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The Twitter float and free labor: The political economy of digital communication

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Introduction

> The unleashing of computerization, telecommunications, and genetic engineering within a context of general commodification is bringing massive crises of technological unemployment, corporate monopolization of culture, privatization of bodies of knowledge vital for human well-being and survival, and, ultimately, market-driven transformations of humanity's very species being (Dyer-Witheford, 1999: 7).

Nick Dyer-Witheford's *Cyber-Marx* was published nearly 15 years ago, but there are continuing echoes of its dire promises today. The trends that Dyer-Witheford outlined—the growth of tech-giants in the communications field at the expense of democratic media practices and the radical shedding of jobs in the traditional mass media context—are confirmed by recent events. In November 2013, Twitter launched itself on the public share register, despite having no visible means of financial support, or even much of a business plan. The Twitter IPO tells us a lot about the economy of cyber-capitalism. Aligned to the trend of 'technological unemployment' is the rise of what some commentators call 'digital serfdom'. This is not just growing unemployment, but also drastic under-employment of talented media professionals and an alarming rise in the number of media outlets that want to pay contributors in 'exposure', rather than in corporeal, fungible dollars and cents. This commentary briefly discusses these trends and events in the context of the political economy of digital communication.

The social media giants—the new media monopolists

In the past few months, the sheer scale and capitalization of social media has become apparent. Facebook is valued at over $100 billion, but it is still dwarfed by Google at around $250 billion. When Twitter went public on 7 November 2013, its shares were initially valued at $26, but by the end of the day the price was up around $44; not a bad day's trading for a company that posted a $70 million loss for the previous quarter on a revenue base of $316 million (AccessWire via Comtex, 2013; Oran and Shih, 2013). The IPO for Twitter values the company in excess of $20 billion (Kennedy, 2013) even though it produces no tangible products and is yet to make a profit. The whole social media sector is apparently 'bullish' and has been for most of 2013. Market watchers expect Twitter to begin monetizing its customer base more aggressively in the near future. One

optimistic report suggests that online revenues for social media companies—from advertising, subscriptions (upselling) and gaming applications, could reach $29 billion in 2015, up from a mere $7 billion in 2010 (ECN, 2012).

Twitter is now worth as much as a large insurance company or airline (Shalvey, 2013), but what exactly does the company do and how is it going to make money for shareholders in the future? This is not an idle question; it is of central importance to Twitter's CEO and leadership team. The volumes of advertising on Twitter so far are not producing a sustainable or large enough income stream.

It is an interesting question, too, for political economists with an interest in the communication industries. We know from history that the tendencies towards market domination, monopoly and profit-centered business practices are a fundamental problem for anyone seeking a more progressive outcome from the media (McChesney, 2000, 2007).

Even before the November 7 public float, Twitter was aggressive in its acquisition of smaller players in the mobile market. In September this year, Twitter bought specialist advertising agency MoPub for a reported $350 million. The intention was to boost mobile advertising revenues, particularly via 'location-based' and 'real-time' services that target users with GPS-capable devices. This would allow advertisers to bid for users' attention around events or trends as they happen—thus vindicating the value of the #hashtag (Ha et al., 2013).

Since the IPO, Twitter has built a war chest of close to $3 billion. Tech-market analysts say that the company will likely go on a buying spree. Twitter may well expand its reach into cross-over markets, such as television marketing analytics, as it sees a natural fit between social media and audience engagement with popular television programming. The company is also likely to follow its growing user base across other social media platforms, even if users are not using Twitter at the time. Data presentation is another area that Twitter might invest in, to demonstrate its value to advertisers across a range of demographics. Finally, synergies with corporate players could entice Twitter to buy software and app development capabilities (Lapowsky, 2103). This move to acquire (copied from Google and Facebook) is another clear signal that social media companies are going to be the communication giants of the future. Perhaps this is the beginning of an answer to our question as to how social media can make money for shareholders. Despite the hype surrounding the 'digital' nature of social media, they are still, at the end of the day, vehicles for capital accumulation and competition. For now, it would appear that social media profits are to be obtained through the cycles of capital circulation, rather than the production of new value. In this, social media is following the well-worn path of analogue media companies, which levy the rest of the capitalist class (via advertising rates) a small fee to service its economic and ideological needs.

