

Research Note

Risks of Fake News to the American Democracy

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Abstract: This paper examines the toxic spread of “fake news” into the landscape of legitimate news organizations, and the rising tide of associated risks to government, news organizations, and ultimately each individual citizen. “Fake News” is not simply an inconvenience or insult; it is a threat to the access of U.S. citizens to accurate information, and the fundamental protections a free and independent press provides to a democratic society.

Introduction:

Fake news is defined by the *Cambridge English Dictionary* as “false stories that appear to be news, spread on the Internet or using other media, usually created to influence political views or as a joke.”¹ While the concept of fake news has been prominent in news stories recently, particularly after the U.S. presidential election in 2016, it is not a new problem. Since the invention of the printing press, “fake news” has been used for oppression, to spread propaganda, and for political disruption. Up until the penetration of the Internet into almost every household, newspapers were the golden standard for journalism. To print a newspaper, one would have to have funding, a printing press, multiple reporters, and other aspects of a functional newspaper. Now, anyone with a connection to the Internet anyone can be a “journalist,” either generating “news” or sharing other unverified/untrustworthy “news” through social media. With the rise of social media, news stories spread much more quickly than before; there is less time spent on verification and corroboration. These conditions are key to understanding the context of the modern concept of fake news.

Fake news has taken on two forms. The first is the distribution of fake news through social media and untrustworthy sources; the second is politicians using the exclamation of “fake news” to discredit the media, regardless of the accuracy of a story. Both of these forms carry an immense amount of risk to the American voter as well as to the fundamentals of the U.S. government, in addition to the risks to the freedom of the press.

Fake News in the 2016 U.S. Presidential Election

Fake news was a controversial topic during the 2016 U.S. Presidential Election. Some of the most popular storylines during the election were fake news. For example, the story that the Pope endorsed Trump for president was shared almost a million times on social median giant Facebook.² Fake news increasingly appeared in the months leading up to the election. Using data from Facebook, news organization *Buzzfeed* found that the amount of fake news being interacted with on Facebook exceeded the amount of news from 19 major news outlets by August 2016.³ This is concerning considering 67 percent of Americans say they get at least some of their news on social media.⁴ Where does this fake news come from? It comes from people trying to make money from pay per click ads⁵ and the evidence is overwhelming that people within Russia used fake social media accounts to distribute fake news.⁶

For-profit Fake News

For-profit fake news presents risks to the governments and the media. Writers of fake news can make up to \$10,000 month from AdSense, a Google service that pays popular hosts to display ads, making it a common way to make money in some of the world's most impoverished countries.⁷ For example, in the small town of Veles, Macedonia young tech-savvy entrepreneurs are making a small fortune off American gullibility.⁸ The profiteering off deception of Americans is a risk to the government in the way that it creates a legal, regulatory risk, and a hazard risk. From the perspective of the government, legal risk and regulatory risk is one in the same. Fake news is a complicated risk as the U.S. Constitution has the First Amendment, which guarantees the right to free speech and freedom of the press.⁹ To regulate fake news the government would have to fight in the courts against the First Amendment. In the past, there have been very few exceptions to the first amendment. In fact, a California Senator tried to create a new law that would ban fake news.¹⁰ However, this bill was flawed and found to be directly in violation of the First Amendment, so the bill never even went to committee.¹¹ The U.S. government (federal, state and local) and the Justice Department will have to find a way to manage the legal risk of government entities acting to infringe on the First Amendment by harshly regulating the press and free speech.

Another risk that for-profit fake news poses to the government is a hazard risk. Hazard risks are the risks that “pose a level of threat to life, health, property, or the environment.”¹² Fake news is a hazard risk to the government because of fake news inciting violence towards citizens and government employees alike. For example, the day before the 2016 presidential election, November 6th, there was an article posted on Reddit claiming that an associate of presidential candidate Hillary Clinton was involved in a child sex ring, supposedly run out of a pizzeria in Washington DC.¹³ On December 4th, an enraged man drove to the pizzeria with an assault rifle and fired shots inside the restaurant; he told police that he believed the story he read on Reddit.¹⁴ Luckily no one was hurt, but this serves as evidences that there are people who believe fake news stories and react violently. The government needs to be aware of viral fake news stories spreading and make sure that potential targets of violence are secured.

For-profit fake news creates a market risk for the mainstream media. News networks primarily make their money through advertisement sales, just like fake news websites do. This creates a market risk because fake news websites are competing with legitimate news sites for user clicks and attention. In addition, fake news websites have no overhead and can tailor their content to figure what could be interesting to viewers. News networks have to hire journalists who work very hard to find, investigate, validate, and report on interesting stories that may not have the viral capabilities as a fake news story. However, there are two sides to the market risk associated with fake news and the mainstream news media. One side is that news networks revenues will go down from fewer ad sales and more competition from fake news outlets. The other side is that people flip and turn away from social media and other known venues for fake news and start getting their news from reputable news networks.

