

AN ECONOMIC ANALYSIS OF THE SPREAD OF FAKE NEWS*Anagha MV****ABSTRACT**

In an information rich world, a wealth of information necessarily implies a dearth of what information consumes i.e., the attention of its recipients. This has given rise to the attention economy, and has had the unintended side effect of making the spread of disinformation and fake news profitable for its creators. The socially undesirable consequences arising out of disinformation are externalities which cause transactions of fake news to be less than Pareto efficient. However, acting in a purely self-interested manner, individuals will always choose to transact in fake news since they do not directly bear the costs of these externalities. An intervention in the market is thus warranted to internalise the externalities and make the transaction socially efficient. This paper seeks to examine the way in which fake news operates within the attention economy and suggest possible policy interventions on the part of the government to reduce the negative effect of these externalities.

Keywords: Fake News, Attention Economy, Externalities, Pigovian Tax.

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1. INTRODUCTION

The World Economic Forum has recently ranked the spread of disinformation and fake news as one among the world's top global risks. While fake news is not a recent occurrence, modern technology has facilitated the creation and spread of disinformation at unprecedented and alarming rates. This has had a huge impact on the global economy, affecting everything from stock prices to media, election campaigns, financial information and healthcare. Contemporary fake news has also led to widespread social and democratic problems, bringing to the fore the need for immediate government intervention.

In this paper, the researcher attempts to analyse the problem of fake news through an economic lens, by discussing the competing interests of the parties involved in the transaction of fake news and the effect that it has had on social welfare. The main issue that is sought to be addressed is whether self-interested behaviour of the parties engaging with fake news will lead to a socially beneficial outcome. It is concluded that the social harm caused due to the spread of disinformation is an externality that is not captured in the pricing of fake news, and thus warrants government intervention.

In the first part of the paper, the costs and benefits accruing to each party in a transaction of fake news has been discussed and the perils of self-serving behaviour on the part of these parties have been highlighted. The second part deals with some of the common arguments against allowing government intervention in fake news and outlines some of the legal constraints that policy makers have to encounter while legislating on the same. The final part of the paper puts forth a suggestion to internalize the social cost of fake news and incentivize parties to acknowledge and remedy the destructive societal impact of their actions.

2. THE ATTENTION ECONOMY: WHO GAINS AND WHO LOSES?

In the year 1971, Nobel Prize Laureate Herbert Simon put forth an idea that has changed the way information and its consumption has been viewed over the past few decades. He proposed that in an information rich world, the wealth of information necessarily implies a dearth of what information consumes i.e., the attention of its recipients. The fact that all information

requires attention in order to amount to something meaningful makes attention a valuable resource.¹

Being a resource, attention is bound by the law of scarcity, in the same way that all other resources are. The law of scarcity states that individuals must choose among competing goods since their resources are scarce, relative to their wants.² All human beings have a limited amount of attention that they can expend and paying attention to one thing excludes other things from our attention. While human attention has always been limited and scarce, the problem is exacerbated in the present day due to technological advancements which have put overwhelming amounts of information at our fingertips.³ As more and more information is readily available, the harder it becomes for individuals to choose among the various things competing for their attention.

Texting while driving, playing a game while crossing the road or tweeting while at dinner with family are all daily examples of how individuals find it difficult to allocate their attention efficiently. Similarly, with information, selecting what pieces of information to pay attention to is of crucial importance. The ‘attention economy’ allows for creators and disseminators of information or ‘content’ to monetize the attention that consumers pay to them.⁴ Thus, the attention economy is driven by competitors seeking to put forth the most attention-grabbing content.

