

Take it to the Bank! Local Discourse and Deposits

Abstract: Using a hand-collected dataset on almost one million local television news stories in the U.S., this paper shows that depositors respond to changes in the intensity of reporting about the COVID-19 pandemic by holding more demand deposits. Counties, where pandemic news stories are 10 percentage points more frequent relative to all news stories hold 1.3% more demand deposits after the onset of the pandemic. This effect holds when controlling for the intensity of the pandemic and several other alternative explanations. Further evidence suggests that local news reflects the intensity of local discourse, which in turn causes a spike in deposits, especially in counties with a weaker social structure. The results suggest that the intensity of societal discourse around an event can have significant implications for banks and the real economy.