

GLOBAL ECONOMIC EFFECTS OF FAKE NEWS²⁸

Prof. Dr. Radoslav BALTEZAREVIĆ

Institute of International Politics and Economics, Belgrade, Republic of Serbia

ORCID ID: <https://orcid.org/0000-0001-7162-3510>

Abstract

Fake news is defined as any deliberate spread of misinformation, propaganda, and deception. These kinds of content have been spreading dramatically through social media platforms lately, which is detrimental for the global economy. This problem affects several domains, including as politics, the economy, and democracy. Fake news mostly aims to advance a particular ideology within society. This type of misinformation typically originates from unreliable alternative media. When such news breaks, businesses, governmental organizations, and public institutions have to move fast to contain the issue and stop the content from spreading by reporting or removing it from social media. The companies of today must have crisis communication procedures in place to prevent fake news from spreading. The intention of those who create fake news is to deceive readers into thinking that the information they are reading is authentic. This effect has made the news less significant in general. Because fake news draws more viewers, which boosts the media company's revenue, it now plays a larger part in media business models. Fake news can negatively impact businesses worldwide by lowering sales, disturbing supply chains and operations, eroding customer confidence, and causing reputational harm that is hard to repair. Competitors may take advantage of such a circumstance. In order to counteract misinformation, businesses must set aside funds for crisis management and public relations initiatives. Around the world, fake news is becoming a major concern that is hurting key sectors like healthcare, politics, e-commerce, journalism, and finance.

Keywords: Fake news, Global economy, Society, Business.

INTRODUCTION

People can share an extensive spectrum of values and opinions when they have unfettered access to vast volumes of information (Rubin, 2019). Misinformation, commonly referred to as “fake news,” has been spreading dramatically over the past few years via social media platforms. Misinformation is not a recent phenomenon, nor is its creation and dissemination (Burkhardt, 2017). While technological advancements have allowed people to obtain information nearly instantly to close knowledge gaps, enhance abilities, and avoid false or

²⁸ The paper presents findings of a study developed as a part of the research project “Serbia and challenges in international relations in 2024”, financed by the Ministry of Science, Technological Development and Innovation of the Republic of Serbia, and conducted by Institute of International Politics and Economics, Belgrade during year 2024.

incomplete information, very few people actively seek out this kind of content (Baltezarević & Baltezarevic, 2021).

Politics, democracy, society, and the economy have all been significantly impacted by fake news, which also has the power to incite actions, results, and consequences, especially when it circulates via social media (Pennycook et al., 2018). The people who produce fake news always have a strategy in mind. This scheme might have a financial or a political component (false news to persuade the public of politicians' positions), but whatever it is, the fake news has real-world repercussions (Barclay, 2018). More than 70% of Europeans come across fake news on a regular basis. This is a big problem in today's culture because of how often it appears and the power it has to shape our opinions, beliefs, and voting patterns (Watson, 2024). The World Economic Forum questioned experts for its 2024 Global Risk Report, and one of the biggest hazards facing people worldwide is false information (Fleck, 2024).

Unless a company is built on data mining and is supported by deceptive techniques, fake news has such a profound effect on the global economy that it can even result in fatalities and business collapses. The COVID-19 pandemic is the most recent and well-known example of fake news taking lives. The word “infodemic” gained popularity as people worldwide battled a virus that ravaged the world and fundamentally altered the way we conducted business. The term “infodemics” describes the stigma, rumors, and misleading information that tend to surface amid medical catastrophes (Nasrin, 2021). Consumer perceptions of brands are negatively impacted by fake news, as well. Consumer opinions of the reliability of the source have an impact on brand trust and attitude when a company's advertisement is displayed next to or on a fake news website (Visentin et al., 2019). The digital environment has become indispensable in creating consumer attitudes, however, a worryingly high percentage of Internet users are daily influenced by information that cannot always be considered credible (Baltezarević, 2022).