It is in this context that one should understand the role that disinformation plays within the attention economy. Disinformation, more commonly referred to as fake news, is the deliberate creation and sharing of false or manipulated information intended to deceive and mislead the consumers, either for the purposes of causing harm or for political, personal or financial gain.⁵ This type of news is designed to grab the attention of the audience and is usually related to the contentious political and social issues that people tend to engage with most often. Disinformation imposes huge social costs and affects public opinion in a number of ways.⁶

¹ HENDRICKS VK AND VESTERGAARD M, *REALITY LOST* (Springer 2018). (hereinafter “HENDRICKS AND VESTERGAARD”)

² JOHN CIRACE, *LAW, ECONOMICS AND GAME THEORY 11* (Lexington Books 2018). (hereinafter “CIRACE”)

³ Ally Mintzer, *Paying Attention: The Attention Economy*, BERKLEY ECON. REV. (Jan. 15, 2021), <https://econreview.berkeley.edu/paying-attention-the-attention-economy/>.

⁴ *Id.*

⁵ *The Economic Cost of Bad Actors on the Internet*, UNIVERSITY OF BALTIMORE (Jan. 15, 2021) <https://s3.amazonaws.com/media.mediapost.com/uploads/EconomicCostOfFakeNews.pdf>.

⁶ Camille D Ryan, Andrew J Schaul, Ryan Bunter and John T Swarthout, *Monetizing disinformation in the attention economy: The case of genetically modified organisms (GMO's)* 38 EUR. MANAG. J. 7 (2019).

However, before analysing the costs of disinformation, it is important to understand the actors involved in a transaction of fake news, and the incentives of each party to take part in the transaction.

2.1. The Vendors:

The vendors or ‘creators’ of fake news engage in the business of spreading disinformation for two reasons. The first incentive is the monetary benefit that they derive from it. Publishers of fake news make use of online Ad services to make a few cents every time a reader visits and views an advertisement on their website. In order to grab the most amount of attention, creators find trending ideas or events and distort or exaggerate it in order to get persons to click on the news item.⁷ For example, during the 2016 presidential election in the United States, it has been revealed that content creators in Macedonia earned up to \$10,000 a month by putting out fake news about the presidential candidates.⁸

Apart from this, vendors may also create fake news with social or political motives. These pieces are generally aimed at influencing ideologies and encouraging a certain type of public behaviour. Monetary compensations play a very small role in these types of situations where disinformation is used to further one’s own interests and usually impose huge social costs.⁹ Coming back to our earlier example of the 2016 elections, Russia has been accused of deliberately spreading politically damaging falsities and propaganda in order to tip the electoral polls in favour of one candidate.¹⁰

In economic terms, fraudsters will engage in the creation of fake news if:

$$M_b + P_b > I_c + O_c + P_c + (C_c * \pi_{con})$$

where, M_b is the monetary benefit from creating fake news; P_b is the psychological benefit of engaging in fake news; I_c is the investment cost; O_c is the opportunity cost of engaging in fake

(hereinafter “RYAN, SCHAUL AND BUNTER”)

⁷ Andrew Higgins, Mike McIntire and Gabriel J, *Inside a Fake News Sausage Factory: ‘This is All About Income’*, THE NEW YORK TIMES (Jan. 15, 2021) <https://www.nytimes.com/2016/11/25/world/27acedo/fake-news-donaldtrump-hillary-clinton-georgia.html>.

⁸ Alexander Smith and Valdimir Banic, *Fake News: How a Partying Macedonian Teen Earns Thousands Publishing Lies*, NBC NEWS (Jan. 15, 2021) <https://www.nbcnews.com/news/world/fake-news-how-partying-27acedonian-teen-earns-thousands-publishing-lies-n692451>. (hereinafter “SMITH AND BANIC”)

⁹ Pedro Baptista and Anabela Gradim, *Understanding Fake News Consumption: A review* 9 (185) MDPI JOURNAL OF SOCIAL SCIENCES 7 (2020).

