

The Media: Information as a Public Good

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The media as a public good

- Traditional role as “fourth estate” —critical part of the system of checks and balances that makes democracy work
- The media also is important for the well-functioning of the economy
 - That too requires good information widely disseminated
- Everybody benefits when media performs its function well
- Thus an effective media is a public good (in the technical sense used by economists)
 - But we rely largely on the private sector for the
- General proposition: **the private provision will result in an *undersupply* and inefficient restrictions on the use of the public good, if such restrictions can be imposed**

But public provision can also be problematic

- Problem not so much *inefficiency* of public production—the center of attention in other arenas of public goods
 - That problem can be solved by having public finance and private production
- Real concern is credibility of government/incentives to provide distorted information
 - But that is a problem as well in private production (witness Murdoch media)
 - Some governments have established very credible institutions
 - Key question is how to do that, and how to preserve that credibility/trustworthiness

What the media produces/delivers is different from ordinary goods

- It produces information
 - And **information is itself a public good**
 - **Individuals, firms and others do not have incentives for full and honest disclosure**
- The marketplace for ideas is not like a conventional marketplace, with the best ideas winning out in the end
 - Gresham's Law may apply: bad ideas may drive out good ideas
- Regulation is needed in ordinary markets, even more so here
 - Fraud and advertising laws protect against deception
 - Tort laws to protect against injury
- It is not naturally competitive
 - And as it has evolved, there is very limited competition
- Good markets are transparent—modern media (social media) is not
 - Good information (transparency) is necessary for a well-functioning competitive market
 - SEC rules on equal access to information (“Fair Disclosure”)
- Further consequences of trolling: intimidation

What is required to make an effective media

1. Certain rights
2. An economic model
3. Regulations

1. Rights

- Much of the earlier discussion focused on these rights
 - There are necessary, but not sufficient
 - Without an economic model, not possible to produce and deliver relevant information
- The right to know: freedom of information acts
- The right to tell: freedom of press
- Need to be aware of many ways by which these rights can be undermined
 - Threats of libel

2. The economic model

- Traditional model: news (information) sold as joint product with advertising
 - Producing information is costly
 - Newspapers that produced good information would attract more advertising
 - But that model was always challenged: sensationalism could attract more eyes
 - And private production provided opportunity for wealthy to get their views disproportionately distributed
 - Raising broader issue of trust in the media

Recent challenges to traditional model

- Social media has provided a better advertising model, largely undermining traditional model
 - New models: subscription, philanthropy have had only limited success
 - Social media free riding on other media
 - One approach is to circumscribe that free riding
- But that doesn't solve fundamental problem: **information as a public good and needs to be publicly financed**
 - **Critical question: how best to institutionally organize financing and "production"**
 - **Independence with accountability**

3. Regulation

- Social media were freed of normal accountability (section 230)
- Contributing to an environment in which mis/disinformation flourished
 - With multiple social harms (incitement, political manipulation etc)
 - Exacerbated by business model that encouraged extremism and division
- Stronger regulation is needed
 - Self-regulation won't work: incompatible incentives
 - Competition would reduce "power" but could make regulation more difficult
- Regulating virality is not the same as denying free speech
- Speech has always been regulated
 - Crying fire in a crowded theatre
 - New circumstances require reassessing social trade-offs
 - Justification of section 230 no longer valid (nascent industry)

Public support required

- For investigative reporting
 - Some on a global level
- For better education of journalists
 - So they are less likely to be “captured”
 - Broadening their sources of information
- For easier access to information
 - Variety of proposals
- To ensure more competition in supply
 - To break “natural monopoly” or oligopoly

Creating an effective media is one of the most important challenges of the time

- Large consequences of a failure for our democracy, our economy, and our society
- No easy solutions, and no “free” solutions
 - It will take resources
 - And entail hard trade-offs
- But approaching the problem through the lens of “information and the media” as a public good may provide some guidance to what can and should be done