THE DEVASTATING EFFECT OF FAKE NEWS

The purposeful dissemination of false information, hoaxes, and propaganda is known as fake news (Douglas et al., 2017). Fake news has an impact on all facets of society. For instance, it shapes how individuals, groups, and governments react to social media-spread misinformation. The majority of fake news targets a certain segment of the public in an effort to polarize society and encourage strong opinions in support of a particular ideology (Tandoc, 2019). Since untraceable and deceptive phenomena are at the core of fake news, experts and researchers have observed a growing interest in the creation of fact-checking technologies to identify the dissemination of fake news in society (Miranda et al., 2016).

According to reports, a significant portion of the information that is consumed comes from alternative media outlets, which are seen as a source of propaganda and disinformation because they lack easily interpreted credibility indicators and have abandoned long-standing norms about mediated information (Starbird, 2017). Businesses, government agencies, and public institutions must act swiftly and effectively to control the issue once fake news has spread widely by tagging or removing it from social media (Mirbabaie et al., 2014).

Users that use social media for informational reasons instead of traditional sources of information are more susceptible to manipulation. Thousands of likes and shares can cause misleading content to quickly become viral, as social networks are designed for strong connectedness (Hardalov et al., 2016). Users can also be readily convinced to trust anything said by a website or news account if they think it is journalistic (Vargo et al., 2017). An additional factor is the propensity for people to favor information that supports their beliefs because they are trying to be consistent in their behavior, attitudes, and self-perception. When faced with contradicting information, people experience stress, according to psychological mechanisms such as the cognitive dissonance hypothesis and the belief disconfirmation paradigm. This leads them to reject the contradicting information in order to uphold and rationalize their preexisting views (Festinger, 1962). Individuals who exhibit traits such as overconfidence, low knowledge, and a propensity for incomplete or misleading information often cherry-pick facts from the real world or the online environment to support their preconceived beliefs. Every society can readily identify this tendency as confirmation bias (Baltezarević et al., 2023).

Satire, parody, fabrication, manipulation, propaganda, and advertising are the six ways that the authors pointed out that prior research has operationalized false news (Tandoc et al., 2018). Fake news creators are those who, regardless of the information's authenticity, get gratification from spreading it among their online network (Thompson et al., 2019). Businesses must carefully consider their reaction strategy in order to minimize the negative effects of falling victim to fake news (Vafeiadis et al., 2019). Organizations in such situations will try to reduce the risk of creation negative electronic word of mouth (Kwiatek et al., 2021). Businesses should have strong crisis communication plans, implement tactics like monitoring online discussions, interact with stakeholders to stop the spread of incorrect information, and mitigate the effects of misinformation and disinformation (Bocasay, 2023). Anyway, in the near future, this issue will be much easier to handle, with the development of better intelligent systems that would deliver better and faster responses to users (Safieddine & Baltezarević, 2016).

When the US's ABC News Network revealed in December 2017 that National Security Advisor Lieutenant General Michael Flynn had testified that President Donald Trump had personally ordered him to get in touch with Russian government officials during the 2016 election campaign, the story of fake news caused stock market losses of \$300 billion in a single incident. The weighted index of the 500 largest publicly traded US firms fell by 38 points after this report, resulting in a \$341 billion loss. This report proved to be false, and by the time ABC withdrew the story the following day, the total damage had been reduced to \$51 billion (Nasrin, 2021).

Fake news makes individuals feel uneasy and breeds mistrust, misunderstandings, and tension among people everywhere. Fake news on the internet is becoming more and more popular in the age of digital communication. The fact that about 90% of people worldwide rely on the Internet for health-related information is the main cause of this development (Colominq et al., 2021). Instead of giving citizens useful information, the fake news market is all about spreading as much information as it can. As a result, news has become less significant overall. Fake news does, in fact, now play a bigger role in media business models since it attracts more viewers, which increases an outlet's income. Few businesses concentrate on fact-

checking before broadcasting since doing so can increase expenses. Fake news can sometimes even be welcomed since it spreads quickly and readily, enabling media outlets and independent contractors to make greater profits in less time (Frau-Meigs, 2018).

