi-billion-dollar industry will continue to play a major role in the allocation of ad spending, making content vital to cultivating a specific – and regular – audience to which advertisers can address.

Section V. Media Industry, Disruption, and Polarization

As defined in Section III above, this analysis will primarily make the distinction (based on the direction of information flow) between traditional media (i.e., one-way or unidirectional) and social media (i.e., interactive or multidirectional), with Section V below focused mainly on content. “Traditional media content,” “media,” the “media industry,” and “journalism” will be used interchangeably, as they all generally refer to the reporting of current events by professional news organizations via pre-internet era channels (e.g., TV, radio, magazines, and newspapers). Occupying a nebulous middle ground are online publications for both news and non-news, which are typically extensions of traditional media content articulated via a new, digital channel. Content

sourced or shared on social media, digital news aggregators, and search engines will all be referred to as “new media,” or “social media content” by Section III’s definition. Even though news and entertainment increasingly overlap, the type of content analyzed herein will necessarily be restricted to U.S. news, politics, and current events, as they are the nuclei of national political discourse and policy formulation.

V. Part A. History, Channels, Business Models, and Major Players

From its European origins in the 16th century to the settling of the American colonies in the 17th century, journalism in the U.S. has been intimately tied to both technological progress and political affairs. Early American newspapers were highly partisan, and directed much vitriol toward the politicians and policies of the opposing party. From the 1830’s onwards, the invention and widespread adoption of the penny press lowered production costs to the point where monthly or weekly editions gave way to daily prints, funded primarily via subscription revenues from party supporters. By the time the American Civil War arrived, most major cities had at least two newspapers, each representing the opposing viewpoints of rival parties, who used them as communication networks to maintain connections with their voters (“History of American Journalism” 2023).

It was not until the early 1900’s, when rivals William Randolph Hearst and Joseph Pulitzer discovered that they could generate larger profits from advertising than from partisan subscriptions, that newspapers’ role as a party mouthpiece receded. Both men recognized that by becoming nonpartisan they could expand their readership base to include the opposite party, thereby securing more advertising revenue at a greater scale. They drove reader growth via the practices of “yellow journalism” – sensational reporting that provided little to no legitimate news, but was optimized for attention-

grabbing headlines to increase sales – and “muckraking,” the practice of investigative journalism that sought to expose corruption. These innovations brought with them the professionalization of journalism (via ethical standards and defining its role as the “Fourth Estate” to ensure accountability in the American political system), the concentration of editorial power to shape public opinion, and an ad-based business model that has endured to present day (“History of American Journalism” 2023).

The U.S. media industry transformed itself several times during the 20th century owing to the disruptive advent of new mediums beyond newspapers, namely magazines, radio, broadcast and cable television, and most recently, the internet. Rather than diving into the history of each medium in succession, the analysis below will focus on the transition from broadcast television to cable. This evolution can be seen both as a smaller scale case study and as a precursor to the shift from cable to the internet in the context of expanding consumer choice.

Television broadcasting began in the late 1920’s and grew to reach mass market adoption (and officially supplant radio as the most popular medium in America) by the 1950’s. The earliest networks, NBC and CBS, began broadcasting over short-distance analog radio waves in the 1930’s using standards set by the Federal Communications Commission (FCC), an illustration of how deeply government regulation is intertwined with the medium (Lule 2016).

Cable TV was originally developed in the 1940’s to allow remote communities to tune into broadcast signals via radio towers stationed on high terrain that ran cables to homes at lower elevations. In the 1950’s cable operators began leveraging microwaves to transmit and receive broadcast signals over long distances, effectively allowing their customers to watch local TV from around the country. The better reception, improved

picture quality, and expanded viewing options led to explosive growth, which was ill received by incumbent broadcast networks. The broadcasters lobbied the FCC who then imposed franchising standards and anti-siphoning regulations that barred cable networks from appropriating sports and movie content from the broadcasters, as well as regulations restricting cable's importation of long-distance signals. These measures effectively froze the industry's growth until the 1970's. Owing to modest deregulation, advances in satellite technology, and the invention of pay TV (by a 1972 venture called the Home Box Office, i.e., HBO), cable providers were able to charge a subscription fee to give customers access to premium content throughout the U.S. In 1984, the Cable Communications Policy Act brought further deregulation, removing restrictions on rates and reigniting the industry's growth, allowing it to support 53M subscribers by the end of 1989. Deregulation, originally intended to increase competition, essentially allowed a few local cable operators to monopolize large swaths of the country, resulting in the reinstatement of rate caps in 1992. Despite their dominance, in the 1990's cable companies elected to upgrade their networks with coaxial and fiber optic transmission infrastructure, laying the broadband foundations to provide not only multichannel television service but also the capability to transmit voice, advanced digital video, and eventually internet data (Lule 2016).

With the end of broadcast hegemony and the explosion of consumer choice brought about by cable, networks in both mediums attempted to narrow their programming focus to match the wide variety of consumer interests found in an ever more fragmented audience. As Lehigh University journalism professor Jack Lule notes: "Entire cable channels devoted to cooking, music, news, African American interests, weather, and courtroom drama enable viewers to choose exactly what type of show they

want to watch, and many news channels are further specialized according to viewers' political opinions. This trend toward specialization reflects a more general shift within society, as companies cater increasingly to smaller, more targeted consumer bases." This move toward targeted, rather than mass-oriented, programming is called "narrowcasting" – cable's ability to tailor content to niche audiences within specific demographic groups. Narrowcasting is wholly different from "broad"-casting, whereby the big networks actively avoided programming that might only interest small segments of viewers in favor of pursuing the widest possible audience and therefore maximizing ad revenue (i.e., the same strategy as Hearst and Pulitzer). The practice has also benefited cable's advertising partners, who could now avoid the guesswork of timing their ads based on anticipating the target customer groups that were most likely to tune into a certain show at a certain time of day. Via cable, advertisers could now focus their ad spending much more easily, and therefore were more likely to achieve higher ad efficacy and ROI, by concentrating on subscription channels that were of direct interest to their target customers (e.g., Home Depot could air commercials on HGTV with a higher degree of confidence that their target customers would actually see, and be receptive to, the ads). As a competitive response, broadcast networks also adopted more narrowcasting-based programming strategies, grouping similar shows that appeal to specific groups together in back-to-back time slots in an attempt to hold on to customer attention for as long as possible (e.g., Fox's adjacent scheduling of *Cops* and *America's Most Wanted*) (Lule 2016).

This expansion of consumer choice through the advent of a new technology is an apt historical analog to the disruptive effects that cable and traditional media are now facing with the internet and social media. As a new innovation reveals its potential,

publishers can serve as the early adopters, which then creates the incentive for customers to follow. And where customers go, advertisers are not far behind, thus reestablishing the key stakeholders (i.e., advertisers, publishers, and customers) in a new channel and propagating the ad-supported business model.

V. Part B. Models of Technological Disruption

The academic fields of strategy and organizational change yield applicable lessons for this analysis, particularly surrounding the topic of technological innovation and disruption. There are three main theories to cover, albeit briefly.

First, the theory of discontinuous innovation pioneered by Michael L. Tushman and Philip Anderson posits that in order for any technological innovation to be successfully incorporated, a firm must first develop new competencies. The new technology can dramatically shift the firm's cost vs quality frontier, which measures the unique processes a firm employs via the metrics of cost and quality. Instituting an innovation-driven change to a firm's processes can either reduce costs, increase quality, or both concurrently. The effects of technology-driven process changes (i.e., new competencies) at an incumbent firm depend on whether they destroy or enhance the value of the firm's capabilities. The theory directs analytical attention to how the technology positively or negatively affects a firm's core competencies and is usually discussed in an external context (i.e., competencies of incumbent vs competitors) (Tushman and Anderson 1986).

Second, the theory of disruptive innovation was created by Joseph L. Bower and Clayton M. Christensen in 1995 and states that novel technologies are introduced by new firms who gain footholds either in new markets or at the low end of existing markets. The technologies start at low performance levels, but improve over time,

allowing the new entrant to move upmarket. The new entrant and their innovative technology eventually exceed the performance capabilities of incumbent firms with mature technologies. Incumbent firms often underestimate the technology, typically either because they do not see it as a threat or because they are focused on optimizing current performance for their existing customers and overlook it altogether. The theory directs incumbent attention to new or low market entrants, even if initially inferior, with the implication that current customers are not a good predictor of future opportunities or threats (Bower and Christensen 1995).

Third, the theory of structural inertia crafted by Michael T. Hannan and John Freeman states that incumbent firms are structured (using their contemporary technology) to optimize the customer experience and reliably fill a specific customer need in the present. As they grow, organizations specialize to provide stable operations, and are unable to change their organizational structures, systems, and processes fast enough (or at all) to incorporate new technologies, as any change to those components will harm present-day performance. This theory is focused on the process of change internally in the firm (Hannan and Freeman 1984).

All three theories are pertinent in the context of better understanding the internet-driven turmoil upending the advertising and media industries. Traditional publishers did not have the technological competencies of say, Google, to be able to quickly adapt their services to digital channels in the early days of the internet. Attempting to create them from scratch would have destroyed the value of the publishers' existing capabilities. Their core competencies were not aligned to sell digital ads, and Google was able to enter the new, adjacent digital market, and design their systems to optimize ad placement at a much lower cost (e.g., CPC) and higher quality

(e.g., better ad attribution), thereby seizing market share. Furthermore, the industry is still witnessing the slow speed at which publishers are working to update their internal processes for the digital space. A prime example is the extended length of time it took many print media outlets to adapt their newsrooms to online content, to monetize that content using tactics like paywalls, or even to roll-out their own apps in the early internet era. These three theories are valuable lenses through which to interpret the underlying causes and lasting effects of the technological renaissance and expansion of customer choice that are altering the advertising and media landscapes.

V. Part C. Polarization as Customer Segmentation

In the internet era, individuals have an unprecedented variety of options to consume media content and information. The very presence of this limitless freedom of choice has yielded a high degree of polarization in the U.S. national dialogue, simply because Americans are no longer receiving their information from a single source (i.e., traditional media). Given the fact that polarization itself is difficult to measure, this analysis will focus on “affective polarization,” or the extent to which partisan opponents see their adversaries as repulsive and irredeemable (Barrett, Hendrix, and Sims 2021). From an economic lens, the current state of polarization can be recontextualized in terms of the continual process of customer segmentation (Dinin 2023).

As advertising channels, audiences, and methods of reaching customers all continue to fragment in the post-social media era, the practice of narrowcasting has reemerged to exploit this fragmentation – with exponentially more granularity. In his book, *The Long Tail: Why the Future of Business Is Selling Less of More*, Chris Anderson describes a transition from a single “mass culture” in American society to many “microcultures,” or a “mass of niches,” all brought about by the infinite choice

provided by the internet (Gunther 2006). This effect can be clearly observed in the average year-over-year decline in Nielson ratings of -7.95% across cable's 40 largest networks in 2019 (see Figure 9), each of which represents a separate, more centralized, niche (Andreeva and Johnson 2019). Customers' attention is moving away from the mass niches of cable and, recalling Figure 6, moving to micro-niches online.