¹⁰ Abigail Abrams, *Here’s What we Know so far About Russia’s 2016 Meddling*, TIME (Jan. 16, 2021) <https://time.com/5565991/russia-influence-2016-election/>.

news; P_c is the psychological cost of engaging in fraud; C_c is the monetary cost of conviction and π_{con} is the probability of conviction.¹¹

Using this formula, it can be seen how the creation of fake news will almost always be beneficial, regardless of the incentives behind it. In terms of investments costs, modern technology has eliminated all barriers to entry and the marginal cost of producing a piece of disinformation is negligible. Copying or slightly modifying content in order to make it more attention-worthy requires minimal time and effort.¹²

The opportunity cost of fake news also tends to be low, since the next best allocation of resources for most of the content creators is not nearly as profitable.¹³ For instance, average monthly wages in Macedonia was a mere \$400, which hardly compares to the money one can make by writing fake news.¹⁴ Lastly, given the shield of anonymity that the internet provides, the chances of conviction for spreading fake news, which does not even qualify as an illegal activity in most countries from which these fake stories originate, is almost zero.¹⁵

As discussed above, the monetary benefits of creating fake news are substantial. In cases where the incentives are not monetary, the psychological benefits of manipulating the thinking and behaviour of society are also substantial. Thus, the individual benefits of spreading fake news always outweigh the individual costs, and is thus always profitable for the maker.

2.2. *The Platforms:*

Platforms such as Google, Facebook and Twitter play a pivotal role in the spread of fake news. These platforms are attention merchants who harvest attention and resell it for marketing and advertising purposes.¹⁶ They use the content provided by the fake news vendors to harvest attention, then monetize on it by way of advertisements. The role of these platforms however is not limited to providing an avenue for sellers of information and consumers of information to interact. These corporations collect enormous amounts of data about the preferences, tastes, beliefs and online behaviour of its users. They do so in order to streamline the content that will

¹¹ Nir Kshetri and Jeffery Voas, *The Economics of Fake News*, IEEE COMPUTER SOCIETY 9 (2017). (hereinafter "KSHETRI AND VOAS")

¹² *Id.*

¹³ CIRACE, *supra* note 2, at 12.

¹⁴ SMITH AND BANIC, *supra* note 8.

¹⁵ RYAN, SCHAUL AND BUNTER, *supra* note 6.

¹⁶ HENDRICKS AND VESTERGAARD, *supra* note 1.

be visible to a user, ensuring that the content before him garners the maximum amount of engagement, which translates into money for the platforms.¹⁷

The nature of the transaction between the vendors of fake news and the platforms is thus a simple one. The platforms provide the vendors with an audience, along with the information about what will catch the attention of the said audience. In turn, the vendors provide the platforms with the tailor-made content that ensures wide-spread and constant engagement. Thus, the attention paid to one piece of information by a consumer has two different pay-outs, one to the vendor and one to the platform.¹⁸

One crucial distinction however needs to be drawn between the incentives that vendors and platforms have to spread fake news. Being profit-driven businesses, the platforms accrue no psychological benefits from this process. They also have immunity from conviction, since they are merely a medium through which people communicate their ideas. Thus, platforms will engage in spreading fake news if:

$$M_b > I_c + O_c^{19}$$

where, M_b is the monetary benefit; I_c is the investment cost and O_c is the opportunity cost of spreading fake news. Since the marginal cost of making a piece of fake information accessible is negligible for these platforms, the only real consideration should be the opportunity costs associated with fake news. As we have seen above, the most attention-grabbing pieces of information are those which are exaggerated or distorted in some manner. Since consumers fail to pay enough attention to real or truthful news, the opportunity cost of fake news is very low.²⁰

2.3. The Consumers:

At the onset, an assumption can be made about the consumers of fake news. It can be assumed that consumers view all fake news as worthless, or in other words, derive no utility from fake news. While this assumption holds true, the most pressing problem that consumers of information face is incomplete information. They lack the ability to objectively assess the

¹⁷ Abby Ohlheiser, *This is How Facebook's Fake-news Writers Make Money*, THE WASHINGTON POST (Jan. 17, 2021) <https://www.washingtonpost.com/news/the-intersect/wp/2016/11/18/this-is-how-the-internets-fake-news-writers-make-money/>.

