

## The “Facebook Effect” Educator Guide

In February 2012, Facebook, a social media company based in Menlo Park, announced its intention to seek an Initial Public Offering (IPO). Analysts predict it will be the biggest tech company IPO in history, create a thousand millionaires (and a handful of billionaires) and bring billions in tax revenue to California. All this from a free website that makes its profits by collecting our data!

### CLASSROOM SUBJECTS

English Language Arts

Economics

CTE (Informational Tech)

### CONTENT STANDARDS

#### Common Core State Standards (CCS): ELA Reading-Informational Text (11-12)

R1.11-12.7. Integrate and evaluate multiple sources of information presented in different media or formats (visually, quantitatively) as well as in words in order to address a question or solve a problem.

#### CCS: ELA-History/SS (11-12)

RH.11-12.2. Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.

#### CA: Principles of Economics (12)

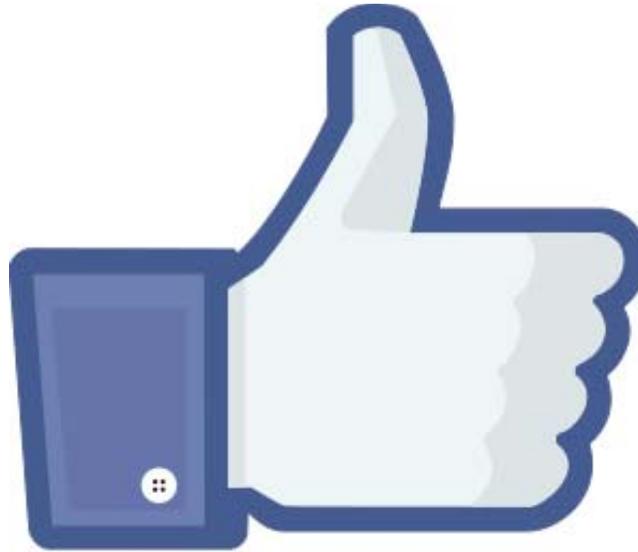
12.1-12.6. Common economic terms and concepts; financial systems and institutions; federal government influence; U.S. labor markets.

#### CA History Social Science Content Standards (10)

10.3.5. Understand the connections among natural resources, entrepreneurship, labor, and capital in an industrial economy.

#### CA CTE Information Technology Industry Sector (9-12)

4.1. Understand past, present, and future technological advances as they relate to a chosen pathway.  
4.3 Understand the influence of current and emerging technology on selected segments of the economy.



### KQED AND PBS RESOURCES FOR TEACHING THIS TOPIC

#### MULTIMEDIA

- Visit *The Lowdown* blog for thorough interactive explanations and background context on the Facebook IPO, the evolution of social media, and how our personal data is used to make money.  
<http://blogs.kqed.org/lowdown/special-packages/the-facebook-effect/>

#### LISTEN

- KQED's *Forum* interviews technology insiders about the potential impact of the Facebook IPO (2/2/12; 1 hour).  
<http://www.kqed.org/a/forum/R201202020900>
- WNYC's *On the Media* examines the impact of Facebook on our world as we know it. How much data does Facebook really collect on us? What if Facebook was its own country? And what's the value of a "Like"? Eight separately downloadable audio segments (2/3/12; 1 hour).  
<http://www.onthemediamedia.org/2012/feb/03/>

#### WATCH

- *PBS NewsHour* explains the value of Facebook's IPO (2/1/12; 8 minutes).  
[http://www.pbs.org/newshour/bb/business/jan-june12/facebook\\_02-01.html](http://www.pbs.org/newshour/bb/business/jan-june12/facebook_02-01.html)
- Investopedia video helps explain Initial Public Offering's (1:24 minutes).  
<http://youtu.be/t5DG0Ut5jS8>

## GLOSSARY

### **Initial Public Offering (IPO)**

The first sale of stock by a private company to the public. Shares (investments) of that company can then be openly bought and sold on a stock exchange.

### **Private Company**

A business that does not have publicly traded stock. Shares are generally owned by the business' owners/founders and sometimes a small core group of outside investors.

### **Public Company**

A business that anyone can invest in through a stock exchange. Public companies are required to regularly report their earnings to investors.

### **Stock Market**

A public entity (not a physical facility) where a company's stocks (shares) are traded as part of a stock exchange (like the New York Stock Exchange or the Nasdaq).

### **Social Media**

Web-based and mobile technologies that allow users to participate in interactive dialogues with large networks of other users.

### **Targeted Advertising**

Online ads that are specifically catered to the individual tastes and interests of users based on their activity online.

## TOPIC BACKGROUND

- On February 1, 2012, Facebook, the world's most popular social networking site (with more than 800 million users) announced it will go public by summer 2012 by offering \$5 billion worth of stock for sale to the general public.
- Facebook's IPO will be the largest of any internet-based company in history, and the seventh largest for any kind of U.S. company.
- Facebook's decision to sell a portion of its stock to public shareholders is called an "Initial Public Offering," and will help raise a significant amount of additional capital for the already very successful company.
- The announced IPO has led to widespread speculation about the value of Facebook, which technology analysts predict will be \$75 billion to \$100 billion. The company will hire an investment banker to figure out its worth, how many shares should be offered, and at what initial price.
- Facebook, which is free to use, makes most of its money through a specific type of advertising called targeted advertising.
- Facebook recently released its earnings reports, which it had previously kept secret, revealing that it earned \$3.7 billion in 2011.
- Because Facebook has been a private company up to this point, many of its early employees who own a lot of stock stand to become very rich once the company goes public and they cash in.
- Facebook's IPO is expected to generate significant tax revenue for the State of California. That's largely because most of the employees who will benefit financially are California residents and pay state income tax. The company will also pay higher state and local taxes based on its increased revenue. Over the next three years, California could generate as much as \$2.45 billion in tax revenue.
- Facebook is just one of thousands of social media companies to have sprung up in the last 20 years. Many sites, like YouTube, Google, and Twitter have significantly influenced the way in which we share and receive information. In some instances - like the recent Arab Spring - social media sites have been used as important tools in social and political movements.
- Technology products manufacturers have been crucial in enabling and increasing the popularity and usability of social media applications through portable devices like the iPhones, Androids, and iPads.

## INTRODUCTORY QUESTIONS

- Why do you use Facebook (or, why DON'T you use it)?
- Why is Facebook so popular? Why do so many people like using it?
- Overall, are Facebook and other social media sites good for the world? Why/why not?
- What are some risks about posting personal information about yourself on social media sites?
- What are some pros and cons about receiving personally catered advertisements?
- How different would your life be without access to social media sites like Facebook?
- How different would your life be without any social media (no Facebook, no YouTube, no Twitter, etc.).

## FOCUS QUESTIONS (USE THE LOWDOWN BLOG TO ANSWER)

- Why might a private company want to go public, and what are some possible downsides?
- How does Facebook make its money? Does this seem fair?
- Why do some Facebook employees stand to get rich quick?
- What role have social media sites played in various recent political movements?
- How can you modify your privacy settings on Facebook? Do you think it's important to do so?
- Do you think Facebook will stick around for a long time, or will it be replaced by another kind of social media service?
- What do you think will be the next social media craze? What kind of service will be offered?