2019 Basic Cable Rankings, Total Viewers				Rank	Network	Total Viewers (in millions)	% Change
Rank	Network	Total Viewers (in millions)	% Change	21	TV Land	0.63	-4%
1	Fox News	2.57	+1%	22	MTV	0.62	-7%
2	MSNBC	1.80	-3%	23	INSP	0.61	+12%
3	ESPN	1.78	-3%	24	Freeform	0.57	-7%
4	HGTV	1.32	-10%	25	Hallmark Movies & Mysteries	0.57	-5%
5	USA Network	1.26	-18%	26	Nick at Nite	0.56	-24%
6	Hallmark	1.25	+5%	27	VH1	0.55	-15%
7	History	1.21	-3%	28	Disney Channel	0.53	-30%
8	TLC	1.21	+13%	29	SyFy	0.53	-7%
9	TBS	1.18	-17%	30	Travel Channel	0.51	-2%
10	Discovery	1.16	-3%	31	WE tv	0.49	+9%
11	TNT	1.12	-15%	32	Paramount	0.47	-7%
12	A&E Network	1.09	+4%	33	Animal Planet	0.47	-10%
13	Investigation Discovery	1.01	-9%	34	National Geographic	0.46	-9%
14	CNN	1.00	-2%	35	Disney Jr	0.42	-25%
15	Food Network	0.95	-4%	36	GSN	0.41	-2%
16	Bravo	0.92	+1%	37	Nick Jr	0.41	-14%
17	AMC	0.73	-22%	38	OWN	0.39	-18%
18	Lifetime	0.71	+1%	39	BET	0.37	-13%
19	FX	0.70	-21%	40	E!	0.36	-12%
20	Adult Swim	0.65	-23%				

Source: Nielsen

Figure 9: Broad declines in viewership show that cable's niches are deteriorating (Andreeva and Johnson 2019)

Traditional media has taken a twofold approach in their efforts to stem the loss of viewers. First, they have attempted to recreate social media's ad tracking capabilities (to

vie for ad revenue) and second, they have sought to maintain their audiences by mimicking the online sensationalist tactics commonly known as “click-bait” (to compete for customers’ attention).

First, in tacit recognition that the pre-social media era has passed into extinction, traditional media has refashioned their sales pitch to advertisers to focus on omnichannel and multiplatform capabilities. These offerings allow advertisers to manage their campaigns across all primary channels (e.g., TV, digital, etc.) via one publisher. For example, NBC Universal has consolidated its advertising offerings into a single *Adsmart* product aimed at providing “data-driven targeting capabilities to reach the right consumers across all screens for your business objectives” (“AdSmart: One Platform Advertising from NBCUniversal” n.d.). With traditional media offering the same content but with the added capabilities of ad micro-targeting, the value proposition for advertisers is compelling. One study from 4INFO found that 90% of multiplatform connected TV campaigns result in sales increases (Sweeney 2018). Fox’s connected TV product, *Tubi*, makes the pitch that “many [customers] are just shifting how they get linear and cable TV content, with tens of millions adopting streaming pay TV alternatives.” Further, one of advertisers’ primary concerns is brand safety – avoiding association with the offensive content that can crop up in algorithmically-regulated social media channels. With connected TV viewers projected to grow from 226M in 2022 to 242M in 2026, Fox offers to help advertisers capitalize on that growth while reaching “hard to find” audiences, all while protecting their brand with the ability to place ads adjacent to content with Motion Picture Association of America (MPAA) and TV Parental Guideline ratings (“The Stream: 2023 Audience Insights for Brands” 2022).

Additionally, parallel delivery methods allow publishers and by extension, advertisers, to increase the depth of their reach. Figure 10 shows the ability of CNN to reach different customer segments via their linear cable TV network and their social media presence, the combination of which is more effective than either channel alone (Baum 2019). The content shown to these groups can be the same across channels or can be tailored to the user, depending on the subject matter and available resolution of the user profile data.

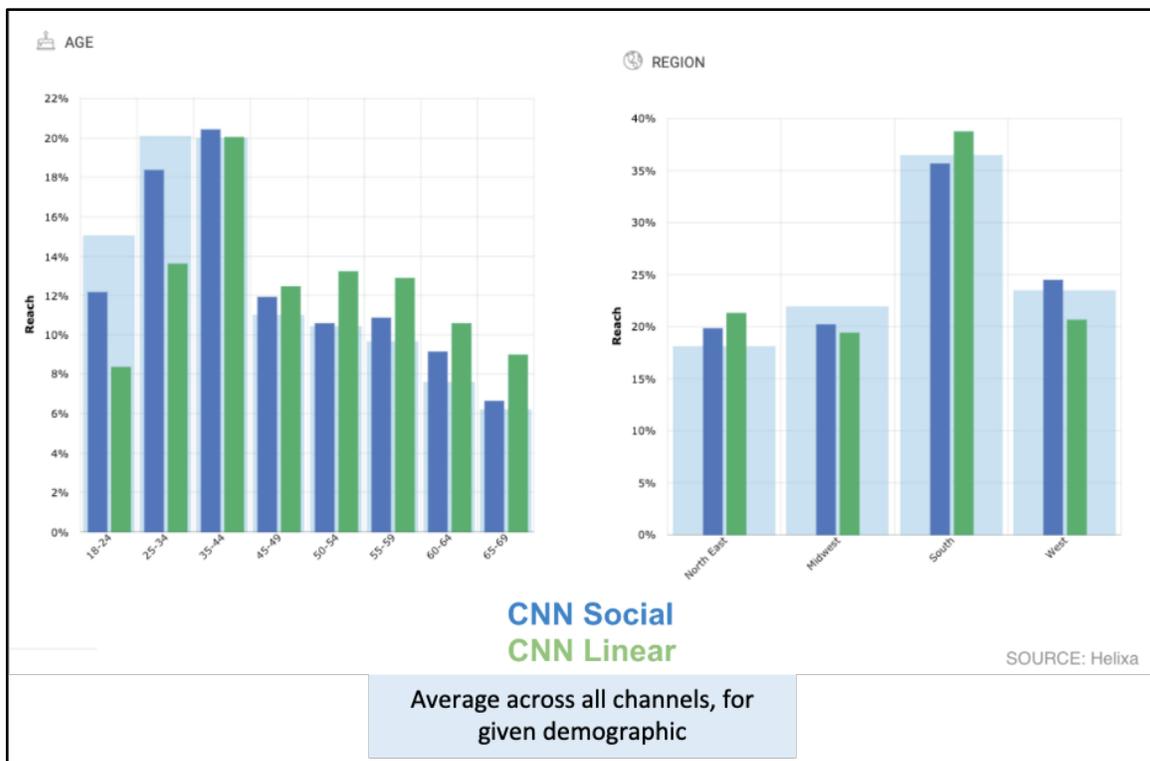


Figure 10: CNN’s reach by age & region across its Social Media and Linear TV channels (Baum 2019)

Thus, traditional media is attempting to compete for ad spend with digital mediums by incorporating data-centric tracking and targeting capabilities. By offering multiplatform and omnichannel content delivery methods to advertisers, history seems to be repeating itself. In an echo of the narrowcasting-based response of broadcast

television to the emergence of cable, cable is adopting the capabilities of the disrupting technology to better suit advertisers and fight for revenue.

Second, in adapting to the attention-based economy of the social media era, traditional media has pursued a strategy of increased sensationalism in order to stay relevant in customers' minds. The research firm Mintel estimates that, of the users visiting top news websites (e.g., MSN.com, NYTimes.com, FoxNews.com, etc.), a significant portion spend less than three minutes consuming information before they click away (Poelking 2019). Decreasing attention spans are problematic for traditional media, for both their televised and online channels, because it makes it very difficult to maintain customers' focus for the longer periods of time necessary to watch a half-hour news program, for example. "Click-bait" headlines capture users' interest in the digital domain, so it is logical that more video-heavy mediums like television emulate those tactics to keep audiences tuning in (Poelking 2019). To maintain attention, a technical analysis in 2020 by Eshghi et al. sought to optimize a fixed advertising budget across channels. The study determined that the ideal influence strategy is to first maximize spend in every ad channel (e.g., TV, digital, print, etc.) and then pause to let the message propagate (i.e., spread the information to the broadest possible audience, then wait until they absorb it). Next, the optimal approach is to continue blasting the campaign message across all channels in short bursts, and finally, as a target date (such as a brand launch, a holiday sale, or an election) approaches, the campaign should shift to a micro-targeted strategy that focuses on undecided individuals. This "spread [in waves], then target" strategy is designed to keep an advertiser's message at the top of users' minds (and social media feeds), and has concerning implications for political ads, which will be discussed in subsequent sections (Eshghi et al. 2020). It demonstrates the highly

sophisticated – and effective – tactics that advertisers can employ to retain customers’ attention.

The move by traditional media to copy the sensational, click-bait attention grabbing headlines of digital media can be seen in the growing power and prevalence of opinion-centric news shows on stations like MSNBC and Fox News. For example, a Pew study from 2012 found that both MSNBC and Fox News are skewed toward opinion and commentary programming compared to factual reporting (see Figure 11) (Jurkowitz et al. 2013).

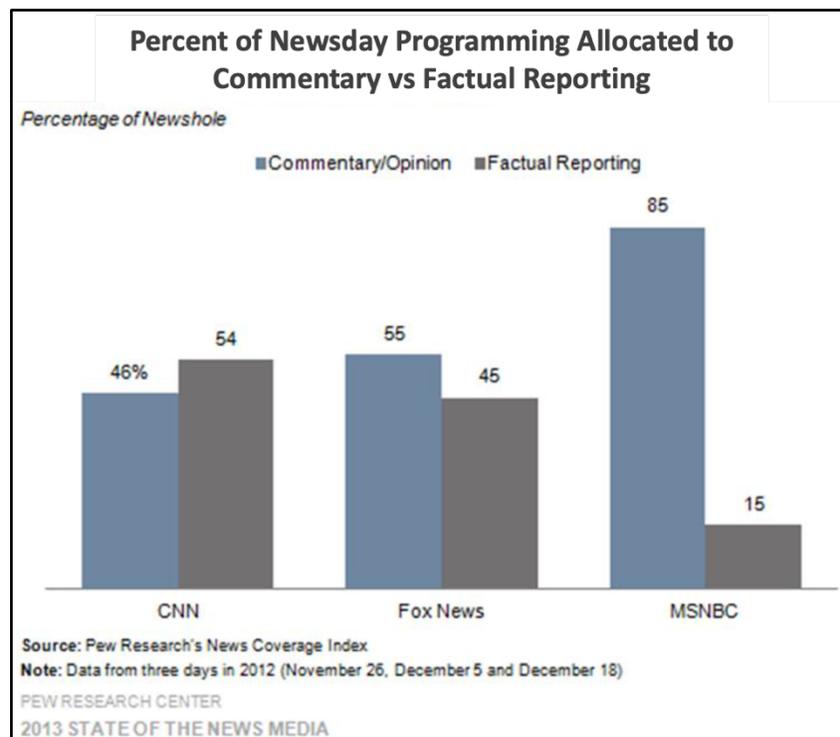


Figure 11: The majority of cable news programming, after accounting for advertising’s timeslots, primarily consists of commentary and opinion-based content (Jurkowitz et al. 2013)

Opinion-based shows are better classified as entertainment rather than actual news, as they are much cheaper to produce (i.e., the hosts’ primary job is to pontificate and bring on guests to interview who either support or oppose the hosts’ views, which is less expensive than production-heavy investigative segments) and, since they are

expressing their opinion, they are unconstrained from the tents of traditional journalism (i.e., fact-based reporting). Furthermore, the share of total viewers captured by the “news and opinion” category in cable has grown significantly between 2016 and 2021 as shown in Figure 12 below (Bridge 2021).