¹⁸ Paul Bernal, *Facebook: Why Facebook Makes the Fake News Problem Inevitable*, 69 (4) NORTH. IRELAND LEG. QUART. 513 (2019).

¹⁹ KSHETRI AND VOAS, *supra* note 11.

²⁰ Gareth Thompson, *Towards a theory of rent-seeking in activist public relations*, 5 (3) PUBLIC RELATIONS INQUIRY 213 (2016).

accuracy and quality of the information before them and its sources.²¹ Their inability to determine if a price of information is good and reliable results in a situation of adverse selection.²²

Let's assume that it costs a consumer of information \$2 worth of attention to consume any piece of information. A true piece is thus worth \$2 (\$1 going to the platform and \$1 going to the creator) while fake news is worth \$0. However, since a consumer is unable to differentiate between good and bad pieces of information, the average value of all information available on the above-mentioned platforms will fall to \$1. The value of the information will thus be lower than the cost incurred by the consumer (\$2 in terms of attention), and should result in a total market failure.²³

However, it is clear that the prevalence of fake news has not resulted in a situation where there is infrequent or no consumption of information. This is because the initial assumption that consumers derive no utility from fake news is false. Studies have shown that large parts of the population are willing to believe and prefer viewing stories that flatters their prejudices and fits their preconceived notions regarding politics, science, religion and other social issues.²⁴ Consumers of information thus value all information, whether fake or real, at \$2, making it possible for both vendors and platforms to spread fake news, which guarantees more engagement than reliable information.

2.4. A Pareto Efficient Transaction?

As we have seen above, each party involved in the spread and consumption of fake news has something to gain from the transaction. Consumers are able to readily and easily access the type of information that they want to consume, platforms are able to monetize on the attention of the consumers and the vendors are able to reach their own goals, be it monetary or otherwise. The transaction is nevertheless not Pareto efficient since it makes the parties to the transaction better off, but has a detrimental effect on social welfare.²⁵

²¹ RYAN, SCHAUL AND BUNTER, *supra* note 6.

²² CIRACE, *supra* note 2, at 269.

²³ *Id.* at 270

²⁴ Neil Irwin, *Researchers Created Fake News: Here's What They Found*, THE NEW YORK TIMES (Jan. 17, 2021) <https://www.nytimes.com/2017/01/18/upshot/researchers-created-fake-news-heres-what-they-found.html>.

²⁵ CIRACE, *supra* note 2, at 18.

Fake news has had a widely devastating impact on democratic societies over the past few years. Disinformation regarding vaccines leading to mass outbreaks of preventable diseases, conspiracy theories surrounding climate change leading to faster environmental degradation, morphed images and videos causing communal violence and fake political campaigns leading to riots and public shootings are just a few examples of this impact.²⁶ These socially undesirable consequences or ‘externalities’ cause the transaction of fake news to be less than Pareto efficient.

A negative externality occurs when a transaction between two or more parties imposes a cost on another party as an incidental by-product that is not charged or credited directly to the originating activity through the price system.²⁷ The detrimental effect of fake news on society is an externality since the harm is not directly caused to any of the parties to the transaction, but effects parties who are not a part of the transaction. The exchange of fake news occurs on a platform, but the harm or damage is occurring off the platform and is thus an externality.²⁸ The presence of these externalities indicate that the transaction of fake news is not Pareto efficient and points towards the need for some intervention. This intervention should be aimed at internalizing the externalities and charging the social costs of fake news directly to the transaction.

2.5. Moral Hazard and Self-Interested Behaviour:

Despite the heavy social costs that the spread of disinformation imposes, the transactions will still continue due to the self-interested behaviour of the parties involved. Acting in a purely self-serving manner, each party to the transaction of fake news will engage in spreading disinformation, regardless of the actions of the other parties, since it benefits them in some way. If each of these parties are allowed to act in a self-interested manner, society as a whole will be worse off.²⁹

Even those individuals or platforms who spread fake news without the explicit intention to do so suffer from a moral hazard. A moral hazard occurs when a party has an incentive to increase

²⁶ Vian Bakir and Andrew McStay, *Fake News and the Economy of Emotions: Problems, Causes and Solutions* DIGITAL JOURNALISM 6 (2017).