Social design and misdirection techniques are employed by deliberate producers of fake news to draw in viewers. The idea behind data senders, or fake news producers, is to make data beneficiaries, or readers of false news, believe that the content they are reading is real. As a result, there can be a powerful feedback loop between the producers, users, and arbiters of misinformation, creating a robust fake news ecosystem (Khestri & Jeffrey, 2017). According to a recent Ipsos survey for UNESCO, 87% of respondents believe that disinformation poses a threat to their nation's politics, and 85% of respondents are concerned about the impact of fake news on their fellow citizens. According to the survey, social media has emerged as the primary source of news for people worldwide, with 56% of respondents obtaining their news from these channels. Social media is not trusted, though, as 68% of respondents claim it is the source of the majority of misinformation (Weforum, 2024).

Governments and multilateral organizations should set up explicit procedures to not only correct disinformation but also reduce its occurrence by creating explicit frameworks for accountability and transparency. A emphasis on information consistency, stability, and trust is required to support the accomplishment of quality growth priorities because information disorder can produce unpredictable and frequently chaotic outcomes (San Andres, 2022). Global enterprises can be significantly impacted by misinformation and disinformation in a number of ways: It may lead to a decline in sales, a loss of customer trust, and long-term damage to the reputation of the business. It can cause monetary losses for the business and its owners and can disrupt operations and the supply chain. Fake news can influence consumers to make decisions that are not in their best interests or the best interests of the company, furthermore, rivals (competitors) may take advantage of false information. Companies must set aside funds for crisis management and public relations campaigns to deal with misinformation and disinformation, and, lastly, widespread misinformation can erode public confidence in organizations (Bocasay, 2023).

According to the report, fake news has caused a \$39 billion annual loss in the value of the stock market. The monetary losses highlight how misinformation and fake news are becoming a huge worldwide threat, hurting important industries including healthcare, politics, e-commerce, the media, and finance. The economic losses resulting from financial misinformation (\$17 billion), health misinformation (\$9 billion), reputational management (\$9 billion), platform safety initiatives (\$3 billion annually), and lost brand revenue from advertising next to fake news (\$235 million) are among the other diverse costs (Brown, 2019). By establishing extensive rules, governments can offer some of the most important remedies to the situation. For instance, the European Union passed historic laws requiring big companies to more closely monitor their platforms for harmful content, misinformation, and hate speech. Governments will have the authority to order businesses to remove content under the Digital Services Act, including advertisements for commercial frauds, hate speech, child sex abuse, and terrorism. Governments must also play a part in ensuring that people, particularly kids, have the digital literacy necessary to stay informed and safe (Romeo, 2022).

CONCLUSION

Social media and the internet have opened up a lot of economic and societal prospects. Now more than ever, people can communicate ideas and information quickly and widely. Yet an immense amount of false information, including fake news, has also come along with it. Fake news spreads over many platforms and can come from a variety of sources. It is characterized by content that appears to have been created by reputable news organizations. In many cases, this kind of fake content can have a viral effect and multiply countless times through the digital environment. In this way it can reach millions of internet users.

In the modern global economy, trust is crucial. Fake news spreads negatively affect our capacity to make thoughtful, well-informed decisions. Fake news, however, is easy to distribute. The lack of fact-checking systems ensures that this misinformation will continue to go unchecked. The ad market is perfect for quickly disseminating any information across a broad audience. In order to preserve their reputation and the trust they have built with their consumers, in situations where false information appears, companies must react in a timely manner and suppress the consequences of such an occurrence.