Russian Involvement in the 2016 Presidential Election

The full extent to which Russia interfered with the 2016 elections remains unknown, but the U.S. Intelligence Community concluded, with high confidence, that the Russian government engaged in electoral interference during the 2016 U.S. presidential election.¹⁵ In Senate judiciary committee hearings lawyers from Facebook said that they believe 120 Fake Russian-backed pages crafted 80,000 posts that were seen by 29 million Americans directly but many more by users sharing, liking, and following the posts.¹⁶ In addition, Twitter has found 2,752 accounts linked to Russian operatives.¹⁷ These fake news outlets spread stories such as Hillary Clinton being sick, that she was a criminal, people close to her were mysteriously dying, and that Obama had a secret army.¹⁸ The extent of the influence on American voters is still being assessed. Interference such as this one in a major election poses a huge risk to the U.S. government, voters, and social media sites.

Interference in another sovereign state's election is a type of external fraud. In this case, Russian actors used Twitter

and Facebook to try to influence voters to push the candidates that they favored. This affects both voters and the government. Russian actors undermined the sovereignty of the U.S and interfered with U.S. citizens' confidence having fair and free elections. The government and voters risk voters losing faith in the electoral system because of the Russian interference.

Social media sites, by testifying on public record, take on a huge reputational, regulatory, and financial risk. The reputational risk stems from the negative press they have to endure by admitting that Russian actors were allowed to buy ads on their sites. Many people may blame a lack of vetting of ad buyers and negligence for the spread of fake news. In addition, since social media platforms are a popular way to spread fake news, people may discontinue use if they want to stay away from fake news. The regulatory risks are that the government tries to restrict ad sales on fake news and tries to limit the fake accounts that propagate fake news. Currently, the U.S. Senate is discussing a bill, called the Honest Ads Act, which would require disclosure of the buyer of political advertisements similar to the regulations on television and radio advertisements.¹⁹ While industry leaders do not think that this bill goes far enough, they view it as a necessary first step. Adam Sharp, the former head of news, government, and elections for Twitter, said, "While the bill would curb law-abiding actors, any regulatory regime remains vulnerable to those who deliberately mask their identities. Don't expect to see 'Paid for by Vladimir Putin' volunteered anytime soon."²⁰ However, this shows that the government is working on reregulating advertisements on social media sites. Bills such as this one could create a slippery slope for regulations on advertisements. This poses a financial risk to social media outlets because this could hurt their advertisement sales, which is their primary source of revenue.²¹

Fake News as an Attack on Mainstream Media

Recently, the use of the term "fake news" has evolved from a term used to describe news that is intentionally fake to a term used by politicians and right-wing media outlets to discredit credible news organizations. President Donald Trump has called many well-respected and reputable news sources such as CNN, *The New York Times*, *The Washington Post*, and others "fake news."²² Right-wing news sources such as *Infowars* have also labeled many mainstream news sources as "fake news."²³ It is unclear as to why Trump has gone after the mainstream media outlets. Rupert Cornwell, a writer for the British newspaper the *Independent*, theorizes, "Now Trump's tirades against the media are in large measure a deliberate distraction. He knows they are red meat for his base that lapped them the attacks during the campaign. He knows they divert attention from his unmet policy promises, the Russian imbroglio and other matters of genuine national concern."²⁴ CNN's Chris Cillizza has a different theory. He claims "Because Trump doesn't like what the media writes about him. That's what he means when he uses the word "fake" -- and he uses it a lot. 'Fake' for Trump is rightly translated as 'not fawning.'"²⁵ In either theory, there are massive risks involved. By discrediting the media by calling them "fake news" presents a risk to the media, the government, and voters.

Risks to the Media

Being labeled "fake news" by one of the most powerful people in the world presents a reputational and financial risk to credible and legitimate news organizations. This risk, however, can be positive or negative. On one side, the ratings for news agencies have not been higher. On the other side, the confidence in the mainstream media is at an all-time low. For example, CNN has the most watched 3rd quarter in history in 2017²⁶, while also having the lowest credibility scores according to a poll by Morning Consult/Politico.^{27,28} Increased ratings mean more advertisement revenue and low credibility mean less respect for the quality of content and the journalistic art. It is unclear how low credibility and trustworthiness will impact the balance sheet in the long run but this type of reputational risk need to be taken into account by risk managers.