²⁷ CIRACE, *supra* note 2, at 137.

²⁸ Marshall Van Alstyne, *Economic and Business Dimensions: A Response to Fake News as a Response to Citizens* United 62 (8) COMMUNICATIONS OF THE ACM 26 (2019).

²⁹ CIRACE, *supra* note 2, at 138.

their exposure to risk since they do not bear the full cost of that risk.³⁰ Individuals who consume and share pieces of information may be reluctant to expend time and resources on fact checking, since they do not directly bear the cost of fake news. They may be more willing to take a risk and negligently engage with all the information that they come across, regardless of its veracity.

Similarly with the platforms, due to concerns of reputation, they may have an interest in ensuring that their content is credible. However, since they do not directly bear the cost of disinformation, they are more willing to take the risk and let all content be exchanged freely on the platform, as long as it drives up engagement. It is only the consumers and platforms who face a moral hazard since they are the parties who do not explicitly want to engage in fake news, but take the risk anyway since it is profitable for them to do so. Vendors do not face a moral hazard since they are not taking a risk and engage in the activity fully intending the consequences of their actions.³¹

There exists one final facet of the perils of self-interested behaviour between the platforms and the consumers. It has already been discussed that platforms such as Facebook collect data regarding our online behaviour and using this data, show us what we want to see. By virtue of this, they are playing the role of an editor by deciding what and how much information should be made available to the audience.³² This causes a principle-agent problem, where the agent is required to undertake tasks which are entirely in the interest of the principal, even when it goes against the self-interest of the agent.³³

The consumer of information, who is the principal, employs the services of the platform, who is the agent, to take on the role of an editor with an understanding of the notions of public interest and the framework of values that they have to work within. It is however, not in the self-interest of a platform to take on this role and it may disregard its duties as an agent and act in a self-serving manner by allowing the spread of fake news.³⁴ Thus, self-interested behaviour by all the parties has led to reckless spreading of fake news, with little regard being given to

³⁰ CIRACE, *supra* note 2, at 276.

³¹ CIRACE, *supra* note 2, at 276.

³² Aidan White, *Facebook and Matters of Fact in the Post-Truth Era*, ETHICAL JOURNALISM NETWORK (Jan. 19, 2021) <https://ethicaljournalismnetwork.org/resources/publications/ethics-in-the-news/fake-news>. (hereinafter "WHITE")

³³ CIRACE, *supra* note 2, at 281.

³⁴ WHITE, *supra* note 32.

the externalities.

This entire analysis leaves us with a clear idea of the problem of fake news. The issue can briefly be stated as follows:

Acting in a purely self-interested manner, a party to the transaction of fake news has no incentive or obligation to stop the spread of disinformation. The resulting social harm is an externality that needs to be internalized in order to make the transaction socially efficient.

This internalization, rather than an exercise of self-regulation, needs to be achieved through government intervention in the form of legal sanctions and binding regulations.

3. THE MARKETPLACE OF IDEAS AND OTHER ROADBLOCKS

All the aspects of fake news that have been explored so far in this paper indicate that there needs to be some form of intervention in the market in order to make the transactions socially beneficial. Policy makers however face a number of roadblocks while devising a system to internalize the social costs of fake news. The two most prominent of the roadblocks, the marketplace of ideas and the freedom of speech, are discussed below.