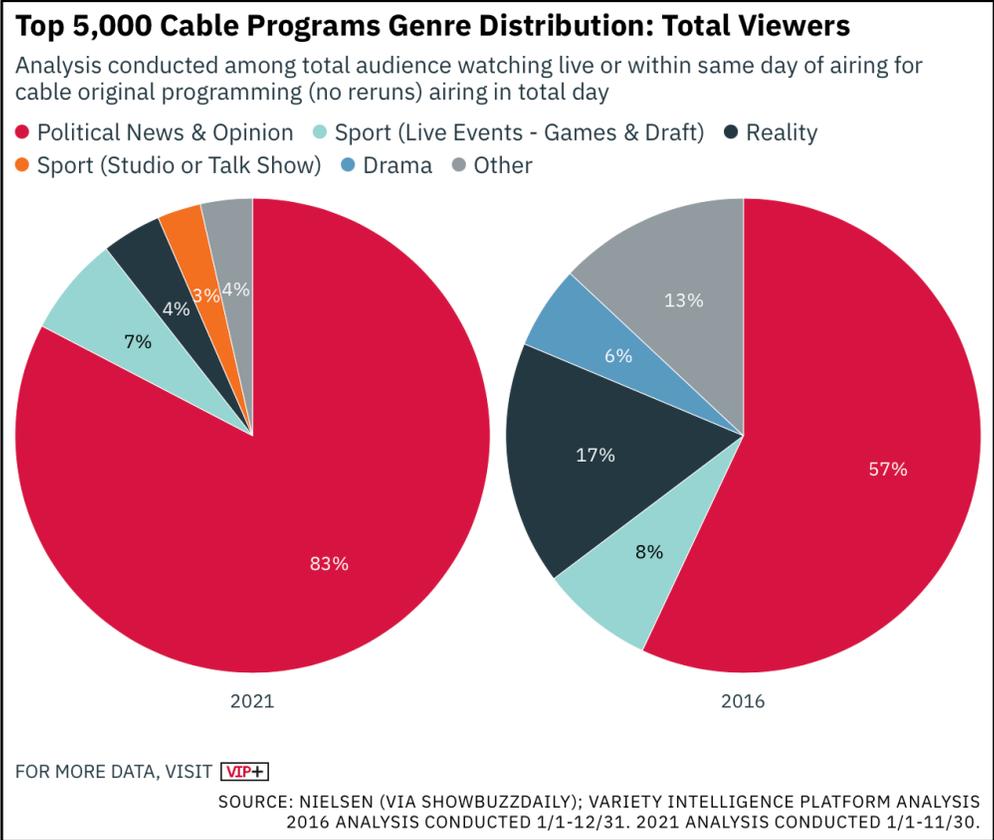


Figure 12: Political news and opinion programs capture the vast majority of total viewers (Bridge 2021)

The growth of opinionated cable programming demonstrates the medium’s strategy of capturing viewers’ attention with content that is not necessarily fact-based, in the same vein as the hyperbolic click-bait that is so effective online. Cable news outlets have discovered the benefits of this approach as they try to wrest attention from digital competitors, and have begun putting their anchors’ personalities front and center in an effort to boost viewers’ perceptions of authenticity and trust in the network (Poelking

2019). The freedom afforded to cable hosts to “be themselves” invites further comparisons to social media influencers, who have also grown adept at garnering customer attention (Poelking 2019).

Giving hosts more latitude to be themselves on air as they pontificate on a given topic (in the case of opinion-based shows like *Tucker Carlson Tonight* or *The Rachel Maddow Show*) opens the door for hosts to frame the news story in a particular way. A 2016 paper by Youngju Kim at the University of Alabama found that as journalists frame stories in terms of quarrels and disagreements (a great tactic to gain and maintain the audience’s attention, as the success of reality TV can attest) between the major U.S. parties, viewers’ sense of partisan identity increases, which then results in greater perceived polarization (Kim 2016). So, a cable news host framing their opinions in terms of an engrossing conflict reinforces audience members’ existing association to one of the parties and magnifies the “us vs them” mentality, thereby increasing polarization simply as a byproduct of trying to keep viewers engaged.

Once again, the sense of history repeating itself is palpable. The sensationalist, click-bait tactics, which are so prevalent online, are being increasingly embraced by traditional media in the same style that yellow journalism drove sales in the early 1900’s. Back then, the objective was to increase revenue by stealing readers from competitors, resulting in a lower quality information environment. The circumstances are the same today, albeit exponentially more dynamic.

All told, the advertising industry is a powerful economic engine for the U.S. consumer economy, representing approximately 2-3% of GDP. Where those dollars flow has a material impact, driving “aggregate consumption, investment, and hours worked, eventually fostering overall economic activity,” according to a 2018 analysis in *The*

Economic Journal (Molinari and Turino 2018). In a competitive market for ad spend, the economic logic propelling the moves and countermoves that constitute the decades-long struggle between digital and traditional media has ultimately resulted in a highly polarized national discourse. This polarization is simply a consequence of the customer segmentation methodologies (e.g., narrowcasting, incumbents' replication of new technological capabilities, and yellow journalism) that have been commonplace in the media industry for decades.

V. Part D. The New Political Normal and the Harms of Polarization

As initially discussed in Section IV, Part B above, political leaning is a straightforward way to segment customer populations, especially in the news arena. But beyond the advertisers and publishers subdividing their audiences from the supply side, there is also the issue of viewers partitioning themselves on the demand side. An important paper published in 2010 by Natalie Stroud, of the University of Texas at Austin, in the *Journal of Communication* observed that “partisan selective exposure,” the act of intentionally selecting political information that agrees with one’s existing viewpoints, leads to the reinforcement of those viewpoints, i.e., polarization. The study found that partisan selective exposure did, in fact, contribute to polarization, but also showed that the “relationship between homogeneous [physical] social network exposure and political polarization can be extended to homogeneous media exposure.” In other words, surrounding oneself with politically likeminded individuals and restricting one’s information consumption to likeminded media sources both led to similar levels of political polarization. Stroud also found causal indications of a vicious cycle, or “spiral effect,” whereby partisan selective exposure breeds polarization, which then yields

further partisan selective exposure, but acknowledged that additional research into this effect was required (Stroud 2010).

Survey results bear out these findings and reflect the deviating partisan perspectives. A 2022 joint inquiry by Kantar and Mintel found that more than three quarters of survey respondents view political divisions as a growing problem, and more than two thirds saw the conflict over social issues as a threat to U.S. democracy (see Figure 13). It is telling, in the context of partisan selective exposure, that both the “Conservative Republican” and “Liberal Democrat” – the two rightmost and leftmost groups in the survey – see the cultural divide growing to a similar extent, at 85% and 86% respectively (Dubina 2022).

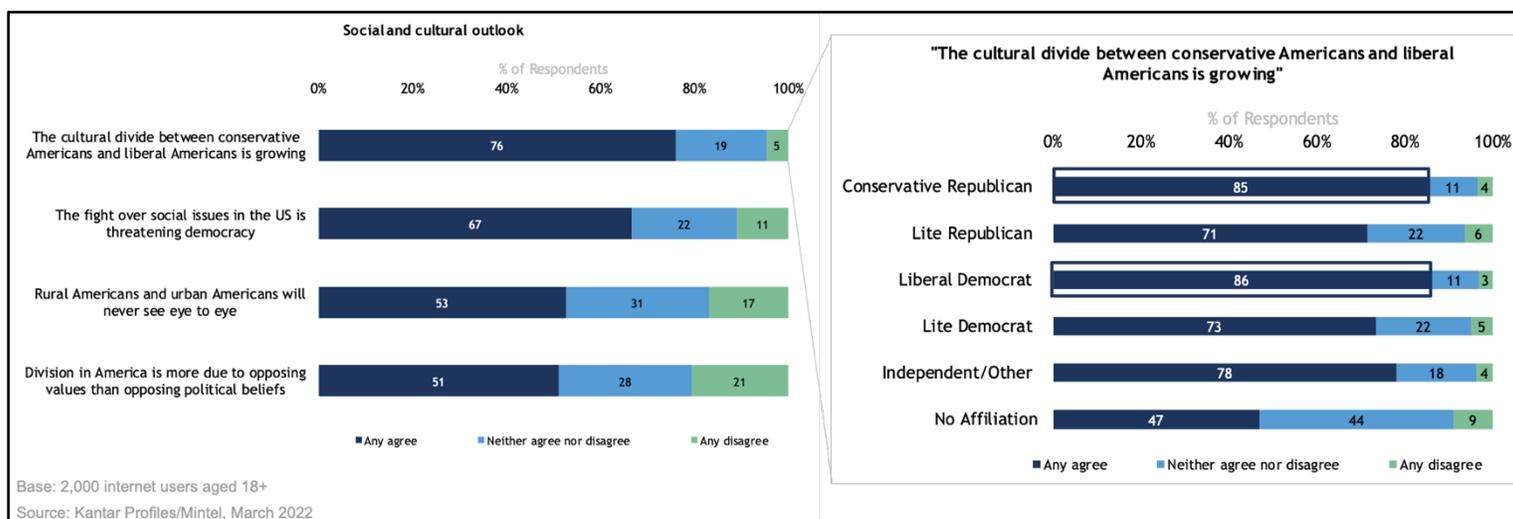


Figure 13: Survey results showing the extent of agreement with the questions posed on the left, and the breakout (by political affiliation) of responses regarding the growing cultural divide on the right (Dubina 2022)

Given these dividing and self-reinforcing echo chambers created by partisan selective exposure, the importance of the public’s information environment must be acknowledged. A 2016 study by Lau et al. in the journal *Political Behavior* demonstrated that audiences in ideologically diverse media environments (i.e., the fragmented information channels in today’s internet era) exhibit greater polarization than those in

ideologically neutral ones. Polarization in Lau’s study was especially pronounced when the media environment incorporated negative political advertisements, a common campaign tool that predictably appears in the run-up to elections. Controlling for the effects of the media setting, the authors found that exposure to negative campaign ads in a fragmented news landscape led to 15% more polarization (compared with exposure to positive ads), and had no impact when the landscape was neutral. The sources and effectiveness of partisan segmentation discussed thus far all but guarantee the fragmented information environment (and its repercussions) studied in this experiment also emerges in reality, but the incorporation of political ads can be seen as a more direct indicator of how polarized America’s information ecosystem really is. Lau et al. notes “polarization may be, in effect, what the candidates are trying to achieve when they attack their opponents, but the success of those efforts could have larger systemic implications for our government itself” (Lau et al. 2016).

In the 2020 election season, approximately \$15B was spent on political advertising across the U.S., half of which was allotted to television (Lo 2020). Political advertising provides revenue to publishers, allows candidates and their Political Action Committees (PACs) to play up their positive traits or portray their competitors in a negative light, while also taking advantage of the technological advancements (in terms of tracking and targeting) that have been outlined in prior sections. A 2020 study published in the *Journal of Public Economics* showed a connection between the increasing levels of American polarization and improvements in micro-targeting technology, illustrating that media fragmentation across channels allows campaigns to carefully target specific voter groups. The analysis found that fragmentation “induces an increase in polarization if both moderate and extreme voters can be targeted more

precisely,” a notion confirmed when they then compared their model to historical data (Prummer 2020). The researchers demonstrated that micro-targeting tools which exploit fragmented information ecosystems can be used to effectively amplify polarized partisan sentiments regardless of voters’ initial leanings.