Further, it would seem that for social media platforms, as for television in the 20th century, the key to success will be the commodification of audiences (or in this case, the users of the platform). The income stream generated from this commodification is slightly different for each platform. On Facebook and Twitter, revenues are generated through advertiser access to user-generated content. On LinkedIn, the revenue is generated by on-selling the profiles of corporate and individual users with premium tools or applications, such as data-mining or job placement and recruitment services. One analyst has put a figure on social media commodification of between $90 and $100 per user (Anders, 2013).

Like the rest of the capitalist economy, these digital behemoths are also subject to the vagaries of the market. In the 18 months since its public float, Facebook has had a roller-coaster ride in

terms of its market value. In May 2012, Facebook raised $16 billion from its share offerings, generating a company value of around $104 billion. Three months later this was halved, as investors realized that the glitter and glamour of Facebook was more surface than substance amidst nervous mutterings about the company's inability to move into the lucrative mobile market. By August this year, Facebook had recovered to be close to its IPO valuation (Fiegerman, 2013).

What we see in this brief picture is the terrain of cyber-capitalism; a domain in which "capital and its laboring subjects" engage in class warfare in a "worldwide order of general commodification" (Dyer-Witheford, 1999: 2). At the other end of the social scale (but intimately connected by the political economy of digital media) are the widespread micro-practices of leveraging the 'free' labor of contributors in the social media space, particularly around news and news commentary. Even large, traditional and allegedly progressive companies like the UK's Guardian/Observer group rely on a steady stream of unpaid contributions ('Comment is free', after all) to boost page impressions and visitor numbers.

The threads of dialectical materialism connect the fortunes of Twitter and other social media giants to the economics of free labor in the digital realm. Social media content (the material that attracts an audience) is generated by the network users themselves and the underlying costs to the service provider are relatively cheap. They involve little more than providing server space to store the terabytes of information and metadata that activity on the network self-generates. The aggregated audience is then on-sold to advertisers, which partly resembles the business model of the so-called 'legacy' media, particularly free-to-air radio and television services. The user-generated content creates the audience attractor that aggregates the eyeballs and makes the audience lucrative for advertisers.

New media start-ups in journalism and information are in the eyeball game too; this much has not changed in nearly 100 years of broadcasting and more than a century in commercial news publishing. The start-ups are also hoping to use the free labor of their contributors in the same way as the social media companies. They are driven to this by the same-ness of most news and its free availability online or on mobile devices. In the news business today, the differentiator is opinion and commentary. However, paying appropriate freelance rates for contributions would cut into the thin margins of the start-ups and digital content aggregators. Arts writers in Australia recently voiced their concerns about one such start-up, *The Daily Review*. This was part of the Private Media stable, launched with a paid editor, but with the expectation that its content would mostly be sourced from freelance reviewers who would donate their labor in return for exposure in the new publication. As one freelancer wrote, "to do nothing meant that our work would be syndicated on the site, legitimizing a masthead that expected writers to provide content without pay" (Blanchard, 2013: para. 4).

Digital serfdom

> As we talk about the plight of journalists trying to earn a living in a rapidly evolving digital marketplace that has devalued each individual contribution and untied the product bundle that till recently paid the media bills, we need to distinguish between the plight of the journalist in a glutted market and the concerns of the citizen seeking a free voice. (Rosenberg, 2011: para. 6)

The road to Web serfdom: Huffington's free-as-in-beer posts vs. the free-as-in-speech Web

In this piece, *Salon* blogger, Scott Rosenberg (2011) is critical of mainstream journalists' references to 'digital serfdom'—the name given to the practice of leveraging free user-generated content (UGC) on social media as a "backdrop to advertising" (Carr, 2011). Rosenberg's key claim is that we need to understand the difference between professional writers and freelancers who are being squeezed out of paid employment and the pool of citizens and amateurs who are gratified with the exposure they receive and the marketing boost they get from finding "a good place to spread [their] ideas or [their] reputation, sell [their] books or bring some visitors to [their] own site" (Rosenberg, 2011: para. 7). He's right about this and there has been much written in recent years about the online 'gift' economy. We could argue that received exposure is a value exchanged for gifting the content.