The theory of the ‘marketplace of ideas’ states that the best way for a democratic society to determine the best idea among many is to let ideas fight it out in a competitive market. Good ideas, in the same way that good products do, will win out and bad or inferior ideas will be tossed aside.³⁵ This is similar to Adam Smith’s idea of markets tending to regulate themselves by means of competition between multiple sellers and buyers. Under this theory, state intervention in any form goes against the principles of non-intervention and tolerance of a free market. Civil libertarians thus argue that fake news is a part of the price we pay for a free society.³⁶

This argument fails to effectively counter the need for government intervention. Even if we do accept the marketplace of ideas metaphor, the ubiquitous nature of fake news in today’s society clearly indicates that there has been a market failure that has driven falsehoods to the top of the market.³⁷ Fake news is a market failure caused not only due to information asymmetries, but

³⁵ Ari Ezra Waldman, *The Marketplace of Fake News*, 20 (4) J. OF CONST. LAW 846 (2018). (hereinafter “WALDMAN”)

³⁶ *Id.*

³⁷ Juan Carlos Escudero, *Fake News and the Systemic Lie in the Marketplace of Ideas: A Judicial Problem?* 87

also due to the inherent biases and self-motivated behaviour of the consumers of information. Thus, government intervention is justified, even within the marketplace of ideas.

The other argument made against government intervention in the transactions of fake news are the ones relating to the freedom of speech and expression. The right to freely exchange ideas and information, including those which may be offensive, is one of the basic pillars of all democratic societies.³⁸ Libertarians thus argue that the consumption and spread of fake news needs to be tolerated in order to protect an individual's freedom of speech, even if it results in socially undesirable outcomes. The freedom of speech and expression acts as a lexical constraint on the power of the government or the courts to curb the free exchange of fake news. It is thus argued that a balancing of interests should not be undertaken through marginal trade-offs between the freedom of speech and social welfare.³⁹

The freedom of speech and expression deserves a lexical priority, since the harm that may result as a curtailment of this freedom will be much greater than the harm caused due to the spread of fake news.⁴⁰

This argument is more persuasive than the marketplace of ideas metaphor. Giving the government the power to curb all speech that it deems to be fake news will be problematic and may lead to an abuse of power. Any form of dissent runs the risk of being termed as fake news and hence easily silenced. A lexical priority to the freedom of speech, subject to the inherent exceptions, should thus be carefully considered while deciding the extent of government intervention in the spread of fake news.

4. GOVERNMENT INTERVENTION AND POLICY RECOMMENDATIONS

In order to respect the lexical priority of the freedom of speech and expression, government intervention must be aimed at putting friction on the harmful externalities of fake news and not the speech itself. The intervention must facilitate an internalization of the social costs, with the damages caused due to fake news being charged back to the transaction. It is also important to determine which party to the transaction can most easily be deterred from engaging in the

UNIV. OF PUERTO RICO LAW REV. 1394 (2018).

³⁸ WALDMAN, *supra* note 35.

³⁹ CIRACE, *supra* note 2, at 61.

⁴⁰ Pat Shaw, *Rawls, The Lexical Difference Principle and Equality* 42 (166) THE PHILOSOPHICAL QUARTERLY 71 (1950).

activity.

As it was discussed earlier, the vendors of fake news enjoy the benefit of anonymity. It is not possible to pinpoint the source of every piece of fake news in order to put any sort of sanctions on its creator. Additionally, given that a content creator can be situated in any part of the world, action by only a few nations in this regard may be futile. With respect to the consumers, the transaction costs of penalizing every individual who voluntarily or negligently engages with fake news will be too high. Schemes such as media literacy aimed at consumers may help marginally reduce the externalities, but does not internalize the costs.⁴¹

The platforms are thus the party with the most potential. Apart from being only a few and easily identifiable, they are also the only party to the transaction with purely economic motivations. If the social cost imposed by fake news is shifted onto the platforms by putting a monetary value on the harm caused, the platforms will be incentivised to eliminate the spread of fake news. This can be achieved by way of a simple Pigovian Tax, which is assessed against the individual businesses or persons who engage in activities that create adverse side effects for society.⁴²

