

Do the media lead entrepreneurs astray?

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If you're looking for reliable information, then you won't necessarily find it in the newspaper. According to Dr. Susan Glover from the University of California in the US, public information from both informal and written sources, like newspapers, leads entrepreneurs astray. In a study just published online in Springer's journal *Human Ecology*, Dr. Glover took as an example how newspaper propaganda shaped the ore foraging strategies of the late nineteenth century Colorado silver prospectors.

It is a puzzle why individuals would allow questionable information from the media to dictate their economic strategies. Yet, it is not uncommon for investors to be overenthusiastic during mass economic events, including the dot.com boom and the recent [economic crisis](#).

Dr. Glover used the Colorado silver rush as a case study to investigate the role of the media and public information in shaping economic strategies, by comparing actual and optimal foraging behaviors (known as central place foraging, or CPF, behaviors*) - in this case, of silver prospectors in Gothic, Colorado. The data was gathered from the newspapers of the time, since the information in them is a "fossilized" version of what the public would have known from more informal sources, such as saloons.

As it turns out, the information in the local newspapers exaggerated ore concentrations and led prospectors to underestimate the actual risk and investment of time and energy they were taking. Because the "payoff" was not worth the risk (part of which was the distance from the town to

the mines - not CPF behavior) prospectors ended up over-risking their investment.

This case shows that while the media can exploit the public by appearing to supply accurate information, the media themselves are being misled.

The deeper lesson learned in this study is, that in an environment where decisions are based on information provided (and presumably manipulated) by others, [risk management](#) is practically impossible and has a high potential for failure.

A very extreme case of this is the recent global financial crisis - individuals were underestimating their economic risk (subprime mortgages) based on what media and economic specialists were reporting. And based on the CPF model, they wandered very far away from their home base with the false hope of a bigger payoff or a better life.

More information: Glover SM (2009). Propaganda, public information, and prospecting: explaining the irrational exuberance of central place foragers during a late nineteenth century Colorado silver rush. [Human Ecology DOI 10.1007/s10745-009-9270-1](#)

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