Additionally, since misinformation affects everything from daily purchases to healthcare, it is the responsibility of individual consumers to become more adept at spotting it. More openness must be ensured, and our former confidence in our news websites must be restored. We still have a long way to go with the news's unrestricted dissemination through propagation, sharing, and proliferation throughout numerous platforms. One way to control fake news and misinformation campaigns is to leverage the increasing velocity, scope, and effectiveness of the internet, apps, and platforms. More effective ways to establish and disseminate reliable, fact-based news sources will soon emerge. Combined with the government's initiative to increase the level of digital literacy among the population, the chances will be higher to tame the consequences of this phenomenon.

LITERATURE

Baltezarević, R. & Baltezarevic, I. (2021). Daning-Krugerov efekat: Uticaj iskrivljene realnosti na percepciju potrošača prema luksuznim brendovima. *Baština*, Vol. 31 sv. 55, pp. 237-253 doi: 10.5937/bastina31-33832

Baltezarević, R. (2022). Uloga normativnog konformizma u digitalnom okruženju u kreiranju stavova potrošača prema luksuznim brendovima, *Megatrend revija*, Vol. 19, № 1, pp. 177-188. DOI: 10.5937/MegRev2201177B.

Baltezarević, R., Baltezarević, I. & Ravić, N. (2023). Confirmation bias in digital communication: the tendency of consumers to favor information that confirms their pre-existing beliefs. *Megatrend revija*, Vol. 20, № 2, 2023, pp. 25–35. DOI: 10.5937/MegRev2302026B

Barclay D. A. (2018). Fake news, propaganda, and plain old lies: how to find trustworthy information in the digital age, Lanham, Maryland, The Rowman & Littlefield Publishing Group, Inc.

Bocasay (2023). How Misinformation and Disinformation Impact Global Business? Retrieved from: <https://www.bocasay.com/misinformation-disinformation-impact-global-business/#> (Accessed: 21.02.2024).

- Brown, E. (2019). We hear a lot about fake news across political -- and global campaigns -- but how just many millions will be spent on fake news in the US 2020 presidential election? Retrieved from: <https://www.zdnet.com/article/online-fake-news-costing-us-78-billion-globally-each-year/> (Accessed: 20.02.2024).
- Burkhardt, J. M. (2017). History of Fake News. *Library Technology Reports*, 53(8), pp. 5-9.
- Colominq, C., Margalef, H. S., & Youngs, R. (2021). The impact of disinformation on democratic processes and human rights in the world. European Parliament. Retrieved from: [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653635/EXPO_STU\(2021\)653635_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653635/EXPO_STU(2021)653635_EN.pdf) (Accessed: 21.02.2024).
- Douglas, K., Ang, C. S., & Deravi, F. (2017). Farewell to truth? Conspiracy theories and fake news on social media. *The Psychologist*, 30, pp. 36-42.
- Festinger, L. (1962). A theory of cognitive dissonance (Vol. 2). California, USA: Stanford University Press.
- Fleck, A. (2024). Where False Information Is Posing the Biggest Threat. Retrieved from: <https://www.statista.com/chart/31605/rank-of-misinformation-disinformation-among-selected-countries/> (Accessed: 20.02.2024).
- Frau-Meigs, D. (2018). Societal costs of “Fake News” in the digital single market. European Parliament. Retrieved from: [https://www.europarl.europa.eu/thinktank/en/document/IPOL_STU\(2018\)626087](https://www.europarl.europa.eu/thinktank/en/document/IPOL_STU(2018)626087) (Accessed: 21.02.2024).
- Hardalov, M., Koychev, I., & Nakov, P. (2016). In search of credible news. In International Conference on Artificial Intelligence: Methodology, Systems, and Applications (172-180). Springer, Cham.
- Khestri, N. & Jeffrey, V. (2017). The Economics of “Fake News”. *IT Professional*, 19(6), pp. 8–12. doi:10.1109/MITP.2017.4241459
- Kwiatk, P., Baltezarević, R., Papakonstantinidis, S. (2021). The impact of credibility of influencers recommendations on social media on consumers behavior towards brands. *Informatologia*. Vol. 54 No. 3-4, pp. 181-196.
- Mirbabaie, M., Ehnis, C., Stieglitz, S., & Bunker, D. (2014). Communication Roles in Public Events. In Working Conference on Information Systems and Organizations (207-218). Springer, Berlin, Heidelberg. doi:10.1007/978-3-662-45708-5_13
- Miranda, S. M., Young, A., & Yetgin, E. (2016). Are social media emancipatory or hegemonic? Societal effects of mass media digitization in the case of the sopa discourse. *Mis Quarterly*, 40(2), pp. 303 – 330. <https://doi.org/10.25300/MISQ/2016/40.2.02>.
- Nasrin, S. (2021). Impact of Fake News on the Global Economy. Retrieved from: <https://ibtd.net/impact-of-fake-news-on-the-global-economy/> (Accessed: 21.02.2024)
- Pennycook, G., Cannon, T.D. & Rand, D.G. (2018). Prior exposure increases perceived accuracy of fake news. *J Exp Psychol Gen.*, 147(12), pp. 1865-1880. doi: 10.1037/xge0000465.
- Romeo, J. (2022). Disinformation is a growing crisis. Governments, business and individuals can help stem the tide. Retrieved from: <https://www.weforum.org/agenda/2022/10/how-to-address-disinformation/> (Accessed: 19.02.2024).
- Rubin, V. L. (2019). Disinformation and misinformation triangle. *Journal of Documentation*, 75(5), 1013–1034. <https://doi.org/10.1108/JD-12-2018-0209>.
- Safieddine, F. & Baltezarević, R. (2016). Advances in technologies evolving new dimensions in e-society. In: The Internet as a Tool of Modern Business and Communication Saarbrücken, Germany: Lap Lambert Academic Publishing, pp. 43-75. ISBN 978-3-330-01350-6.
- San Andres, E. (2022). Disinformation is a Regional Economic Problem. Retrieved from: <https://www.apec.org/press/blogs/2022/disinformation-is-a-regional-economic-problem> (Accessed: 20.02.2024).

