



COMMITTEE ON
ENERGY & COMMERCE
DEMOCRATS
RANKING MEMBER FRANK PALLONE, JR.

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Pallone Remarks at Digital Advertising Hearing

Washington, D.C. – *Energy and Commerce Ranking Member Frank Pallone, Jr. (D-NJ) delivered the following opening remarks today at a Subcommittee on Digital Commerce and Consumer Protection hearing on “Understanding the Digital Advertising Ecosystem.”*

Today’s hearing will explore online advertising and its role in society.

In the early days of the internet, online advertising was like other forms of advertising—advertisers would place ads aimed at broad audiences. But that has all changed. Advertising is now directed to smaller, targeted categories of audiences—those most likely to purchase their products and services.

Targeted advertising can provide more relevant advertising to consumers. It also provides revenue to advertisers. For example, it allows a small business selling boutique men’s razors to reach men, say in their 40s and 50s, who may be able to afford its specialty product. However, it also allows a scammer to reach women over 85, in a particular zip code, who have been duped in the past to give their money to fake veterans’ charities.

Moreover, contrary to industry claims, it is not always anonymous. Right now, anyone willing to pay, can target advertising to a list of 20 names and send a specialized ad just to them. Without explaining or justifying the list, an advertiser could send an advertisement to 20 specific people who have a mental health condition or are taking a particular medicine.

Targeted advertising is possible because of the vast amounts of information collected about individual consumers by companies across the advertising ecosystem. Beyond the websites you go to and the advertisers whose ads you see, there are numerous middlemen—ad networks, ad agencies, data brokers, and others.

These companies lurk in the background, often unknown to consumers. They are not just collecting and storing data that we choose to share. They track what websites we visit, what purchases we make, and even the movement of your mouse on the computer screen. And information collected about our online activity is increasingly being merged with our offline

identity to create extremely detailed profiles. Also, they can go beyond facts to include inferences about our interests and demographic information.

Targeted advertising, by its very nature, separates people into categories and shapes our choices. We are shown limited options that are chosen for us by automated processes based on our profiles.

So, what I see on the internet may end up being very different from what you see. And neither of us is getting all the information that may help us make our purchasing decisions. Even if we seek out additional information, we get curated content further limiting our choices.

In addition to the risk of scams, targeted ads can result in blatant discrimination. It's been well-documented that targeted advertising systems have allowed housing ads to exclude people of color and job ads to exclude older workers.

At this Committee's hearing last year on the effect of algorithms on consumers, we discussed how bias can be built into algorithms resulting in biased results. That problem does not just apply to content and search results, it applies to advertisements as well. It is good that Google and Bing have now blocked ads for predatory payday loans, but it is not enough.

The American people rightfully feel like they've lost control. One survey showed that 84 percent of people want more control over what companies can learn about them online yet 65 percent of people are resigned to the fact they have little control.

We hear a lot about self-regulatory transparency, notice, and choice, but we all received many updated privacy policies spurred by the EU's new data privacy regulations. None of us have time to read all of them, let alone actually understand and remember what each company is doing with our data.

And what about the companies collecting our data that we don't even know exist. The Equifax breach brought that issue front and center. People weren't just upset that their data was stolen. They were upset that a company that they may have never interacted with had all that data.

We can do better, and we must do better. It's time we all admit that the current system just isn't working for consumers. Congress needs to do its job and pass comprehensive privacy legislation so people can take back control.

Thank you, I yield back.

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