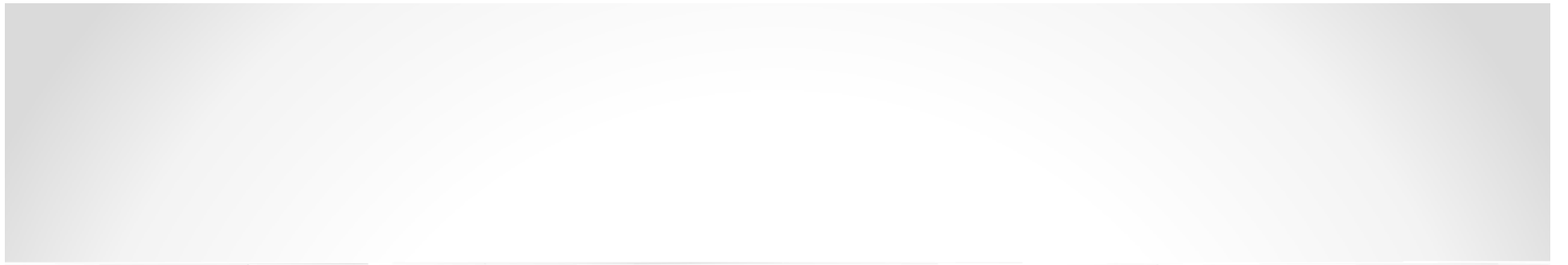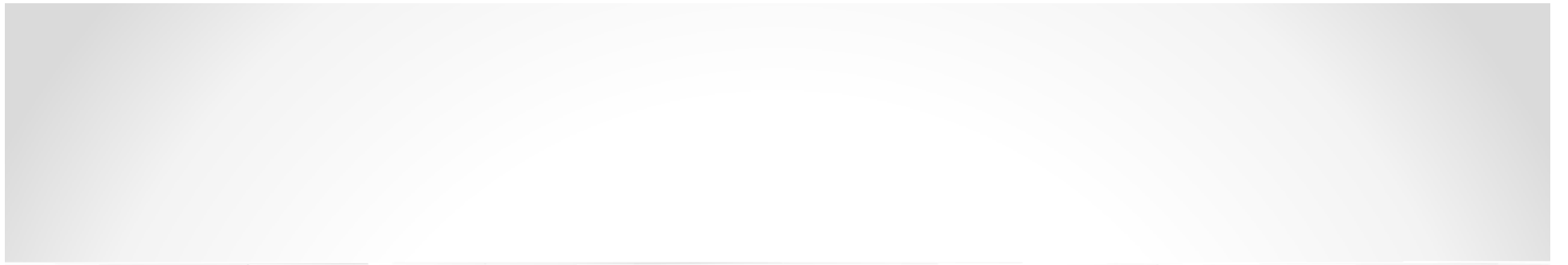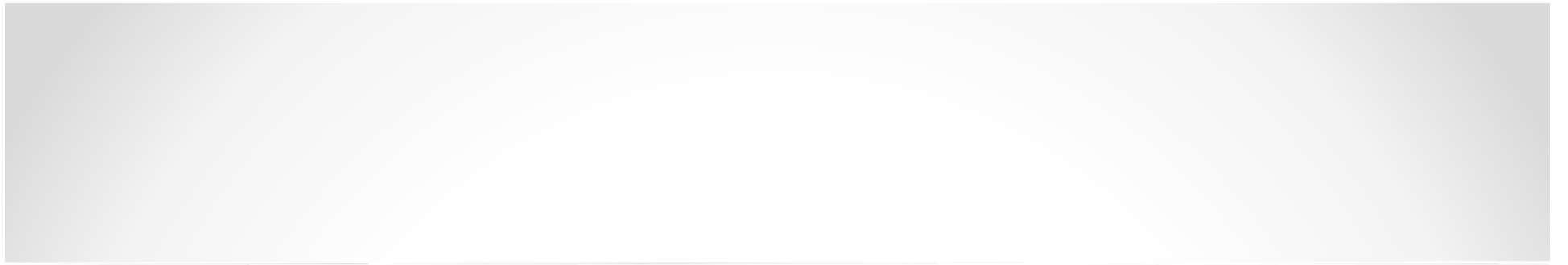Discussant:

Ginger Zhe Jin

University of Maryland & NBER

1. Influencer may engage in an activity that the follower dislikes (advertise)
2. The follower can only use "following" to curb the undesirable activity, based on a noisy signal (good advice)
3. Following implies costly commitment (attention)
4. Ad technology is exogenously given
5. Total surplus is fixed

- **Question #1: what is the objective function?**
  - Followers' payoff
  - Total payoff

- **Question #2: what is the best tool to achieve that?**
  - Change the ad technology (e.g. ad payoff rules)
  - Restrict the influencer's behavior directly
  - Raise the follower's outside option
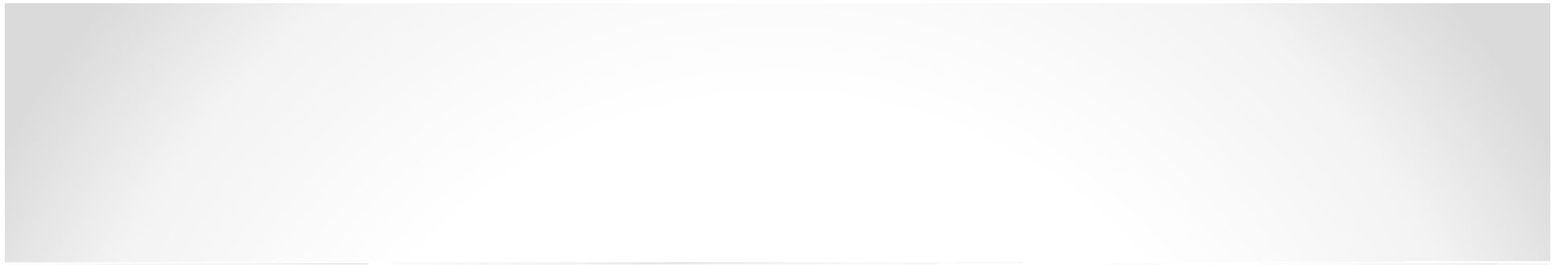
- I agree that FTC guideline affects both the return to disclosed ad and the return to undisclosed ads

- But the impact on the two is interdependent:
  o Because disclosure is endogenous
  o Disclosed ads will change follower's perception of undisclosed ads

- FTC disclosure guidance can also <u>change the rule</u> of dividing the total surplus
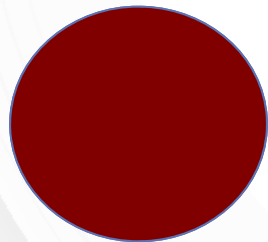
- **Mitchell:**
  - o Suggest FTC only enforces disclosure on small influencers
  - o Keep the return of harvesting followers large, which in turn encourages influencers to grow big (via no ads)

- **FTC practice: quite the opposite**
  - o FTC caught Kim Kardashian in Sketchers (for deceptive advertising, 5/2012)
  - o FTC sent warning letters to 21 social media influencers (4/2017)
  - o Justified by potentially large consumer damage from big influencers

- ## A novel and general model
  - o Tons of potentials

- ## Many interesting insights
  - o Encourage harvest in order to promote good advice
  - o Advertising tax needs to be asymmetric (between today and tomorrow)
  - o Competition can undermine good advice because it reduces future returns

- ## Get closer to real business models and real policies