

# Competition and Herding in Breaking News

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## Abstract :

I present a dynamic model of breaking news. News firms are rewarded for reporting before their competitors but also for making reports that are credible to consumers. Errors occur when firms fake, reporting a story despite lacking evidence. While errors occur in equilibrium even under a monopoly, competition and observational learning exacerbate errors and give rise to rich dynamics in firm behavior. Competition intensifies faking by engendering a preemptive motive, but the haste-inducing effect of preemption is endogenously mitigated by gradual improvement in report credibility over the course of a news cycle. Meanwhile, observational learning causes existing errors to propagate through the market. This is driven by a copycat effect, in which one report triggers an immediate surge in faking by others. This behavior is consistent with herding on the decision to report a story as well as herding on the timing of reports.