There is a sense in which the public sphere is enriched by so-called 'citizen journalism', or what I prefer to call 'user-generated news-like content' (Hirst, 2011). Certainly, political debate is enlivened by Twitter conversations, left-of-field bloggers and the tsunami of commentary published on the web. However, that does not negate the fact that upwards of 80 percent of blogging and social media commentary is in response to mainstream journalism and that a large proportion of social media news items are re-posts from the dominant news sources in each market.

So what happens when the mainstream is narrowing its focus, reducing news budgets and retrenching staff? Surely there is a correlation between cost-cutting in the newsroom and the amount and quality of news in circulation. At the end of the day, this does matter in terms of the general media domain and the capacity of oppositional argument.

Rosenberg's critique of the 'digital serfdom' meme was prompted by a piece on the *Los Angeles Times* website by Tim Rutten, who argued that the emergence of social media giants through the mergers of old and new businesses, would lead to a further loss of journalistic talent.

> Whatever the ultimate impact of AOL's $315-million acquisition of the *Huffington Post* on the new-media landscape, it's already clear that the merger will push more journalists more deeply into the tragically expanding low-wage sector of our increasingly brutal economy. (Rutten, 2011: para. 1)

AOL? HuffPo. The loser? Journalism

In this caustic op-ed, Rutten (2011) went on to describe what was then happening to former newspaper journalists who'd been laid off in the print downturn from about 2009. In particular, Rutten singled out Patch.com, which had launched in 2010 to much fanfare. Patch sites are edited by paid staff, but the company pays most contributors less than $50 per submitted news article or commentary (Hirst, 2011). But AOL, the parent company for Patch.com and now the *Huffington Post* too, is no mere start-up. It is a well-established digital company with a market valuation of over $3 billion. Yet, it wants its journalists to work on five to 10 stories a day that conform to the editorial principles of "traffic potential, revenue potential, edit quality and turnaround time" (Rutten, 2011: para. 7). Content companies like Demand Media pay as little as $15 per 400 words for quick turn-around pieces based on topics trending on Google searches. They are published on those weird little websites, such as About.com, or How-to.com.

Tim Rutten likens the *Huffington Post* to a slave galley commanded by pirates and he observes, with an edge of anger, that the business model, imported straight from the 20th Century, is based on

exploitation and expropriation: "the sweatshop, the speedup and piecework; huge profits for the owners; desperation, drudgery and exploitation for the workers" (Rutten, 2011: para. 11).

Fittingly, the idea of digital serfdom in the realm of social media seems to have come from a Tumblr post by Anthony De Rosa, who at the time worked for Reuters but is now at Circa, a company promoting yet another free mobile news reader app. He is an adjunct professor of journalism at New York University (Why am I not surprised by this?)

> We live in a world of Digital Feudalism. The land many live on is owned by someone else, be it Facebook or Twitter or Tumblr or some other service that offers up free land, and the content provided by the renter of that land essentially becomes owned by the platform that owns the land. (De Rosa, 2011)

However appealing this analogy is (and it has provided much headline fodder) it is not entirely accurate from a political economy perspective.

The similarity seems familiar and comfortable because the 'rent' paid by serfs was a proportion of their labor performed on land owned by the feudal lord (a tithe). The link appears to be copyright, which according to most terms and conditions on social media sites is owned by the site owner(s). Under these ubiquitous, but little read Ts&Cs, the host site owns the copyright to posted material and is able to repackage and reuse it in commercial transactions. This includes the on-selling or 'syndicating' of content. A feudal tenant got to keep at least some of their harvest, but uploaders of content to social media get nothing except the satisfaction of having their friends and followers read (hopefully) their pithy and witty commentary.

