Opinion **Facebook Inc**

Facebook does not understand the marketplace of ideas

Self-regulation of the internet and social media will not work

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The first critical flaw in Mark Zuckerberg's thinking is the idea that the marketplace for goods is efficient without regulation © AFP

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Mark Zuckerberg says that Facebook will not fact-check or vet political advertising because it's important for the public to decide for themselves about the content they see on the social network. In doing so, the company's co-founder and chief executive espouses a flawed idea that has become conventional wisdom: that a competitive "marketplace of ideas" exists and the best way to fight bad ideas is to put out good ones so a discerning public can choose.

But unregulated markets for goods have been shown not to work; and it turns out that unregulated markets for ideas don't either.

The first critical flaw in Mr Zuckerberg's thinking is the idea that the marketplace for goods is efficient without regulation. Much of the thrust of economics over the past half century has been to understand what regulations are needed to ensure that markets work. We have tort laws that ensure accountability if someone is injured and we don't allow companies to pollute willy-nilly. We have fraud and advertising laws to protect consumers against deceptions — recognising that such laws circumscribe what individuals may say and publish.

The second serious flaw is the notion that there is no inherent difference between markets for ideas and goods. Several economists have shown, however, that ideas and goods are fundamentally different, and that there is a strong presumption that an unfettered marketplace for ideas would not work. Their research helps explain why we have fraud and truth-in-advertising laws: cigarette companies cannot simply say cigarettes are safe for your health, or pharmaceutical companies that opioids are non-addictive. Free marketeers, by contrast, argue, there should be no restraints: those who have better and alternative views (we might say, the "truth") concerning cigarettes or opioids would eventually win out. No need for regulations. And no need to worry about those who might suffer, before the truth really wins out.

The original promise of the internet was a free, competitive, transparent market without intermediaries. Things have obviously not worked out that way. Today's marketplace of ideas is neither free, competitive, nor transparent.

Market power, which drives Facebook's profits, means lack of equal access; the intermediaries control access and only those rich enough get to disseminate their ideas. That's not a free market. Moreover, the first principle of a competitive "free" market is transparency. But a market in which no one knows what messages have been sent to whom is intrinsically non-transparent.

To put it another way: good information is necessary to make the marketplace for goods to work. Markets simply can't ensure this on their own. For instance, we regulate securities markets to ensure equal access in the form of the Security and Exchange Commission's full disclosure laws.

There is at least one more ingredient necessary to make markets work well: the absence of the use of force and intimidation. Regrettably, unregulated trolling on social media has become a fact of life.

Self-regulation of the internet won't work any better than self-regulation of banking did. There needs to be public regulation, especially because there may be complex societal trade-offs — and in the balancing, we can be sure that the big technology companies will look after their own interests, first of all. The recent announcement by Google that it would end third-party tracking of users from one website to another is a step in the right direction in terms of privacy. But it raises a host of concerns about reduced competition. Google's dominance in the advertising market is likely to become even greater.

Distortions in the marketplace for political ideas are even more important than those in the marketplace for goods. If I buy the wrong brand of snake oil because of fraud, it's mostly me who suffers. But if I vote for the wrong politician because of mis- or disinformation, then all of society suffers.

In the US, the big tech companies have sought immunity from "intermediary liability." Freedom from intermediary liability under Section 230 of the Communications Decency Act means there is no way to get recompense for the harms caused by false speech from perpetrators who can't be prosecuted. Imagine if you buy a Chinese-made product from Walmart and it turns out to be faulty. You can't sue the Chinese manufacturer. Your only recourse is to sue Walmart. But because of Section 230, you have no recourse whatsoever in the case of internet service providers or platform companies.

In short, without full transparency, without a mechanism for holding participants to account, without equal ability to transmit and receive information, and with unrelenting intimidation, there is no free marketplace of ideas.

One of the major insights of modern economics is that private and social incentives are often not well-aligned. If those who want to spread misinformation are willing to pay more than those who want to counter it, and if lack of transparency is more profitable than transparency, then Facebook's attitude says "so be it". But we won't get a well-functioning marketplace of ideas if we follow this approach.

Anya Schiffrin, a PhD candidate at the University of Navarra, also contributed to this article