The Media: Information as a Public Good

Joseph E. Stiglitz
PASS
May 2021
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