Another paper from the *Journal of Public Economics* arrived at a complimentary conclusion in 2022, offering an econometric confirmation of an predictable effect: as technology improves the ability of electoral campaigns to micro-target voters, campaign spending and polarization both increase concurrently (Balart, Casas, and Troumpounis 2022). Thus, the new capabilities enabled by micro-targeting technology have resulted in increased spending on political ads, and have become de rigueur since the 2008 Obama campaign demonstrated their efficacy. In fact, according to The Brookings Institution, the technology has become so precise that campaigns are able to micro-target based on geolocation, “race, gender, income, education level, and even behavioral traits” or personality attributes. These capabilities allow for tailored campaign messaging targeted to different demographic characteristics, with such precision that the ads’ sponsors need not worry about inaccurate or conflicting content – the only ones who see the ads are the designated groups, who can be stoked into partisan fervor without risk. Access to information with the necessary level of detail required to run a micro-targeting campaign is very easy to obtain, since there is an entirely legal industry of data brokers (which are included in the group called intermediaries, described in Section IV, Part C) who buy and sell collections of people’s personal information (Joseff, Carter, and Woolley 2021).

The repercussions of ad micro-targeting and polarization are myriad, as will be discussed below. But it is important to note that the social media companies that

provide ad micro-targeting services defend themselves using the First Amendment, arguing they are simply a new iteration of the neutral public square (regardless of the fact they have a fiduciary duty to maximize profits) and the ads are forms of political speech. The First Amendment inherently assumes that falsehoods will be rectified via open debate, in the so-called “marketplace of ideas,” but with targeted groups seeing entirely different ads, there is no common knowledge of the messages being circulated, allowing social media to, in effect, circumvent the marketplace of ideas altogether (Halpern 2019). This creates an information environment ripe for manipulation, which is, in part, the ultimate goal of any political or commercial advertising campaign. However, the consequences of such manipulation, and the polarization it galvanizes, are much more serious when applied to the entire U.S. electorate.

Specific evidence of the damage caused by a polarized citizenry was succinctly summarized in a 2021 report from New York University’s Stern Center for Business and Human Rights, which classifies polarization’s harms into five categories: (1) declining trust in U.S. institutions and among fellow citizens, (2) loss of faith in commonly held facts, (3) inability to compromise, which degrades the effective functioning of government, (4) the subsequent deterioration of democratic norms, and (5) political violence and extremism (Barrett, Hendrix, and Sims 2021). Each harm will be analyzed in succession, but it is worth noting that their effects compound and are mutually reinforcing.

First, trust is the underlying foundation of any social system. There must be a certain basic level of confidence between individuals and groups for any sort of interaction to occur (e.g., financial transactions, public services, etc.). Unfortunately, recent polls show the current state of trust in the U.S. is dismal. Based on a 2018 poll by the Pew Research Center, a significant majority of Americans think that trust in each other and in the government have both been decreasing (see Figure 14) (Rainie, Keeter, and Perrin 2019).

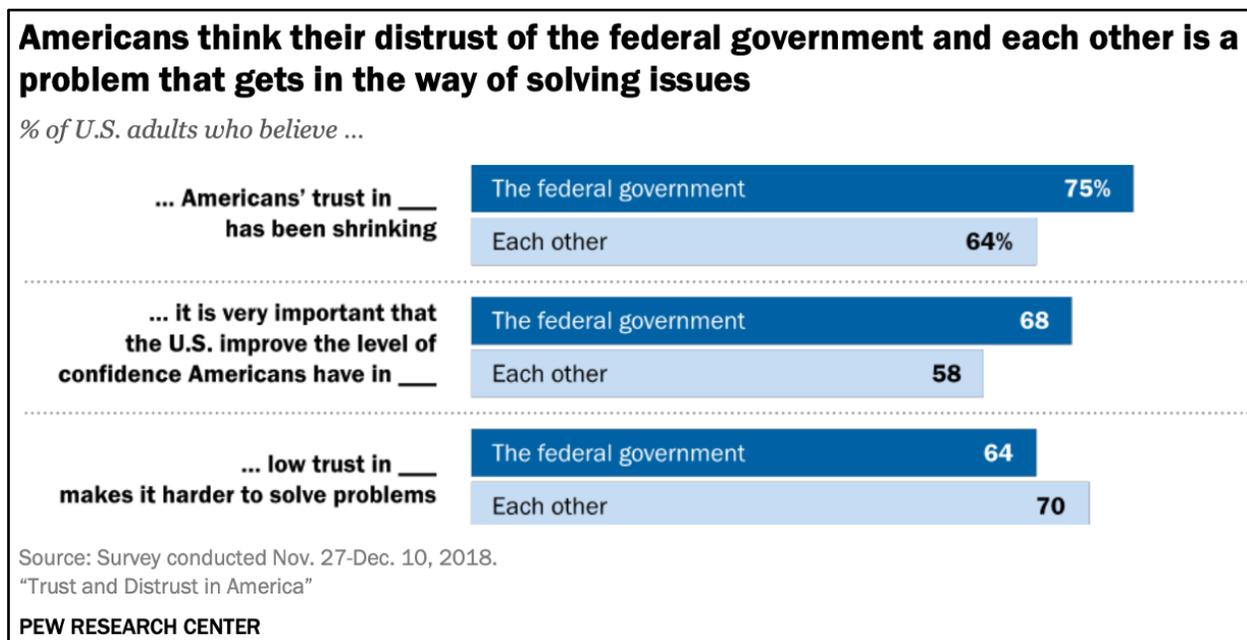


Figure 14: Pew survey results reflect growing American distrust in fellow citizens and the federal government (Rainie, Keeter, and Perrin 2019)

Furthermore, Pew surveys also found that, as of mid-2022, trust in government is at a historic low point, and predictably fluctuates based on partisan alignment with the presidential administration at a given time period (see Figure 15) ("Public Trust in Government: 1958-2022" 2022).

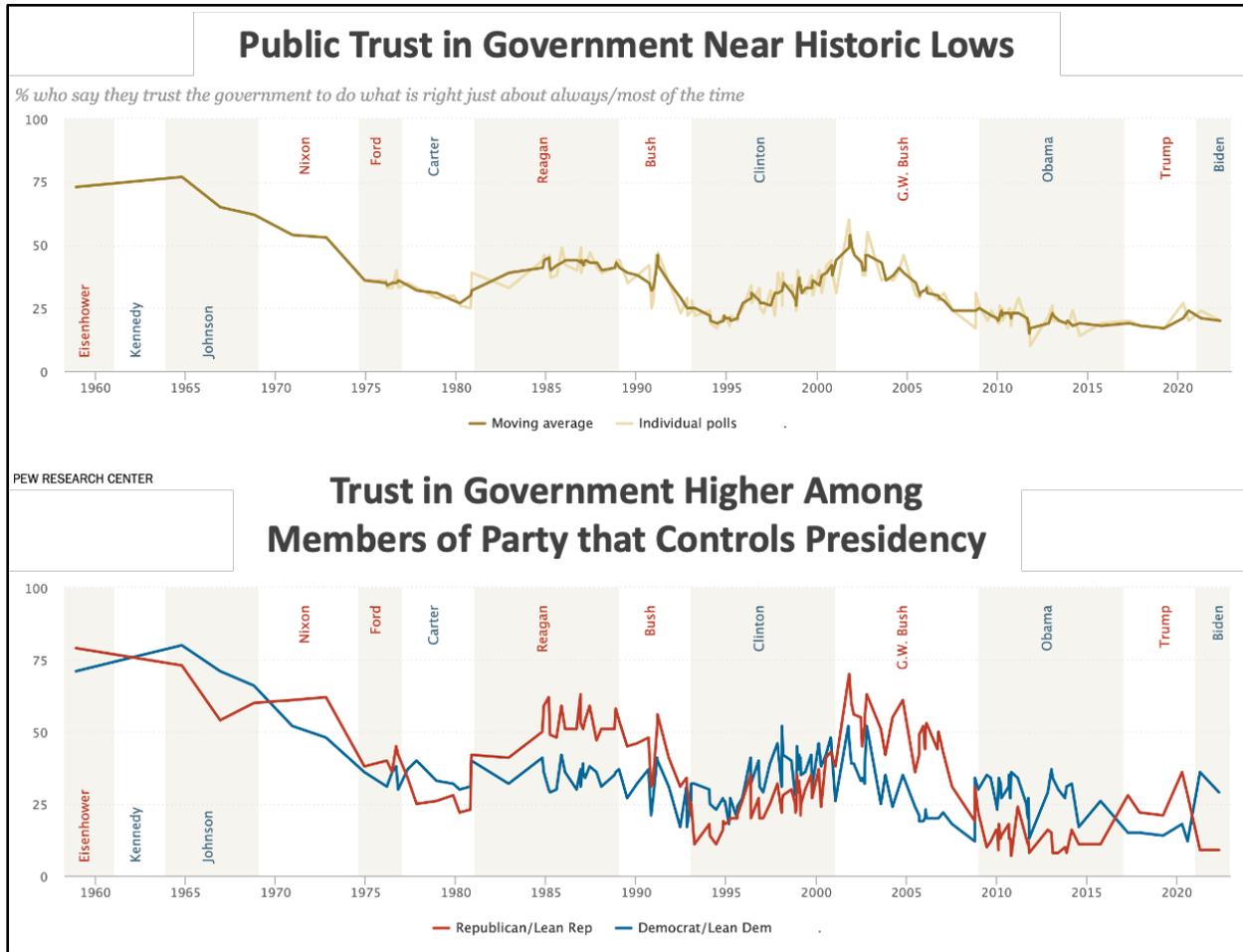


Figure 15: Over time, trust in the government has fallen and consistently reflects partisan divides (“Public Trust in Government: 1958-2022” 2022)

A lack of trust exacerbates the “us vs them” tribalism that is a fundamental aspect of human nature, eventually leading to the further extremes of dehumanization, fear, and hatred within a society (McCoy and Somer 2019). And this well documented tribal separation has been increasing along partisan lines, as shown in Figure 16 below (Dimock et al. 2014).

