The Coming End of YouTube, Twitter and Facebook Socialism

Thank God for Tech Moguls Who Redistribute VC Wealth So We Can Cybersocialize Freely. For Now, That Is.

By Simon Dumenco

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Twitter founders Ev Williams and Biz Stone should thank God it was just a cardinal, and not the pope.

Last week, according to the Times of London, Cardinal Sean Brady of Ireland told the country's Catholics to "Make someone the gift of a prayer through text, Twitter or e-mail every day. Such a sea of prayer is sure to strengthen our sense of solidarity with one another."

LET US PRAY: Cardinal Sean Brady wants you to tweet for Jesus.
Photo Credit: Niall Carson

Oh, my. That's a nice sentiment, but Twitter really doesn't need more users around the world tweeting in ways that can never be monetized. Ireland's got just 4 million Catholics, but the Vatican counts
more than a billion baptized Catholics worldwide. If the pope endorsed tweeting prayer, Twitter could be out of business by the end of the year! The 3-year-old company, remember, still lacks a revenue model and just burns through more venture capital every time a new user signs up. (Fortunately, given how retro-conservative Pope Benedict is, he seems more likely to issue a papal encyclical condemning Twitter. We all know it's more likely to enable sin -- pride! sloth! -- than piety.)

It's telling that Cardinal Brady grouped Twitter with texting and e-mail. The former, of course, is a paid service and a massive profit center for cellular carriers around the world, and the latter you also pay for, albeit indirectly, as a service bundled with your monthly internet access or by allowing yourself to be subjected to advertising. (As a Gmail user, I decided to see what would come up when I e-mailed myself the Lord's Prayer. The ads Google served included ones for BeliefNet and Don Helin's paperback pulp thriller "Thy Kingdom Come." Ka-ching!) But when it comes to Twitter, we not only don't pay, but we all take it for granted that somebody's going to keep footing the bill for the rapidly expanding server farms needed to process and store zillions of tweets per minute.

It's sweet, really, that venture capitalists have ponied up millions so that we can all keep tweeting. It's also more than a bit scary. Because more and more of us are increasingly addicted not only to Twitter, but to other services that lack workable business models. What happens if the "dealers" who feed our habits disappear? (It's been known to happen. Last week, for instance, Yahoo announced it was shutting down last century's hot social-networking-esque service, GeoCities, for which it paid $3.5 billion in 1999.)

I've been thinking about all this a lot since I wrote, a few weeks ago, about how Susan Boyle has been on what I called the "Google Dole" -- her fame fueled in a nonsensically nonprofit manner by Google's YouTube unit, which hemorrhages cash serving up too much video with nowhere near enough advertising support. (I'll again refer you to Benjamin Wayne's Silicon Alley Insider piece, "YouTube is Doomed," which deconstructed the recent Credit Suisse report that puts YouTube's estimated 2009 losses at nearly half a billion dollars.) You'd think a clip of Boyle singing a song from "Les Misérables," one of the most popular musicals of all time, on one of the most popular TV shows in the world would be semi-monetizable. (I mean, geez, at the very least stick a pop-up overlay on that video with a link to the "Les Miz" soundtrack on iTunes.) But no. Adam Ostrow at Mashable further proved my point with his piece, "Susan Boyle Video Profits: $0," which explained that disagreement between "Britain's Got Talent" owner ITV and YouTube over pre-roll vs. overlays prevented ad placements in Boyle's YouTube streams.

And then last week The New York Times reported about the hazards of international expansion for the likes of Facebook. Getting million of new users in the Third World, it turns out, really sucks, because Facebook will never really be able to meaningfully monetize those eyeballs. It's tons of cash out (bandwidth, data storage, personnel) with little hope of cash in.

Weirdly, some of the management at these companies don't even seem to be trying that hard to make money -- a consequence, perhaps, of still being awash in millions of dollars of VC money ("venture charity," as I like to call it). In fact, Abbey Klassen, Ad Age's digital editor, tells me that she once heard a Facebook exec joke to an agency exec, "Didn't you know we're a nonprofit?"

I'll go one step further: They're socialists! OK, yes, I'm using the dumbed-down definition of
socialism championed by numskulls like Sarah Palin, but regardless of the finer points of economic theory, you've got to admit that at some level the boys at Facebook, YouTube and Twitter are actively choosing to redistribute the wealth. They're taking money from venture capitalists and deploying it so that millions of people far beyond Silicon Valley can get something for nothing. Entertainment, information, and self-marketing opportunities, mostly.

And, oh yeah, a sense of "connectedness" -- cyber companionship -- which makes this particular era of VC-wealth distribution all the more ... touching. (Let's all be friends -- on someone else's dime! Let's all be perpetually jacked into the hyper-inst-a-now global hivemind of human consciousness -- for free!)

I am so appreciative. Seriously. I love YouTube, I've made some interesting connections through Facebook, and I enjoy Twittering. (Last week, for instance, I tweeted about an astonishing bit of information I came across in Britain's Daily Telegraph: YouTube "reportedly uses as much bandwidth as the entire internet took up in 2000." )

But I also know it can't go on like this. The digital Robin Hoods can't keep redistributing the wealth forever, because eventually the wealth runs out. Investors get sick of propping up private ventures that don't have viable business models, and shareholders of public companies, like Google, get cranky about flushing cash down the drain.

So what can we do? Not much, I suppose, other than enjoy it while it lasts -- and maybe twitter a prayer for VCs everywhere.

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