Market for the truth, digital platforms, and AI-based products. Some L&E preliminary considerations

Massimiliano Vatiero

LONG ABSTRACT

Non-traditional information providers, such as digital platforms (e.g., Facebook, X) and AI-based products (e.g., ChatGPT), have improved access to information and increased the number and diversity of information sources. However, there are *social* costs as well. First, people are exposed to a daily dose of false or misleading content. Digital platforms foster polarization and spread fake news and stereotypes (e.g., Allcott and Gentzkow 2017, Sunstein 2017, Vosoughi *et al.* 2018). For instance, news stories on Twitter and posts on Facebook during and following the 2016 US presidential elections played a key role in driving the viral spread of misinformation (Shao *et al.* 2018), which even led to violent accidents (e.g., the Capitol Hill siege). Similar concerns have been raised about AI's ability to generate deepfakes (cf. Nestor *et al.* 2024). For instance, Donald Trump supporters have been utilizing AI to produce and distribute fabricated images of Black voters endorsing the Republican party, contributing to a misinformation trend (cf. Spring 2024). Moreover, Omiye *et al.* (2023) found racial bias when AI-based products are prompted to respond to medical questions. Finally, misinformation from digital platforms and AI-based products can (and often does) even multiply each other. For instance, in January 2024, sexually explicit, AI-generated (false!) images purportedly depicting Taylor Swift surfaced on X. In a political context, shortly before the election, an AI-manipulated and false audio clip emerged on Facebook, capturing Michal Šimečka, the leader of the Progressive Slovakia party, and a journalist, discussing illicit election strategies. Since the clip was released during a pre-election quiet period, when media and politicians' commentary were restricted, the clip's dissemination was not easily contested. Ultimately, the affected party, Progressive Slovakia, lost by a slim margin to SMER, one of the opposition parties (see Nestor *et al.* 2024).

Departing from the so-called "marketplace of ideas" theory,[1] this paper examines (i) whether and how antitrust and competition policies may ensure the supply of true information, (ii) whether the provision of the truth, as the provision of a merit good,[2] requires a derogation of market competition instead.

Keywords: AI-based products; digital platforms; information; transaction costs.

JEL Codes: D23; D4. D8.

[1] Although boundaries do not seem to be clearly drawn, the expression "market of ideas" covers activities such as expressing opinion in speech and writing and accessing information. The market of ideas theory was made popular by Justice Holmes in his dissenting opinion in *Abrams v. United States*, where he wrote: "the best test of truth is the power of the thought to get itself accepted in the competition of the market, and that truth is the only ground upon which their wishes safely can be carried out" (250 U.S. 616, 630 (1919). See also Coase (1974).

[2] Guido Calabresi was one of the first legal scholars to use the concept of merit goods (for instance, Calabresi 2016), thought his conceptualization is partly complementary to the classical definitions given and used by economists.

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