Spinning a Web of Lies at Digital Speed

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Published: October 12, 2008

“A lie can travel halfway around the world while the truth is still putting on its shoes.” — attributed to Mark Twain.

IN 1864, back when rumor still traveled by foot, a young messenger walked into the newsrooms of New York City’s press row with an Associated Press bulletin that President Lincoln had ordered the conscription of 400,000 additional troops for the Union.

The news arrived at a precarious time for the newspapers — around 2 a.m. Even the night editors had left, forcing a skeleton crew to decide whether to rush something into the paper, or risk being scooped. Two papers took the bait on what soon was exposed as a hoax.

But the news also came at a precarious time for the country: a conscription would have meant the Union army was in trouble, and the price of gold soon shot up. Two journalists from Brooklyn hatched the plan, knowing how best to sneak bogus news into print, and remembering to buy gold beforehand. (They were soon caught.)

Markets exist to convert good information into profitable investments. And, in their deep agnosticism, they also exist to allow false information to create quick profits. During that brief window, false information may in fact be easier to exploit — it shows up just in time, and purports to answer the questions on everyone’s mind.

And while the Civil War-era hoax had to use crude tools (war is going badly, gold rises in the face of bad news), Internet-fueled falsehoods and day-trading sites allow for highly tailored rumors to be quickly amplified and exploited.

In recent days there has been a range of false reports that managed to gain great purchase across the globe while the truth is still logging on.
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Early in the month, Apple stock fell as much as 5 percent after a CNN-sponsored citizen-journalism site, ireport.com, published a false item from a user reporting that Steve Jobs, the company’s chief executive whose health has been a public preoccupation, had been rushed to the emergency room. The poster is still a mystery, though the Securities and Exchange Committee is investigating and CNN is cooperating.

In September, United Airlines lost more than $1 billion in market capitalization when traders treated a six-year-old announcement of a bankruptcy as a new development.

And in politics, it is common for rumors to be floated on sites like Drudge Report, forcing hurried denials and gaining life in the court of public opinion.

While not involving the stock market, an example from the Drudge Report is instructive about how false news — in effect, reputational short-selling — spreads. On Friday, Sept. 5, Drudge Report hailed an exclusive about the newly nominated Republican vice-presidential candidate: “Oprah Balks at Hosting Sarah Palin: Staff Divided.”

Oprah Winfrey later that day released a statement denying the report. But it was in the news enough for Tom Brokaw, of NBC’s “Meet the Press,” to introduce the subject to the Democratic vice-presidential nominee, Joe Biden: “Do you think that some people will see that as an elitist position, that in some ways Democrats may be afraid of her, Sarah Palin?”

With its oodles of information, the Internet is laden with falsehoods, but, in fact, these recent cases show how critical are amplifying sites like Drudge or Google News or Digg to getting reports from the backwoods before the public.

Wander over to ireport.com, which CNN created in February 2008, and it can appear overwhelming. It was meant to be a clearing house for user submissions — as many 10,000 a month — that in the past were only culled by CNN staff, and it looks like one. It’s not the first place to go for stock tips. But the Steve Jobs item benefited from promotion on collaborative news-rating sites like Digg.

While disavowing responsibility for the spread of the Steve Jobs item, saying that it never reached the coveted spot of being on Digg’s home page, the site’s chief executive, Jay Adelson, readily conceded that Digg had promoted other items that turned out to be false.

“There is almost a short-seller mentality in the blogosphere,” he said. “We allow anyone to submit on a level playing field. We allow the digital democracy to be the fact checkers. There is definitely some risk to that.”

While only 150 or so items make the Digg home page, Mr. Adelson said its tools for “syndicating” an interesting item to friends could help create a cascade, since the wav
But he argued that transparency would be one way to counteract rumor-mongering on the Internet. The person who submitted the ireport item to Digg had the impersonal login “joshua’s iphone.” And Mr. Adelson mentioned the various red flags: the user first posted in July; none of his or her earlier stories made it to the home page; and the first story to gain any traction was the one about Mr. Jobs’s health. “These things matter to the digital citizen,” he said.

Relying on the community and transparency is one method. Mr. Adelson says Google News tries to ensure reliability by vetting what news sources it draws from. And experimental sites like newstrust.net hope to create ratings systems from authorities who evaluate news articles on a range of criteria, and are themselves rated by the raters. (One of my articles was vetted by four reviewers and received a 4 out of 5 in terms of accuracy from its four reviewers.)

Fabrice Florin, the founder of News Trust, said sites like his would be crucial to flagging inaccuracy, though he said, “we probably wouldn’t be as effective in less than an hour,” a time span when most of the damage is done in these false reports. He said three reviewers would be enough to warn readers, “if the reviewers are trustworthy.”

The only long-term hope, he said, was news literacy training for the public, one of New Trust’s missions. “Our little brains were never in a position to handle that much information,” he said.