Rosenberg defends this unequal exchange on the grounds that the technology companies that run social media platforms have to pay an army of coders to keep the site up and running. And, they have made major investments to build and maintain the social media networks. This latter point is no doubt true, and the fact that Twitter is still making a loss after nearly eight years in business is testament to the cost of hosting the platform. However, it is a further blow to the 'digital serfdom' thesis. The lord of the medieval manor did not invest his own capital in the farming of his tenants; he merely collected his tithe and required his serfs to fight in whatever petty squabble, he or the local monarch would get involved in from time to time. Social media companies are financial entities based on productive relations inherent to the capitalist mode of production. Capital is deployed and labor power exploited (whether waged or unwaged) in the creation and valorization of surplus value.

Two steps forward, one step back

As Rosenberg points out, political economists of communication have two issues here, but of different orders of magnitude: journalists are concerned about their economic losses, while the prosumer generators of content are more concerned with getting a hearing. However, we also have to question Rosenberg's take on the solution. Rather than engaging in a new "cycle of struggle", as Dyer-Witheford might suggest, Rosenberg opts for the petty bourgeois solution of individual ownership of platforms and code:

> to emancipate yourself, you don't need to rent out rackspace and manage your own server; all you need to do is know how to FTP and pay a few bucks a month to an ISP and a domain registrar. (Rosenberg, 2011)

Now, moving in that direction is certainly a step backwards; perhaps even a step towards feudalism, or at least back to the first stirrings of artisanal production and the creation of guilds in the 16th and 17th centuries. Either way it does not adequately address the issue of labor exploitation in the digital here and now.

As Dan Gillmor noted in a post on the *Huffington Post*-AOL deal, the free or low-fee content model is here to stay:

> there's a common thread in many of the content initiatives: paying low (or no) money to the people providing the content, and having lots and lots of it. (Gillmor, 2011: para. 3)

Ariana Huffington pocketed much of the $315 million that AOL paid for her aggregation and content site. Gillmor called on her to pay at least something to the contributors who helped build her fortune through free labor. Yet, despite her progressive sentiments, Huffington dismissed the idea, believing that exposure would be enough for her "galley slaves". In a widely circulated email she told her contributors they would not notice much change in their relationship with the *Huffington Post*:

> Together, our companies will have a combined base of 117 million unique U.S. visitors a month—and 250 million around the world—so your posts will have an even bigger impact on the national and global conversation. That's the only real change you'll notice—more people reading what you wrote. (cited in Gillmor 2011: para. 6)

These are sentiments shared, I don't doubt, by the CFO and other executives at Twitter and Facebook. It is a blatant appeal to vanity that obscures the relationship of exploitation at its heart. Just like capitalism really.

A slew of new start-ups is emerging in the digital news space, many fronted by former journalists and editors who have taken a redundancy package from a major mainstream media employer. It will be interesting to follow their business modeling to see if free content becomes an important part of their economic planning and viability. Political economists must start paying attention to this new field of study and build on the work of pioneers like Nick Dyer-Witheford, who in 1999 noted a new dialectic animating tensions within the capitalist mode of production, just as digital utopians were hailing the "information economy":

> At its present very high level of technoscientific development, corporate power finds itself dependent on levels of cooperative activity, unimpeded communication, and free circulation of knowledge, that, far from being easily integrated into its hierarchies, exist in persistent tension with its command. (237)

Similarly, Vincent Mosco in *The Digital Sublime* (2004) argued that when the internet loses its utopian first flush and the mundane forces itself to the forefront, our "social amnesia" (82) created by the myth of the digital sublime begins to lift and we are again confronted with the harsh truth of inequality and class struggle.

Perhaps this very recognition is arising from the debate about digital serfdom, as the social media giants transform into the contemporary equivalents of the old industrial-entertainment complex before our eyes.

Author Bio

Martin Hirst is associate professor in journalism and multimedia at Deakin University in Melbourne. He has a 40+ year engagement with practical and academic radical political economy and has been a scholar in journalism studies for 20 years. He is author and co-author of several books on journalism ethics and new media that engage with the traditions of the political economy of communication. He is widely published in collections on journalism theory and practice. He is a regular contributor to academic journals and media commentary. Dr Hirst's PhD, *Grey Collar Journalism: The social relations of news production* was completed in 2003.

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