

# The Social Cost of Dynamic Competition in the Market place for Ideas

Nicolas Petit, 23 Oct 2025

# Dynamic Competition

Figure 8: Dynamism in the U.S.

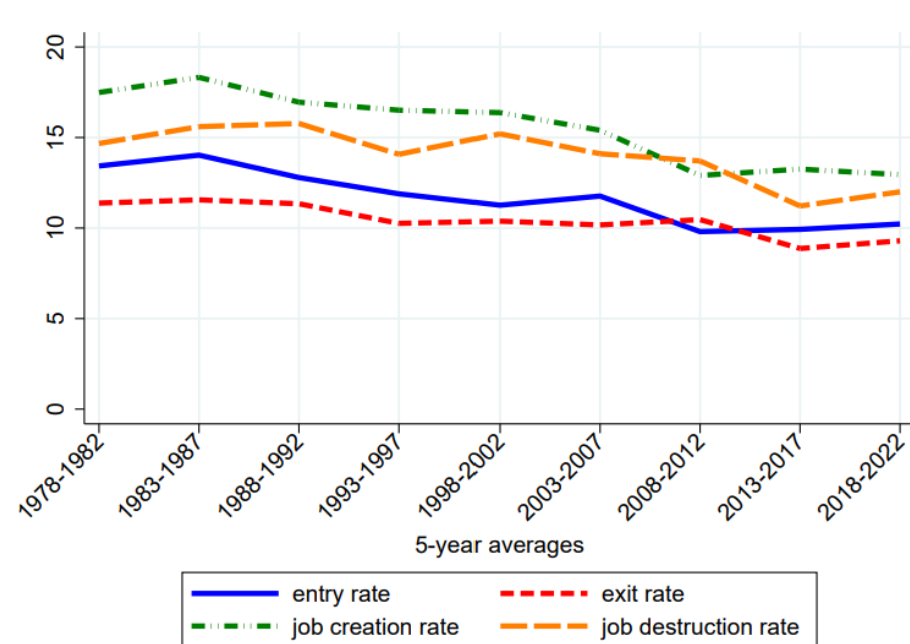


Table 4.1 Sequence of Historical Discontinuities in Digital Technology

Graphical User Interfaces → Operating Systems → Portals → Search (incl search engines and online commerce) → Smartphones (incl devices, OS and Apps) → Social Networks → Cloud Computing, SaaS and ML → Home Assistants? → Augmented Reality? → Self-Driving Systems?

# Social Cost

- Smoke
- Noise
- Wasteland
- Pollution



# Market place for Ideas

- Expression of opinion in speech, writing, and similar activities
- *“the best test of truth is the power of the thought to get itself accepted in the competition of the market .... That, at any rate, is the theory of our Constitution. It is an experiment, as all life is an experiment”*
- *Abrams v. United States*, 250 U.S. 616 (1919) Holmes Dissent

# What's going on?

## **Technological Change**

- Print => radio => broadcasting  
=> digital => AI

## **Social Costs**

- Misinformation
- News Deserts
- Echo Chambers
- Privacy loss
- ...

# The big Q

What are the social costs of technological change in the media industry, and who should bear them?

# Knee Jerk Answer

- Social media, the platforms, Big Tech!!!!
- Why?
- Because they're f\*\*\*y rich!



# « Café du Commerce »

- Did they do this alone?
- Any incidence on third parties?
- Are we discounting present v past?
- Is all of this really happening?