Risks to the Government

Discrediting credible new organizations by labeling reported news stories as "fake news" creates risk for all levels of

the U.S. government. The relationship between the government and the media is very important. The media relies on the government for sources of information and the government relies on the media to distribute its message to the voters. In a sense, the media is a middleman between the government and the voters. When that relationship between the middleman and the source is strained, there are risks involved to the supplier. The media has the power to spread a message to voters. This is evidenced by polls that show that Americans trust Trump less than major news networks.²⁹ Trump's approval rating is lower than any other modern president at this point in office.³⁰ The government's reputation is seriously at risk and it starts by disrupting the relationship between the government and the place where most Americans go to get their information about the government.³¹ In addition, by attacking free speech the President is empowering some of the US's enemies to brush off their own criticisms as fake news. An article by Politico shows how the use of "fake news" to discredit the media and deflect criticism has spread to some of the world's most authoritarian and oppressive regimes.³² For example, Syrian President Bashar Assad brushed off an Amnesty International report that 13,000 people had been killed at one of his military prisons by claiming "you can forge anything these days, we are living in a fake news era". Additionally, a state official in Myanmar said, "there is no such thing as Rohingya. It is fake news" when referring to the ethnic group that has been systematically killed and displaced by the government of Myanmar.^{33, 34} By calling the credible news outlets "fake news," the President has given authoritarian leaders and enemies of the U.S. a platform to deflect criticism and tighten their control without any checks or balances.

Risks to Voters:

When the government and the media are at odds, the voters are exposed to the most risk. Voters are at a risk of not having their voice heard because of the noise that a battle between the media and the president creates. This is a major legal risk that dates back to the creation of the United States. The US Declaration of Independence states "Governments are instituted among Men, deriving their powers from the consent of the governed."³⁵ This means that the government only has power when the voters give it power and if voters have a 59% disapproval rating of the President then their voices are not being heard.³⁶ If voters are not being heard by the government, so much of what the government does for voters is at risk. These include important elements of people's lives such as social security, Medicare and Medicaid, the economy and jobs, human rights, education, the climate, and others.

Recommendations

It is apparent that fake news has many risks to the media, the government, and to voters. How does one stop the misinformation from spreading? How does a government regulate the media in a way that does not conflict with the First Amendment? How do credible news outlets fight back against being called fake news by the president? The answers to these questions are not simple. That is part of the risk involved with fake news. Since it is practically impossible to stop the spread of fake news, the best option is to educate people about its existence and its impact and to teach people strategies of detection and refutation. In the upcoming election in Italy, the government is worried that fake news will be a factor. To get ahead of this issue the government has urged social media sites to step in. Facebook plans to team up with the Italian government and other web giants to teach students across 8,000 high schools how to spot fake news.³⁷ The efficacy of a program like this one is yet to be seen. However, the concept sounds promising. In addition, if social media sites such as Facebook lead the charge in the education of fake news, this mitigates some of the risks of fake news to Facebook and certainly helps with reputational risk.

Credible news sources must also be agents for spotting and refuting fake news. This starts with not reporting fake news. Recently, *ABC News* suspended a chief investigative reporter Brian Ross for errors made during his reporting on the guilty plea of former National Security Advisor Michael Flynn.³⁸ ABC issued a lengthy apology and correction but situations like this one give critics of mainstream media more ammunition for their attacks. The next step in the media's role in combating fake news is to create fact-checking divisions that add to the work of fact-checking

organizations such as Snopes.com and Politifact. These two recommendations for the media should help people understand what is factual and what is not.

Lastly, each individual American citizen (and voter) is the most critical player in the battle against fake news. The first recommendation is to have a shared cultural value of wanting to know the truth. The Oxford English Dictionary's word of 2016 was "post-truth."³⁹ Post-truth means "relating to or denoting circumstances in which objective facts are less influential in shaping public opinion than appeals to emotion and personal belief."⁴⁰ Voters can combat this post-truth era by knowing their own biases and trying to remain objective when looking at an issue and demanding to know the facts. Another recommendation for citizens to increasingly practice applying critical thought when reading the news, and learn how to not click on, share, comment on, or "like" fake news. If the fake news is not interacted with, then there is no money to be made and the spread is limited. Individuals need to look for corroborate news stories and allow time for refutation, and confirm the credibility of the source. In addition to corroboration, voters need to allow time for refutation before making a decision on what the truth is. Refutation of a fake news story can often take much longer than the creation. This type of cautious skepticism is valuable for combating the risks of fake news tampering with elections as well as the use of the term "fake news" to discredit the media and deflect criticisms.

Conclusion

Fake news during elections and when used as a tool to discredit the media has many risks to the government, voters, and mainstream media. These include hazard risk from people acting because of a fake news story they saw, market risks because of the undermining of journalism, and legal risk for figuring out how to regulate fake news. However, the greatest risk of all is the risk of misinformation. There is not a time in history where misinformation is able to spread as fast or effectively as it can right now. This risk of misinformation has great power. It can help authoritarian leaders stay in power and undercut what voters think of as the truth. The solution to the risk of misinformation is unclear and untested. That is the risk climate we live in today. We are trying to find out how to manage risks at a scale that we have never seen before. That is where education is so important. We need to have the population educated about how this misinformation can spread and to make sure people have strategies with which to identify and refute misinformation. We cannot stop people from spreading fake news nor cannot we stop people from using the expression of "fake news" to deflect criticisms. We as consumers have to be vigilant about if we are being fed misinformation and what to do about it.

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