

Fake News, Information Herds, Cascades, and Economic Knowledge

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Abstract

This article focuses on principles of information aggregation in the presence of false, public reports (fake news). The analysis explores news as having a public goods feature characterized by models of information and economic efficiency. The analysis is not tied to any particular theory about how or why unreliable news emerges. The reports could be purposeful deception, intentions to mislead or profit motivated responses to decision biases of readers. A well-known and widely studied “cascade” experiment is used to illustrate principles that provide links to standard economic models. News is modeled as an aggregation of a simple, fixed chain of decentralized observations and reports about an underlying, unknown state of nature. The personal value of an individual’s decision depends on both the decision and the underlying state of nature. The information about the state used in the decision can reflect private observations or the “news” about the decisions of others. The experiments

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