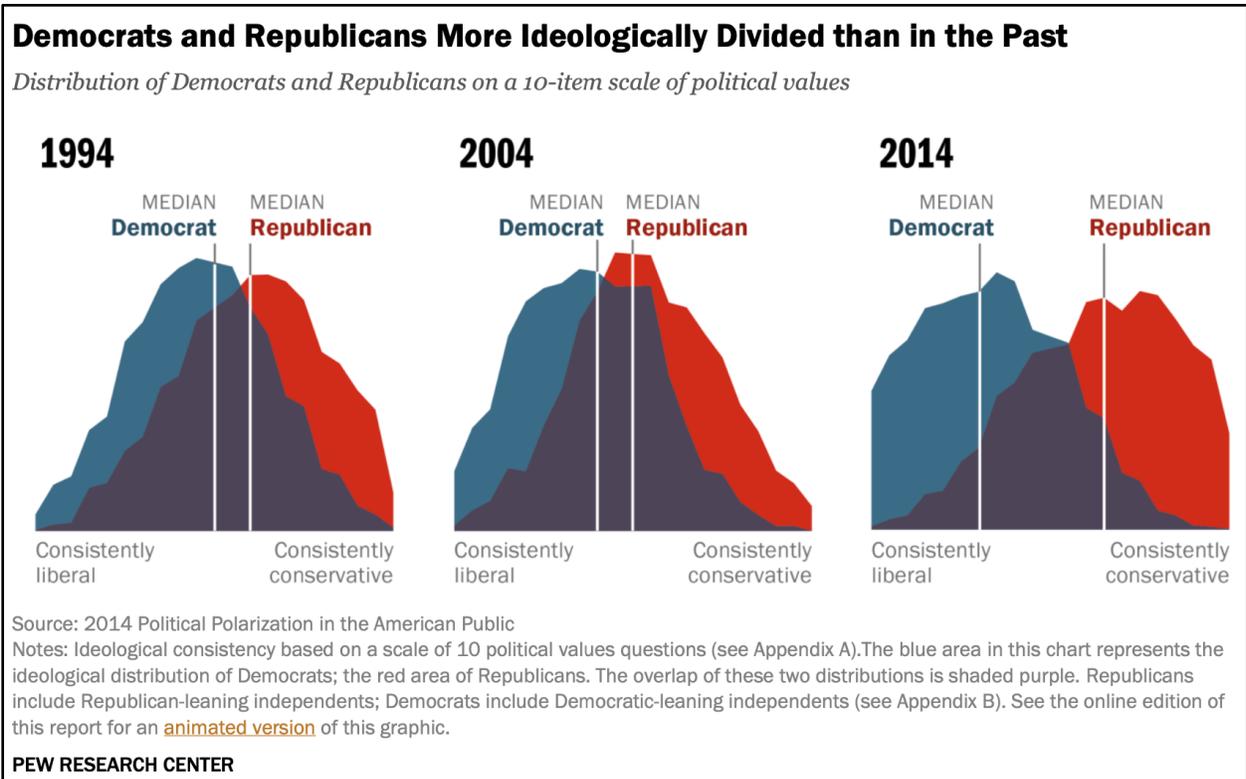


Figure 16: Distrust and the “us vs them” mentality is cultivated by polarization and ideological divides (note, the next iteration of this research is planned for 2024) (Dimock et al. 2014)

Continuing to the second type of harm from polarization, a deterioration in commonly understood facts is another casualty of the fractured information ecosystem. The aforementioned NYU study found that “widespread use of social media and distrust of mainstream media appear to have combined to increase the political system’s vulnerability to partisan misinformation” (Barrett, Hendrix, and Sims 2021). This “fake news” epidemic has undercut an already struggling media industry. A 2019 Mintel survey found that only 20% of U.S. adults trust the news media at all, via any channel (Poelking 2019). Interestingly, it is American conservatives who are more susceptible to misinformation and disinformation (Barrett, Hendrix, and Sims 2021). This can potentially be explained by the concentration of conservative media information sources, with 47% of conservatives receiving their news from a single provider (Fox),

compared to liberals that spread their media consumption across multiple sources (with the highest concentration being CNN, at 15%) (Mitchell et al. 2014). Additionally, this observation appears reasonable considering the two groups' general demographic compositions. If liberals are a confederation of diverse demographic groups (e.g., African Americans, Latin Americans, etc.), they would therefore be targeted by a wider variety of media channels and advertising that is tailored to their group (assuming the widespread use of the micro-targeting strategies discussed thus far are being effectively employed). The reverse would then be true of conservatives, who have a more homogeneous demographic composition, unified political voting bloc, and offer a more cohesive target for digital influence campaigns due to the absence of any natural "firebreaks" in their demographics or news sources.

There is also a commonly held belief in conservative circles that the mainstream media is biased toward liberal perspectives. Whether or not that is accurate is still hotly debated, but it stands to reason that most journalists enter the profession because they recognize problems in society, and they hope to alleviate them by marshalling public attention to focus on those problems. This viewpoint is more aligned with liberal ideologies, who tend to try and address the issues they see via public policy. That said, bias in the press should, in theory, be counteracted by the professional standards of fact-based reporting championed since the muckraking of the early 1900's. Therefore, any perceived liberal bias could be due to the economically driven fragmentation of the media and advertising industries that we've discussed thus far, resulting in the breakdown of the press's professional standards and the further proliferation of yellow journalism. Furthermore, conservative media is also guilty of employing such sensationalist practices, meaning they are also to blame for waning journalistic norms.

Compounding these effects is the sales adage that “the customer is always right,” which can drive opinion-based content at major networks as viewers return to channels that reinforce their existing views, thereby growing ad revenue (Rutenberg 2023).

Regardless, conservatives have been found to both follow and share more misinformation on social media, which, again, does not help lessen the damage caused by a lack of commonly agreed upon facts (Barrett, Hendrix, and Sims 2021).

Third, without a consensus on facts and objective reality, the compromise necessary for the U.S. democratic system to function is absent, resulting in less effective governing. Princeton scholar Nolan McCarty compared historical levels of polarization with past legislative productivity, and found that Congress passed a greater proportion of impactful and far-reaching laws during periods of low polarization (Barrett, Hendrix, and Sims 2021). Furthermore, with the narrowcasting-based environment of social media, members of Congress’s incentives have changed when assessed in terms of their public statements. The aforementioned NYU report found that congressional social media posts have become more divisive in an attempt to go viral (Barrett, Hendrix, and Sims 2021). The benefits of achieving virality are twofold. First, viral proclamations signal to the legislator’s constituents that Washington has not corrupted their will to fight for shared political beliefs (which are, by construction, more varied in the House of Representatives than in the more centrist Senate). Second, they generate heightened coverage from liberal and conservative media alike, thereby raising the legislator’s public profile (i.e., P.T. Barnum’s old adage of “there is no such thing as bad publicity”). An example of this is Representative Majorie Taylor Greene shouting before and during President Biden’s 2023 State of the Union address – it went viral and scored her political points, both nationally and in her district (Rogers 2023; Graziosi 2023).

Attention-grabbing behavior like this, commonly referred to as “performative politics,” only serves to polarize and push the two parties further apart, preventing compromise and, ultimately, effective legislation (Barrett, Hendrix, and Sims 2021).

Fourth, polarization undermines the norms that democracies depend on, such as respect for election results and the losing party acceding to peaceful transitions of power. Betting on the potency of fractured media channels and the lack of commonly shared facts, the Republican party has been engaged in a multi-year attempt to delegitimize the nonpartisan election system, most notably before and after the 2020 presidential election. Not only did this serve as a self-fulfilling prophecy (i.e., by denouncing the election system as defective, Republicans diminished the system’s legitimacy further), but the polarized condemnation of election systems also reduced voter access to the polls in approximately 12 majority Republican states (disproportionally impacting minority voters) (Barrett, Hendrix, and Sims 2021). Last, and most egregiously, the clear erosion of democratic customs was exposed by the riot of January 6, 2021.

The fifth and final category of harms caused by polarization, as mentioned above, is the rise in political violence, sectarianism, and extremism. Ideological extremism and animosity toward the opposing party has increased since 1978, as shown in a 2020 paper by Finkel et al. in *Science* magazine. Figure 17 below reflects the rising strength of out-of-party hatred vs the stability of in-party appreciation, and the growing divide between the two.

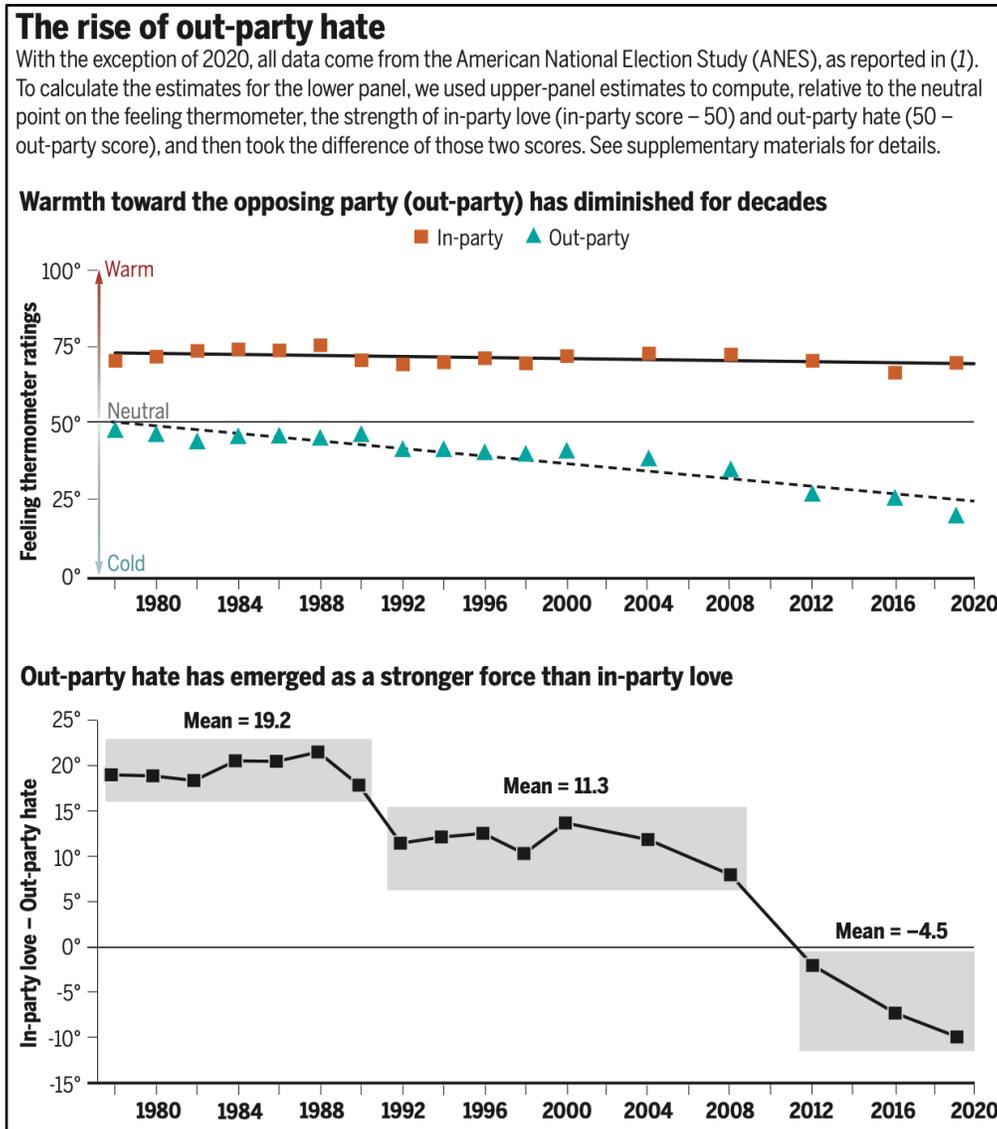


Figure 17: Hatred of the other party is stronger than love of one’s own, propelling sectarianism (Finkel et al. 2020)

Finkel et al. finds that disciplined partisan messaging “leads the public to perceive sharper ideological distinctions between the parties than actually exists, which inflames sectarianism.” Moreover, in the internet era, the algorithmically tailored content designed to optimize user engagement (i.e., grab and hold attention) boosts “sectarianism within homogeneous networks, in part because of the contagious power of content that elicits sectarian fear or indignation” (Finkel et al. 2020).

