Preemption and Errors in Breaking News

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Abstract

Reporting errors are endemic to breaking news, despite the fact that accuracy is prized by consumers. There is also growing concern that heightened competition within the news industry is eroding the quality of news. We present a dynamic model of breaking news to understand the effect of competition on news accuracy. In our model, news firms are rewarded for reporting early, i.e. before their competitors, but also for making reports that are credible in the eyes of consumers. Errors occur when firms *fake*, reporting a story despite lacking evidence. Firms may alternatively choose to be *diligent*, only reporting a story if they have confirmed it is true. We establish both existence and uniqueness of an equilibrium. There are two different sources of faking in equilibrium: a lack of commitment and a preemptive motive engendered by competition. Even if diligence is optimal, firms are unable to commit to it. A firm can thus be tempted to fake, even in the absence of competition, in order to capitalize on both its favorable credibility and the inability of consumers to detect fake reports. Competition exacerbates faking because the reward from reporting early can give rise to a preemptive motive in equilibrium, thus incentivizing firms to report in haste. We also derive meaningful dynamics, finding that firms become gradually more credible over time whenever preemptive motives are at play. This increase in credibility endogenously mitigates the haste-inducing effects of preemption, and is thus crucial to balancing the firm's equilibrium incentives. Our equilibrium also exhibits a *copycat effect*: a report by one firm may trigger a surge in faking by others. In addition to these core results, we perform comparative statics analysis and consider an extension in which firms have heterogeneous learning abilities.