

Deceptive Claims using Fake News Marketing: The Impact on Consumers

Anita Rao

Booth School of Business

University of Chicago

September 12, 2018

THIS IS A DRAFT. COMMENTS ARE WELCOME, BUT PLEASE DO NOT CITE
WITHOUT AUTHOR'S PERMISSION

Abstract

Fake news can be harmful if it misleads consumers to take actions they otherwise would not have taken (e.g. vote for another party, purchase an inferior product). However, if fake news merely confirms existing beliefs without changing consumers' actions, the extent of such harm is less severe. The main challenge in identifying the impact of fake news, is that we do not observe actions before *and* after the exposure to fake news. This paper exploits a unique setting where the FTC enabled the shutdown of ten companies that were operating fake news websites that in reality were advertisements for various products. Using detailed browsing data of these product websites, I identify the extent of consumer interest in the presence and absence of fake news. The findings indicate that interest wanes after the shutdown of fake news, but there is some substitution to other channels such as regular advertisements.