In summary, the strategic and tactical benefits of polarizing partisan rhetoric are clear, and, when combined with the fragmented media landscape, it is safe to conclude that a certain level of polarization will continue to be a permanent, structural feature of American political discourse. Alas, this polarization also spawns significant tangible harms that can only be addressed by the very policy, legislative, and regulatory mechanisms that are affected by those harms.

Section VI. Regulation and Public Policy

VI. Part A. Context and Noteworthy Legislation

The history of regulation surrounding America’s polarized national discourse is complicated, as it is an overlapping lattice of laws, Supreme Court decisions, and regulatory actions that affect multiple stakeholder groups. To add context for the purposes of this analysis, we will focus on (1) the laws and judicial decisions governing free speech as framed by the First Amendment, (2) the indemnity granted to digital platforms by Section 230 of the Communications Decency Act, (3) the FCC’s rules and enforcement of the Fairness Doctrine, (4) the current state of advertising regulation, and (5) the pioneering example of constructive digital regulation, the European Union’s (EU’s) General Data Protection Regulation (GDPR). Each of these initiatives will factor into the formulation of practical and efficacious policy options in Section VI, Part B below.

First Amendment Protections

First, Americans’ right to free speech is constitutionally guaranteed by the First Amendment, which stipulates that Congress is prohibited from enacting legislation “abridging the freedom of speech, or of the press,” among others (e.g., freedom of religion, of assembly, and to petition the government) (“Cornell Law School WEX Legal

Encyclopedia: First Amendment” 2022). Freedom of speech is generally extended to mean the liberty to express one’s opinion without government censorship or reprisal (i.e., freedom of expression), and includes any activity of transmitting or receiving information or ideas, irrespective of the medium (i.e., it can be direct or symbolic), and also protects against compelled speech (“Cornell Law School WEX Legal Encyclopedia: First Amendment” 2022; “Freedom of Speech in the United States” 2023). However, the U.S. Supreme Court has determined that freedom of speech is not absolute, and spelled out certain permissible “time, place, or manner” restrictions on speech in *Grayned v. City of Rockford* in 1972. In essence, yelling “fire” in a crowded auditorium is a lawful restriction on speech. Other categories of speech that boast lesser First Amendment protections include obscenity, slander or libel, fraud, child pornography, and, importantly for this analysis, commercial speech like advertising. Finally, it is worth noting that the First Amendment only applies to entities that derive their power from the U.S. Congress. Privately owned social networks, for example, are not bound by the First Amendment, although they do base their content moderation policies on First Amendment judicial precedent (“Freedom of Speech in the United States” 2023).

Commercial speech is defined by the Supreme Court as communication that “proposes a commercial transaction,” and typically attempts to persuade customers into performing an economic activity. Given its lesser, but not entirely absent, First Amendment protection, the courts employ an “intermediate scrutiny” assessment to determine whether commercial speech is covered by the amendment, as laid out in the 1980 case *Central Hudson Gas & Electric Corp. v. Public Service Commission*. To pass intermediate scrutiny, the commercial speech must “concern lawful activity and not be misleading” and the government’s interest in restricting the speech must be

“substantial.” Assuming both provisions are true, the restrictions must be narrowly tailored as to prevent overreach (“Commercial Speech” 2022).

Another important facet of regulating commercial speech involves compulsion, such as the government mandated disclaimers on cigarette packages warning of cancer risk, for example. The Supreme Court allowed such compelled commercial speech in the 1985 case *Zauderer v. Office of Disciplinary Counsel of Supreme Court of Ohio*. The case determined that the government is able to direct commercial speech as long as it includes “purely factual and uncontroversial information” that is reasonably related to its interest, and “to dissipate the possibility of consumer confusion or deception” (“Commercial Speech” 2022). This notion is highly relevant in the digital space, especially given the pervasiveness of the micro-targeted (and oftentimes non-factual) advertising discussed thus far.

Section 230 and Platform Indemnity

Second, in 1997’s *Reno v. ACLU*, the Supreme Court unanimously extended First Amendment protections to materials published on the internet, striking down certain restricting provisions of the Communications Decency Act (“Freedom of Speech in the United States” 2023). The law sought to regulate indecent or obscene content on the internet and, most importantly, the law also exempted online service companies and users from the publisher classification – essentially granting them legal immunity from content posted on their websites by a third party (“Communications Decency Act” 2022). This exemption, codified by the law’s Section 230, provided the legal foundation for the internet as it exists today, as it allowed digital platforms to flourish unencumbered by liability for content posted by users on their sites. There is a great deal of concern that any change to Section 230 would have massive unintended

consequences for the idea of a free and open internet, so any potential reform of this provision would need to be highly specific to limit the collateral damage to free expression online.

Abolition of the Fairness Doctrine

Third, another important area where free speech has been curtailed in the past involves the answer to a simple question: to what extent does the First Amendment apply in the context of journalism? The evolution of policymakers' views on this question has progressed along with technology. In the post-war period, there were a handful of broadcast television stations, and a few national newspapers, which all sought to provide unbiased and nonpartisan viewpoints, as discussed in Section V, Part A. This environment was largely due to the FCC's "Fairness Doctrine," which effectively set a neutral tone for U.S. national dialogue. The Fairness Doctrine was based on the idea that the media were public trustees because they were licensed by the government to transmit their programming over the limited spectrum of broadcast airwaves. All entities using those airwaves were required to present both sides of a given issue, with equal airtime (Kruse and Zelizer 2019). But given the advent of cable television and talk radio, and the fact that the FCC has no jurisdiction over those mediums, a movement began in the conservative corners of the media ecosystem to abolish the Fairness Doctrine because they believed the default position of the supposedly unbiased press was liberal ("Freedom of Speech in the United States" 2023; Kruse and Zelizer 2019). When President Regan began his push to deregulate and reduce the size of the government in the 1980's, the Fairness Doctrine was suspended, and the free market took over – under the auspices of the First Amendment's unobstructed application to journalism (Kruse and Zelizer 2019).

Regulations on Advertising

Fourth, building on the earlier discussion regarding commercial speech, advertisers have also faced limits on their First Amendment freedoms by federal, state, and local governments. The Federal Trade Commission (FTC) has been the primary actor at the federal level, instituting “truth-in-advertising” rules that require ads to be truthful and non-deceptive, to be backed up with evidence, and to be fair. The deceptive determination hinges on whether the information included in or omitted from the ad is material to customers’ decision to take the ad’s suggested action (i.e., buy the advertised product). The fairness determination rests on whether the ads are likely to cause substantial and unavoidable consumer harm that is not outweighed by any potential customer benefits. The FTC has also issued suggested guidance for digital influencers, recommending that they clearly disclose their content as sponsored if they receive benefits in exchange for their promotional efforts. There are also other federal agencies, such as the Food and Drug Administration or the Consumer Financial Protection Bureau, that regulate ads in their respective domains (e.g., drugs and credit products), as well as state-level restrictions on things like billboards and other outdoor ads. But the most impactful advertising-related legislation has come from the expanding existence and broad scope of consumer privacy laws (“Advertising Services: United States” 2022).

GDPR and Consumer Privacy in the Internet Era

Fifth and finally, it is worth discussing the merits and drawbacks of the EU’s GDPR legislation, passed in 2018, since it has served as a model for a number of U.S. based privacy initiatives, such as the 2018 California Privacy Rights Act (CPRA) (Liu et al. 2022). The GDPR compels firms to limit collection of customer data to only what is necessary for business functions, to take all necessary steps to safeguard customer data,

and to give customers the choice to opt out of, or agree to, the use of their data (“Advertising Services: United States” 2022). Overall, the GDPR and other analogous laws aim to define legitimate uses of personalized data, control the unconstrained sharing of consumer data across the digital advertising industry, provide consumers with transparency and choice, ensure that data is protected, and hold the organizations that collect, manage, utilize, and sell consumer data accountable for any potentially illicit actions. The GDPR has had deleterious effects on the use of third-party cookies (and therefore effective ad attribution), the accuracy of individual digital consumer identities, and the purchase and use of third-party datasets from data brokers (Liu et al. 2022).

The wide-reaching legislation has led to significant policy and real-world consequences. It has forced advertisers to pay attention to how customer data is collected, and to justify their need for (and use of) said data to their legal and compliance departments, for fear of the statutory consequences. In 2019, the United Kingdom’s data protection authority found that ad RTB (discussed in Section IV, Part C) violates the transparency, consent, and data security rules of the GDPR, effectively disrupting the programmatic buying strategies used by many digital ad purveyors. The GDPR has also been a catalyst for reform in other countries. For example, Japan, South Korea, and Brazil have all revised or instituted their own privacy laws to improve enforcement capabilities, with the overall aim of bringing them into concert with the GDPR to retain access to EU markets (Liu et al. 2022). The EU’s leadership in the privacy arena has even spurred debate in America, but U.S. inaction at the federal level has effectively devolved the regulatory initiative to the states (e.g., the CPRA).

All told, the advances in technology that established the internet era and gave rise to the countless digital information channels discussed thus far, have yielded ever more intense competition for customers' attention. Regulating the harms of this competition, and the resulting structural polarization, becomes increasingly complicated because of the scope of the digital sphere. The sheer number of entities that would need to be sued to enforce a reimposed Fairness Doctrine, for example, would be impractical. Moreover, the federal government is wary of the perception that it is in the business of curtailing the First Amendment rights of any Americans – news outlets, publishers, and journalists included. With the internet and social media granting anyone the ability to be a publisher, the resulting regulatory burden becomes almost unmanageable. That said, there are a number of policy options that can be implemented to help address the current state of polarization in the U.S.

VI. Part B. Policy Options

Given the amount of attention and focus that digital industry regulation has received over the last decade, determining the most effective policy options requires first, clarifying which components of the system to target and second, what potential interventions will yield the desired outcomes (i.e., reduced polarization).

Each primary stakeholder group involved in the interactions depicted in the system from Figure 1 (e.g., customers, intermediaries, publishers, and advertisers) has its own constituent parts, which, in turn, also have their own individual participants. For example, the intermediary group has subsectors, such as social media or data brokerage, and each subsector has firms that vie for market share (e.g., Facebook and Snapchat compete for ad revenue in the social media subsector). Sound policy interventions must be targeted at the appropriate level to avoid unnecessary market

disruptions. Therefore, this analysis will concentrate on different legislative, regulatory, and public policy options that can be prescribed to each stakeholder group.

