

## Must I tweet? If you musk

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Sooner or later, every company associated with social media is going to become the subject of fierce controversy. Currently the spotlight has fallen on Twitter. This is somewhat surprising in the sense that a tweet provides very little space to fill so the content of tweets is normally banal in the extreme. Furthermore, most “celebrities” – the most likely to amass huge numbers of followers – do not tweet for themselves but employ an intermediary to pump up interest in their activities.

So why has Twitter become controversial? In a word, Musk – that is to say, Elon Musk, the boss of car-maker Tesla. Musk and Twitter have history. In 2019, for example, he accused a British diver, Vernon Unsworth, who had rescued 12 Thai schoolboys trapped in a cave, of being a “pedo guy”. Musk had previously offered a submarine to help with the rescue which Unsworth had vehemently rejected live on CNN. In 2020, Musk tweeted that the “Tesla stock price too high” which promptly wiped \$14bn from the market value of Tesla.

Not many, if any, other tweeters can claim to have achieved so much with so few words. But any expectation that his outbursts would result in his being ejected from Twitter were negated by the announcement on 4 February that he had acquired a 9.2% stake in Twitter, thereby making him the largest single shareholder. The Twitter share price promptly rose by 30% demonstrating that his deeds

were as influential as his words – it helped that he had \$3bn going spare to invest.

Other Twitter shareholders were delighted. The share price had peaked at \$77 one year earlier but had subsequently fallen by roughly one-third – much in line with other tech stocks and widely attributed to the emergence from COVID-related restrictions that had resulted in a deluge of social media communication by people stuck at home with nothing better to do. However, given that it is far less taxing to engage in a tweet compared to a Zoom call, Twitter had in practice ridden out the move back to the “new normal” rather better than most. In 2020, total revenue amounted to \$3.7bn; one year later the figure was \$5.1bn. Furthermore, “monetizable daily active users” (MDAUs) had grown from 192 million in December 2020 to 217 million one year later.

Unfortunately, Twitter is not immune from the curse of so many social media companies, namely, that an ever rising customer base may simply convert into a dearth of profits. In Twitter’s case, it had declared a net profit in only two of the 10 years up to 2021 with net losses amounting to roughly \$1.4bn during fiscal 2020 and 2021. And like other social media companies, it was regularly being fined for being “economical with the truth” about aspects of its operations.

In recent times, the role of social media companies in relation to censorship over content being uploaded onto the internet using their

platforms has become highly controversial. One particular aspect is that the owners of these companies are billionaires who have acquired massive influence over what is allowed to be expressed on social media. It is not long ago, for example, that Twitter banned Donald Trump which half of America applauded while the other half pointed out that he had been a democratically elected President who therefore had every right to be heard.

Elon Musk has made his position very plain in that he has tweeted on several occasions to the effect that Twitter should be regarded as a “*de facto* public town square” where the principles of free speech should be rigorously adhered to if democracy is to be preserved. Musk is on good terms with Twitter founder Jack Dorsey but clearly not kindly disposed to his replacement as CEO by Parag Agrawal in November 2021 because Musk has decided to take matters into his own hands by offering, on 14 April to buy Twitter at a cost of \$43bn.

Musk could – and arguably should – have set up a rival to Twitter if he believes it is overly censorious but in the Tech sector it is so much easier to buy a going concern than to build up a business from scratch. It goes without saying that Twitter shareholders were generally happy because the share price rose overnight by 18% even though it remained well below its peak. But the issue remains that even if Musk is genuine in his desire to free Twitter from (what he personally considers to be) unnecessary censorship, that is not a view that is universally popular, especially at a time when Russia has invaded Ukraine.

At present, the bulk of what is uploaded from sites connected to Russia – and, indeed, many sites connected to China – remains accessible online although there is an increasing attempt to accelerate the

shutting down of sites spreading disinformation about the invasion. Presumably, if he is to be believed, Elon Musk would terminate such censorship just as he would in the case of ex-President Trump. Yet for many – perhaps most – of the general public, social media is increasingly less about reasoned debate and more about anonymous vituperation. In this respect, Twitter is arguably the worst offender because it is alarmingly easy to read and respond aggressively to a tweet without any forethought in a matter of moments.

Increasing expressions of ill-will on Twitter will inevitably lead to advertiser desertions as they seek to disassociate themselves from controversy, yet advertising accounts for roughly 85% of total revenue. On the face of it, this is hardly the route to profitability and ultimately there is only one alternative, which is to crank up paid subscriptions. It is easy to forget that when a company reports that it has, say, 100 million MDAUs, this still represents well under 5% of the world’s population so there is, in principle, a massive opportunity for growth.

The problem, obviously, is that most people who do not enjoy vituperative exchanges steer clear of sites that leave them uncensored, but if that is Musk’s plan for Twitter then they will feel even less compulsion to pay to participate. Furthermore, the already sizeable fines that social media sites are attracting for not shutting down unacceptable content are going to increase rapidly – in 2021, an otherwise profitable Twitter was driven into loss by virtue of a particularly large fine.

And there are always alternatives for those who cannot do without their daily dose of social media. Furthermore, these are likely to appeal to the younger age groups who look to social media for fun rather than unpleasantness – hence the popularity of TikTok.

But from a purely financial perspective, Musk can afford to put at risk a chunk of his roughly \$250bn fortune – it is questionable, for example, whether he will profit from his ventures into space – so he seems to be prepared to bet on a removal of censorship drawing in ever more MDAUs. Ironically, this might even pull advertisers back into the clutches of Twitter. However, this again raises the issue as to whether there is much enthusiasm among the general public for ever-more powerful billionaires and what can be done about it, presumably by governments.

In the short term, the response to Musk’s proposed takeover bid was itself deplorable. What the Twitter board said was that if Musk managed to lay his hands on more than 15% of the available shares then the market would be flooded with newly minted shares with the intention of diluting his holding – a so-called poison pill defence. Such behaviour is unethical and arguably goes against the fiduciary duties of the board because it prevents shareholders from exercising a free choice on a bid. There were potentially ways around this, but in the event the Twitter board accepted his offer – subject, as ever, to the need for regulatory approvals.

Although Twitter has been used here to exemplify the manner in which vastly rich individuals can position themselves to ride roughshod over the wishes of the public at large, it is unlikely to be the last occasion this hits the headlines. Perhaps, ultimately, an unethical poison pill defence may be the only way to prevent a potentially worse outcome but, as Musk has shown, money tends to overcome ethics.

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