

MIDDLE EAST TECHNICAL UNIVERSITY | DEPARTMENT OF ECONOMICS

WEEK 11 / 14

Asymmetric Information & The Local Press Arbitrage

Why a fabricated story can outcompete a verified one — and what that's worth to you.

Economics Concept: **Asymmetric Information & Akerlof's Lemons Problem**

CORE CONCEPT

Akerlof's Lemons Problem

- When a buyer can't verify quality before purchase, low-quality goods ('lemons') can drive high-quality goods out of the market.
- A reader cannot verify a news story's accuracy before consuming it — the same asymmetry applies directly to information markets.
- Resource-starved regional outlets operate on near-zero verification budgets, widening the asymmetry further.



MARKET VULNERABILITY

Fabrication Is Cheaper Than Verification

- A sensational, unverified claim costs nothing to produce and maximizes click-through revenue.
- A verified story costs real reporting time and often underperforms the fabricated alternative on engagement.
- Under these incentives, the rational outlet under-invests in verification — not from malice, from cost structure.

INSTRUCTOR'S NOTE

This is a structural market failure, not a personal ethics failure of any one editor.



COST TO PRODUCE VS. COST TO VERIFY

EXTRA CREDIT BRIEFING

The Local Newspaper **Bounty**

- Engineer a harmless, absurd, clearly fabricated news narrative and get it published in a legitimate local outlet.
- Successful placement earns an automatic +10% on your final course grade.
- Any story that induces real alarm, defames a real person, or causes public disruption results in immediate course failure. No exceptions.



+10% FINAL GRADE

TAKEAWAY OF THE WEEK

Verification Is a **Cost Someone Has to Pay**

Every market with unverifiable quality eventually tests who is willing to pay that cost —
and who would rather not.

NEXT WEEK → HIGH-RISK POLITICAL POSTING: LAW & ECONOMICS OF TCK 299