Customers, Individual Awareness, and the American Public

Customers are the largest stakeholder group and are simultaneously the source of data used for micro-targeted ad campaigns, the recipients of those campaigns, and the individuals that have become more polarized. They are the substrate upon which all other groups vie for influence. In terms of potential policy options focused on the customer, the least commercially disruptive solution to the problem of polarization could be simply to raise consumer awareness of the issue. Specifically, the American electorate needs to better understand that the information shown to them via in their information channel of choice (e.g., cable news, social media, etc.) is uniquely tailored to them, to varying degrees. Helping individuals recognize this information personalization could be as basic as improving their awareness of content accuracy, as shown in the aforementioned 2022 study from the *Journal of Public Economics* (featured in Section V, Part D). The study found that advances in targeting lead to further polarization, and by shifting voter attention from persuasive campaigns to political platforms, it is possible they could think more critically about the accuracy of the content they see online (Balart, Casas, and Troumpounis 2022). Another 2021 study in *Nature* found that Twitter users often share news stories based on factors other than accuracy, and fail to adhere to their stated preferences for truthful news content. If social media user attention could be nudged, even slightly, toward accuracy, users could become more aware of their cognitive dissonance and, in theory, share less sensational and inaccurate content. An intervention as rudimentary as periodic surveys asking social media users to rate the perceived accuracy of selected headlines from news stories

would serve both as a subtle reminder for users to focus on veracity and as a way to crowdsource accuracy ratings for those headlines. Over time, this could also improve the overall quality of news circulating online and alleviate some of the content moderation burden currently shouldered by social media firms (Pennycook et al. 2021). If concern over social media companies' content filtering decisions continues to build, and is accompanied by new guidelines from the FTC for example, there is a moderate likelihood that social media firms will institute such a small accuracy-centric nudge. Helping users focus on accuracy would improve the health of the overall information ecosystem, and reduce the specific harm caused by the declining consensus regarding basic facts.

The U.S. could also institute online and media literacy programs, adding them into high school curricula to help adolescents develop their critical thinking skills and realize that, much like their nutritional diet, the diet of information they consume has both high- and low-quality fare. Such a program would need to be instituted at the local level and would likely be subject to the polarized partisan disputes currently afflicting school boards across the country, so therefore the likelihood of progress is low. That said, if a public school system were to institute such a program, it could be a revealing and value-added experiment in reducing polarization, at relatively low cost (assuming it can be incorporated into existing course offerings). It could also help address the harms described earlier, namely declining national trust, the breakdown of commonly understood facts, and the surge in unwillingness to compromise.

Another consumer-centered approach could be a campaign that leverages the strong sense of national pride that many in U.S. feel (especially in conservative circles, who are the most susceptible to misleading information, as discussed in Section V, Part

D) to incorporate the importance of truth further into the American identity. This campaign could also help foster a sense of collective understanding and a “we’re all in this together” mentality. That said, the organization behind such a proposal would need to be seen as nonpartisan and trustworthy, in the same vein as the Truth Initiative (the group behind the ubiquitous anti-smoking campaigns) or the Foundation for a Better Life (the non-profit responsible for the “Pass It On” virtue-centric billboards). A 2020 study found success in reducing polarization in Colombia by cultivating a shared sense of pride via a domestic national branding campaign, reminding citizens of their common identity as Colombians (Vecchi, Silva, and Angel 2020). Despite America’s multicultural characteristics, a campaign focused on shared national values could produce similar results. That said, a non-profit patron would need to champion the campaign, and commit resources to its sustainable implementation, with little to no expectation of financial return. Further, the likelihood of success is low, as it would just be one more message articulated into the din of modern America’s fractured information environment. However, it could help encourage the renewal of trust between citizens and in U.S. institutions.

Another option is for individuals to step away from social media for a given period of time. A 2020 study in the *American Economic Review* found that having a treatment group refrain from using Facebook for four weeks resulted in reduced individual feelings of both political polarization and hostility toward “the other party,” increased subjective wellbeing, and caused longer-term reductions in Facebook use after the treatment window. However, the effects were most pronounced for the users who consistently received their news knowledge from Facebook, and after the study participants reported they would only leave the social network permanently in exchange

substantial sums of money (Allcott et al. 2020). Clearly, Meta would not be in favor of such a hiatus program if instituted on a broader scale (due to the negative effects on revenue), so the likelihood of execution is very low. But perhaps a required annual period of “detox” could help reduce polarization if timed appropriately (i.e., not all at once) or the idea of a voluntary detox could be incorporated into the online literacy education program mentioned above. Either way, such a measure would be fiercely resisted by social media firms, could only be justified if the detriments of social media were undeniably clear-cut, and the industry’s lobbying efforts were not as pervasive. However, a voluntary social media detox could help Americans regain trust in one another and possibly reduce their proclivity for violence.

The last potential policy option to focus on the customer stakeholder group revolves around tolerance and incentives. Forrest and Daymude, of The Brookings Institution, built an “Attraction-Repulsion Model” to simulate how “agents” in a system interact with one another based on two rules. First, agents are “more likely to interact with other agents that have similar opinions” and second, that “when agents with similar opinions interact, their opinions move closer together” or farther apart if opinions are too dissimilar – i.e., they polarize. The researchers referred to “tolerance” in the model as the degree of similarity between opinions that agents either find attractive or repulsive, and discovered that the self-sorting of agents throughout the system into like-minded groups could be reduced with higher levels of tolerance. Most surprisingly, however, they also uncovered an outsized effect from the incorporation of self-interest into the model. By setting a 5% probability that agents will waive their usual attraction or repulsion decision in favor of a fixed, non-extreme position, the results showed a marked decrease in overall polarization. The policy implications of this self-

interest effect are quite intriguing, because if an individual's stake in a given policy outcome is clear, they will override their natural tendency to polarize. For example, the owner of a small business is more likely to oppose corporate tax hikes because they would be directly affected, and that policy preference supersedes their normal inclination to congregate with others based on auxiliary similarities. So, if lawmakers could incentivize self-interested positions that cross partisan lines, even rarely, the overall population would become less polarized (Forrest and Daymude 2022). In this case, lawmakers' motivation to take nonpartisan positions on certain policy topics is the main obstacle to turning this insight into reality. Given the incentives of the polarized media landscape that both promote performative politics and discourage compromise, the moderate likelihood of action on this front is a function of the courage of individual lawmakers. That said, such moves could help restore the weakened democratic norms of bipartisanship and compromise upon which our system is based.

Intermediaries and the Power of Data

The second group of stakeholders that is a predictable focal point for potential regulation is intermediaries. If micro-targeting is one of the major underlying drivers of polarization (see Section V, Part D), then logically, it makes sense to install some rules around the lifeblood of that practice – data. A U.S. national data privacy law, analogous to the GDPR, would go a long way in reforming some of the abuses and harms discussed earlier in this analysis.

At the end of 2022, the GDPR's European Data Protection Board (EDPB), tasked with guiding the implementation and interpretation of the law, summarily spurned a claim by Meta that targeted ads were essential to providing social media services. The board ruled that ads were useful to their business, but not strictly necessary. Unless

overturned by a court, this has serious implications for Meta’s ad-centric business model in the EU because, under the GDPR, they must offer a fully equal service for those users who chose to opt out of personalized ads. As Mark MacCarthy of The Brookings Institution summarizes, this development holds many lessons for a potential U.S. data privacy law. In June 2022, the House proposed a bill entitled the American Data Privacy and Protection Act (ADPPA), that was approved out of committee with strong bipartisan support. But the bill takes an “enumeration approach,” listing out specific permissible purposes for the collection, management, and processing of customer data. The ADPPA’s major shortcoming is that it does not allow the law enough flexibility to adapt to innovations in business practices or technology. MacCarthy argues for a “legal basis” privacy regime that establishes normative standards for whether data processing is lawful, inspired by the GDPR’s criteria: when processing is absolutely necessary to provide the digital service, when users are able to give their full consent, or when it is required for legitimate business interests like fraud prevention (MacCarthy 2023). Given the fast pace of technological change, flexibility should be high on legislators’ priority list as they refine the ADPAA.

Another vital component of a U.S. national privacy law is a new, well-resourced, digital privacy regulator. The ADPAA grants this authority to the FTC (which already has a great deal to manage as the country’s anti-trust authority) and an additional Bureau of Privacy. But having too many agencies with overlapping spheres of influence has not worked well historically, e.g., the need to create the Department of Homeland Security after September 11th. MacCarthy and his Brookings colleagues advocate for a consolidated “Digital Platform Agency” that has jurisdiction over the internet’s fast-moving competitive environment, over privacy enforcement, and over platforms’

content moderation policies. This single agency would need to be granted considerable authority to implement and interpret a new legal basis privacy regime (i.e., digital service necessity, user consent, and legitimate service interest), much like the EDPB was given the ability to influence the core of Meta’s EU business model (MacCarthy 2023). The ADPAA is a good start, and the likelihood of enactment for such a law is moderate, but Congress must ensure any new privacy legal structures they create can withstand the turbulence of the ever-evolving digital ecosystem, not to mention industry lobbying efforts. Additionally, such a law would help address the harms of declining trust and lack of commonly agreed upon facts, as the advertising industry’s ability to micro-target would be highly constrained.

While a new national privacy law would go far in reforming many online ills, from the abuse of digital ad technology to the malicious sectors of the data brokerage industry, social media is in particular need of additional regulatory attention – specifically with respect to transparency. Given the scale of these businesses, it is only logical that sites like Facebook rely on algorithms to sort and serve content to users. But these algorithms use the metric of “dwell time” to measure user attention, i.e., how long a user spends with a piece of content is seen as a proxy for their interest. But, as discussed earlier in this analysis, the salacious (rather than factual) content is what holds attention, and therefore increases dwell time, thus exiling users into ever more refined echo chambers. Any legislation that, for example, prohibits the use of algorithms that ascertain and reinforce the “interest” of users, would make sense, but must also consider the structure and underlying business model of each social network (Wallison 2021). For example, it is easy to say that Twitter’s algorithm should prioritize diverse content, but it is built as a megaphone – what one user says is broadcast to wide,

impersonal audiences of followers. Facebook on the other hand, more closely resembles a schoolhouse, with many classrooms filled with groups of smaller friend networks. So, a message broadcast via Twitter (where followers do not have to be approved and a user's feed can include suggested accounts to follow) has very different reach compared to one transmitted via Facebook (where friends must be confirmed, and a feed's content is restricted to a user's second- or third-degree contacts). The Twitter model allows for more breadth, but the Facebook model allows for more depth, and more pervasive virality because the content sources on users' feeds have attained a higher degree of trust (albeit slightly). With this concept in mind, any "one-size-fits-all," legislatively prescribed changes to algorithms should be thoroughly examined. A more constructive approach would be to mandate that social media firms above a certain size open their algorithms to researchers at approved organizations, such as the Stanford Internet Observatory. Currently, policy researchers find it hard to propose effective solutions to problems stemming from social media because the companies do not disclose the inner workings of their algorithms (Barrett, Hendrix, and Sims 2021). Any mandatory disclosure laws would need rational legal protections for both firms and researchers, and would require the sharing of how the firms' algorithms filter, rank, and recommend content, would indemnify platforms from civil and criminal liability (thereby also allowing them to hedge potential liability for content moderation decisions), and would legally safeguard researchers as they analyze the firms' data (Barrett, Hendrix, and Sims 2021). This transparency would help enable public policy that is better tailored to the unique qualities of each social network.