Levying taxes on the platforms equal to the externalized cost of fake news will be the most efficient way of internalizing the damage. The level of tax can be calculated by crowdsourcing the identification of the harms caused due to fake news where the tax is subsequently used to compensate those who suffered most directly from the harm. This not only solves the problem of internalizing the external costs into the transaction but also has a deterrent effect.⁴³

As discussed above, platforms will engage in spreading fake news as long as:

$$M_b > I_c + O_c$$

The tax levied on the platforms drive up their investment costs significantly. This will exceed their monetary benefits of engaging in fake news, and will deter them from actively facilitating disinformation on their platform.

⁴¹Anastasia Lennon, *Could Taxes Deter the Spread of Harmful Fake News*, BOSTON UNIVERSITY EDUCATION, (Jan. 23, 2021) <http://www.bu.edu/articles/2019/deter-the-spread-of-harmful-fake-news/>.

⁴² Julia Kagan, *Pigovian Tax*, INVESTOPEDIA (Jan. 23, 2021) [https://www.investopedia.com/terms/p/pigoviantax.asp#:~:text=A%20Pigovian%20\(Pigouvian\)%20tax%20is,of%20the%20product's%20market%20price.](https://www.investopedia.com/terms/p/pigoviantax.asp#:~:text=A%20Pigovian%20(Pigouvian)%20tax%20is,of%20the%20product's%20market%20price.)

⁴³ Marshall Van Alstyne, *Proposal: A Market for Truth to Address False Ads on Social Media* 63 (7) COMMUNICATIONS OF THE ACM 23 (2020).

However, under the proposed tax system, the platforms will be charged the cost of the externalities regardless of their role in creating them. This will lead to a situation where platforms will be willing to spend any amount equal to or less than the expected value of the harm caused in order to prevent the spread of fake news. For example, if fake news on the harmful effects of vaccinations has the potential to cost \$30,000 in public health care later on, the proposed tax will force platforms to predict this harm and take measures to stop it from occurring.⁴⁴ Platforms will be willing to spend up to the expected value of harm, which is \$30,000 in this case, in activities such as fact-checking, flagging suspected fake content, weeding out and banning the most notorious fake news sites, etc., to reduce the possibility of them getting penalized for the harm.⁴⁵

The Pigovian tax thus removes the incentives that platforms have to engage in fake news. Acting in a purely self-interested manner, the businesses cannot be expected to regulate themselves in order to achieve more socially desirable results. However, by mandating them to take cognizance of the harmful social effects of their actions, it may be possible to not only correct their actions, but also get them to correct the actions of the vendors and consumers alike. This will go a long way in curbing the spread of fake news and the destructive consequences it has on our social fabric.

5. CONCLUSION

Through the course of this paper, we have seen that the incentives of the vendors, platforms and consumers of fake news do not align with the interests of society as a whole. The harm that is caused due to disinformation is external to the transaction and does not directly affect these parties, causing the transaction of fake news to be Pareto inefficient. In order to capture the true cost of disinformation within the market for fake news, the externalities have to be identified, expressed in monetary terms and then be internalized into the transaction.

It is proposed that this internalization be brought about by way of a tax, equal to the cost of the externalities, payable by the platforms. This will undermine the profitability of engaging in

⁴⁴ *Biggest threat to Covid-19 Vaccination could be Fake News and Misinformation*, THE ECONOMIC TIMES (Jan. 24, 2021) <https://economictimes.indiatimes.com/news/international/world-news/infodemic-biggest-threat-to-covid-19-vaccination-could-be-fake-news-and-misinformation/articleshow/79420886.cms>.

⁴⁵ *Id.*

fake news and will incentivize the platforms to undertake certain measures to curb the spread of disinformation. Removing the value that even one party derives from the proliferation of inaccurate and misleading information can go a long way in our fight against fake news. With diverse national and international actors waging information wars for a number of reasons, an economic counter attack on the solely profit-driven platforms may be the best defence.