- Starbird, K. (2017). Examining the Alternative Media Ecosystem Through the Production of Alternative Narratives of Mass Shooting Events on Twitter. In ICWSM (230-239).
- Tandoc E. C., J., Lim, Z. W., & Ling, R. (2018). Defining “Fake News”: A typology of scholarly definitions. *Digital Journalism*, 6(2), pp. 137–153.
- Tandoc, E. C., Jenkins, J., & Craft, S. (2019). Fake news as a critical incident in journalism. *Journalism Practice*, 13(6), pp. 673–689. <https://doi.org/10.1080/17512786.2018.1562958>.
- Thompson, N., Wang, X., & Daya, P. (2019). Determinants of News Sharing Behavior on Social Media. *Journal of Computer Information Systems, advance online publicaitons*, 60(6), pp. 1-9.
- Vafeiadis, M., Bortree, D.S., Buckley, C., Diddi, P. and Xiao, A. (2019). Refuting fake news on social media: nonprofits, crisis response strategies and issue involvement, *Journal of Product & Brand Management*, 29 (2), pp. 209-222.
- Vargo, C. J., Guo, L., & Amazeen, M. A. (2017). The agenda-setting power of fake news: A big data analysis of the online media landscape from 2014 to 2016. *New Media & Society*, 10(6), pp. 1-22. doi:10.1177/1461444817712086
- Visentin, M., Pizzi, G., & Pichierri, M. (2019). Fake News, Real Problems for Brands: The Impact of Content Truthfulness and Source Credibility on consumers’ Behavioral Intentions toward the Advertised Brands. *Journal of Interactive Marketing*, 45, pp. 99–112.
- Watson, A. (2024). Fake news in Europe - statistics & facts. Retrieved from: <https://www.statista.com/topics/5833/fake-news-in-europe/#topicOverview> (Accessed: 20.02.2024).
- Weforum (2024). Fake news undermines democracy, warns global survey. Retrieved from: <https://www.weforum.org/videos/influence-of-fake-news/> (Accessed: 21.02.2024).