Researchers could also help social networks adapt their algorithms to reduce the virality of divisive content. Facebook publicized its emergency adjustment of this

“toxicity” measure in the wake of both the Derek Chauvin trial and the January 6th riots, but if those divisive elements were not already present in their communities ex ante, the firm would not have touted their ability to control them. The means by which Facebook tweaks its algorithm is through the algorithm’s automated assessments of how likely a piece of content is to violate the firm’s community standards. To turn down the overall toxicity of the network, Facebook lowers the filtering threshold for that likelihood. If at the normal toxicity threshold, for example, a post is algorithmically assessed at a 75% chance of violating content standards, it would still be distributed normally to users’ feeds and would only face distribution reductions if it reflects a 76% chance of violation – but the content would still be displayed. If, however, the firm wants to reduce toxicity, it simply lowers the bar and reduces the distribution of content with a 65% violation probability, again still displaying it to the source’s closer connections. Unfortunately, Meta and Facebook have failed to elucidate why their anti-toxicity “emergency” threshold levels shouldn’t be the norm (Barrett, Hendrix, and Sims 2021). That said, regulating the employment of complex algorithms is outside the domain of expertise for many lawmakers, which is another reason to seek the help of qualified data scientists. Such a policy has a moderate likelihood of enactment and could be put into effect by the FTC or the proposed Digital Platform Agency, or legislated into existence by Congress. Furthermore, it is a minorly disruptive policy, in terms of the social media firms’ business practices, which could reduce potential industry reticence to the concept. If such policies aimed at reducing the virality of divisive social media content are successfully implemented, it could increase the trust in the information ecosystem and could also serve to change the incentives around performative politics, as discussed in Section V, Part D.

The final policy option that focuses on intermediaries was pursued successfully in Australia, with components of the rule being proactively instituted by some tech companies in the U.S. and United Kingdom. In early 2021, the Australian government instituted its News Media and Digital Platforms Mandatory Bargaining Code which required aggregators and purveyors of digital news content (e.g., Facebook and Google) to pay royalties for the links shown on their sites to the news outlets that produced them. Publishers of news, which have been heavily disrupted by the intermediaries (as discussed in Section V), argued for a share of their giant competitors' digital ad revenue. Contrarily, the tech firms argue that publishers benefit from the user traffic driven to their sites, and that these rules infringe on the firms' First Amendment rights. However, their primary concern is that, if forced to pay for news content, regulators could eventually force them to pay for other linked content as well – which translates to an existential threat to their business models. The disagreement came to a climax when Facebook pulled all its news content from the country, and the two sides agreed to a compromise that allowed tech firms the flexibility to escape the most stringent aspects of the code if their financial contributions to publishers are deemed adequate. The code also includes provisions for a mediation period, followed by arbitration if the publishers and intermediaries cannot agree on acceptable payment terms. Given the fact that tech companies are replicating these concessionary payments to traditional media in other countries like the U.S., likely to stave off regulation, it appears to be an effective policy tool for Congress to pursue, with a high likelihood of success (*The Economist* 2021). It could help counter the harm caused by the citizenry's poor collective perception of facts.

Publishers and Content Providers

Moving onto the publisher stakeholder group, they too can take steps to reduce polarization. The first policy avenue dates back to 1969, the idea of a “public option,” and the founding of the Public Broadcasting Service (PBS). The station was created to “enhance citizenship and public service,” not to generate profit, and an analogous service could be fashioned for today’s internet era. Originally, PBS was to be funded via a federal trust fueled by a small sales tax on televisions sets. But this approach was rebuffed by lobbying efforts from the National Association of Broadcasters, and PBS was forever relegated to financing its operations with viewer contributions, corporate sponsorships, and ever-declining federal budgetary allocations (Lule 2016). A government-backed, non-biased online news source, perhaps a reinvigorated PBS or National Public Radio (NPR), could offer a bastion of factual information to the U.S. public without the risk of regulatory capture inherent in a dependence on advertising revenues. The likelihood of enacting such a publicly funded option is low, however, as it puts the government in the position of competing with the traditional news media, and it has a high potential for abuse or co-option. That said, it could help improve the common understanding of facts if structured in a way that controls for political influence or favoritism.

One more, highly feasible, policy proposal for publishers is to require all news organizations, both online and offline, to adopt content labels much like the TV parental guidelines put in place by the Telecommunications Act of 1996 (“TV Parental Guidelines” 2023). Although voluntary, the ratings became the industry standard because none of the players, to include broadcast, cable, and streaming networks, wanted to be on the wrong side of the “child safety” debate. A similar system with “fact”

and “opinion” labels could be made mandatory for all publishers under U.S. jurisdiction, which would help consumers distinguish between news and entertainment while also rejuvenating the core tenets of good journalism (Adair 2019). If the results shown in Figure 11 are still accurate, then 85% of MSNBC’s content, for example, would need to carry the “opinion” label. Similar approaches have been spearheaded by organizations like Santa Clara University’s Trust Project, but due to their voluntary nature and the fractured digital information environment, adoption rates have been low (Adair 2019). An additional benefit of this approach would allow advertisers to ensure that their campaigns are associated with content that aligns with their organization’s values. If such a policy is mandated by either the FTC or Congress, there is a high likelihood of success. The major barriers such a requirement would need to overcome would primarily come from industry lobbyists, but that is not insurmountable given the precedent of similar systems and minor disruptive potential. Such a rule would help reduce the harm incurred from a lack of commonly agreed upon facts.

Advertisers and Influence Campaigns

Lastly, the advertisers’ stakeholder group can also be a lever to reduce polarization through effective policy. There is precedent for corporate advertisers, which are the bedrock of the media and advertising industries’ revenue flows, to pull their campaigns from content sources that do not support the image they are trying to convey with their brands. For example, in 1995 Procter & Gamble decided it would stop sponsoring scandalous daytime talk shows and gave the shows’ producers detailed guidelines as to what it would and would not support (Lule 2016). A comparable effect was seen online last year, when Elon Musk’s haphazardly changed the operating paradigm at Twitter, and users were able to hijack and mock verified accounts belonging

to brands like Nintendo and Pepsi. Advertisers quickly responded by pulling their campaigns from the platform, and Twitter's revenue dropped accordingly (Sloane 2022).

Similarly, by co-opting corporate advertisers' self-interest, the FTC could extend its truth-in-advertising rules to the medium through which ads are placed. Specifically, the agency could broaden the deceptive and fairness determinations (as explained in Section VI, Part A) to include surrounding content. Such a requirement would raise advertisers' awareness of how their campaigns are ultimately conveyed to consumers, and would induce them to prioritize content that does not openly deceive or cause substantial harm, thus sharing some of the burden of parsing fact from fiction that is currently placed on consumers. There would obviously be resistance to this policy, so it has a low likelihood of enactment, but the increased attention brought about by such a subtle shift could help reduce the overall incidence of mis- and disinformation as ad dollars propagate through the system. However, there is always the possibility that, if pressured by consumers, advertisers may be less opposed to such rules.

Another way to help reduce false information online, at least of the political sort, would be to better regulate how political campaigns, who are technically advertisers, exploit the fractured information ecosystem. One idea was proposed and rejected in 2017, Democrat Amy Klobuchar's Honest Ads Act, which sought to hold digital political ads to the same attribution and transparency standards as those delivered through older, less capable mediums like television, radio, and print. The bill was reintroduced in 2018 with Republican Lindsey Graham as a co-sponsor (Halpern 2019). Mandating the disclosure of the source behind political ads would remind viewers of the ads' inherent bias and potentially increase voters' attention to the ads' accuracy. Since ad

attribution is not the same as ad content, First Amendment objections can be effectively sidestepped. Furthermore, given their outsized effect on, and correlation with, polarization, political advertising could be restricted from using micro-targeting tactics. This idea would be highly contentious though, as an argument can be made that it restricts political speech. However, per the analysis in Section V, Part D, the First Amendment is predicated on the assumption that political speech will be judged in the marketplace of ideas, which micro-targeting bypasses. So, the legal theory behind such a ban is sensible. Also, a personalized political ad ban once again separates ad content from ad delivery method, and much can be gained if political campaigns change their tactics, even slightly. Recalling the *Journal of Public Economics* study from Section V, Part D, it is clear that heightened polarization levels can result from the targeting of either moderate or extreme voter groups (Prummer 2020). Given these considerations, the likelihood of success for such a bill is high, especially with bipartisan support. It could help restore the country's deteriorating democratic norms and reestablish a semblance of civility in political campaigns.

Finally, it is important to highlight that these policy options are mutually reinforcing, as they each focus on a different stakeholder group distilled from the system in Figure 1. A national privacy law for example, would make micro-targeted political ads much more difficult to employ, compounding the overall benefits of the intervention. Regardless of the initial approach and the eventual legislative and regulatory outcomes, effective policy solutions do have an important role to play in addressing the underlying causes of polarization in our national discourse.

Section VII. Recommendations and Conclusion

To reiterate, there is no one policy action that will singlehandedly solve America's pervasive polarization problem. Healing and change must be affected by the implementation of multiple, less invasive solutions that can revitalize the civility of U.S. national discourse over time, using all possible levers – including economics. Each stakeholder group bears partial responsibility for the underlying causes of the problem, and therefore must also sacrifice for, and assume the burden of, its resolution.

Customers must take greater individual responsibility for educating themselves on the importance of having a good information diet, understanding the biases that exist within most information sources, and prioritizing accuracy and truth as core American civic virtues. This could happen organically, as the generations that grew up in the internet era accept the mantle of leadership from the aging Baby Boomers. However, behavior change is both difficult and complex, hence the need for effective public policies. The two concepts described above that feature moderate likelihoods of success, namely accuracy nudges and aisle-crossing, self-interest-based legislation, should be pursued in the near term, as they are relatively minor, yet impactful, interventions. The entities with the authority to enact those two policy proposals, namely the FTC, social media firms (especially those that desire a stable business and regulatory environment), and lawmakers, should take the initiative to turn those two suggestions into reality.

Regarding intermediaries, most are profiting handsomely from the status quo, so will likely be spurred to action only by federal legislation. All three policy recommendations, the national privacy law and digital platform agency, the algorithm transparency and divisiveness moderation partnerships, and the publisher fee arrangements, offer moderate to high likelihoods of success. The national privacy law

and publisher fee arrangements both already have momentum behind them, which must be sustained by the responsible legislators from both parties.

For the publishers, content labeling is the most feasible policy option, and will also hinge on bold action by the FTC or Congress. However, this proposal may find support from advertisers, who will benefit from clearer alignment between their ads and the content that surrounds them. Given the high likelihood of success, universal familiarity with the concept, and modest effort involved, this recommendation should be implemented in the near term as well.

Lastly, advertisers should become subject to legislation akin to the Honest Ads Act, bringing all mediums' disclosure rules into parity and potentially going further to ban micro-targeting by political campaigns. Legislation of this sort should be enacted before the 2024 election, to avoid further damage to the nation's democratic processes. Courageous and responsible lawmakers from both parties must resist the political inertia that would inevitably stack up against this move, as well as any attempts by detractors to turn the subject into another divided, party-line argument.

In conclusion, polarization in America is generating lasting harm to our nation's democratic traditions and social fabric. To craft policy solutions that are responsive and flexible enough to cope with the ever-fluctuating volume, speed, and quality of information exchanged online, regulatory and legislative solutions must be tailored to the incentives that drive the media, advertising, and tech industries. And solutions must be found quickly, since the continuous advent of new technology (such as large language model artificial intelligence and hyper realistic photo and video deepfakes) is poised to push the nation even farther apart. As this analysis has shown, the dynamics of

polarization are complex and the symptoms are manifold, but part of the underlying disease is structural, and caused by the economic forces that sustain capitalism itself.

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