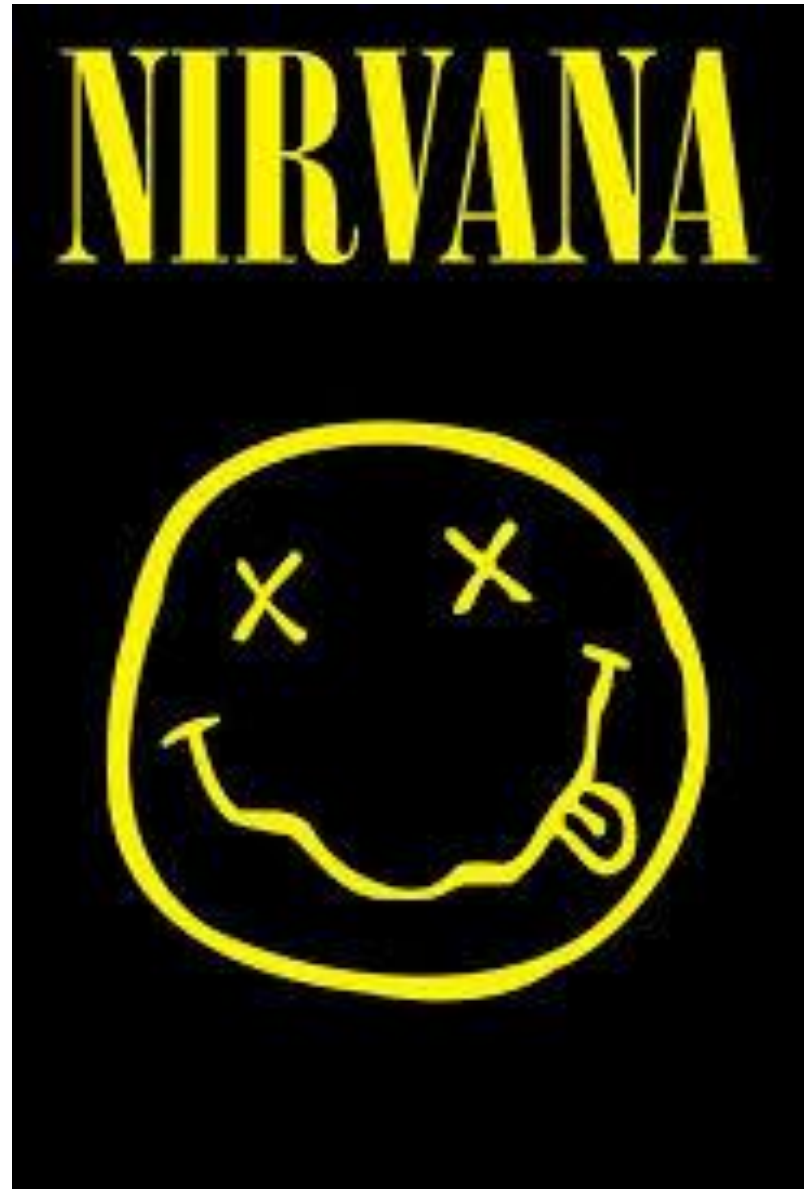


- Pffff... Macron président avec une majorité hégémonique, une opposition atomisée, une déclaration de guerre contre le code du travail et les droits sociaux, un état d'urgence permanent... Oh la la ! Tu imagines ce qu'on va prendre ?

- Oui : les armes !



Where law &  
economics  
can help



# The problem of social cost, Coase (1960)

- The problem of social cost does not refer to the market failure (smoke, foul air, noxious vapor), but the “*opportunity cost*” of limiting one economic activity p439
  - What will be gained in one activity will be lost in another
- In the presence of transactions costs, judges determine ‘*who has the legal right to do what*’ p440
- Compare the “*total product yielded by alternative social arrangements*”, p439

# Technology changes the total social product

- *Andreae v Selfridge and Company Ltd.*, 1938
  - « *As time goes on new inventions or new methods enable land to be more profitably used, either by digging down into the earth or by mounting up into the skies* »
  - When the rule speaks of « *common or ordinary use of land ... does not mean that the methods of using land and building are ... to be stabilised for ever* »

# Licensing of © works by LLMs?

- Compensation to copyright holders does not take into account fall in the social value of production for others
  - Absent TC, this is not a problem
  - With TC - which is the normal case - this is a problem
  - Courts and lawmakers to set legal arrangement that maximises social value
  - Empirical question
- Fair use
    - *Thomson Reuters v. Ross Intelligence* (D. Del., Feb. 11 2025) ❌
    - *Bartz v Anthropic*, (Northern District of California., June. 23 2025) ✅

# The Dilemma

- Intellectual creation v technological development
- Are there differentials in movies, television, music books, newspapers and magazines?
- Incentives may matter more in some activity (journalism) than others (music)
- Incentives of creators may not matter at all

# AI Externality => Disrupting Economics of Journalism?

- Digital shift from advertisers first to readers first
- GenAI commodification of opinion > reporting
- Increased competition in opinion leading to lower production costs and decreasing subscription revenue
- What cross subsidy towards facts, truth, and trust
- What should courts and lawmakers do?
  - 2S => 1S => 2S
  - Product differentiation => music industry?
  - Newspapers to get more data for retargeting?

# Kaldor-Hicks improvements

- Theory
  - The larger national dividend can be redistributed for the challenge of « *dealing with losers* » (Trebilcock, 2014)
- Practice
  - Capital flight and brain drain
  - Regulatory capture (Stigler, 1971)
- Ultimately, « *problems of welfare economics must ultimately dissolve into a study of aesthetics and morals* » (Knight, 1960 in Coase)

# A new IO

News Agencies / Wire Services  
(Reuters, AP, AFP)



Publishers / Editors /  
Broadcasters (NYT, BBC,  
Politico)



Distribution & Aggregation  
Platforms (Yahoo News, X,  
Reddit)



Advertisers



Audience

News Agencies / Wire  
Services



GenAI UIs



Audience



# Conclusions

- No one size fits all answer to who should pay and how much
  - Sector specificity, activity specificity, ...
- Unseen liability targets w/ possible free riding on economic activity