

Banking Local: Media Slant, Erosion of Trust, and Financial Decisions

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“The public’s trust in banks is an important aspect of a thriving and stable banking system. Without trust, banks cannot attract or retain customers, including depositors, or meet the credit needs of the communities they serve.”

*Office of the Comptroller of the Currency, Department of
the Treasury (June 2023)*

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In this paper, we explore how broadcast media (i.e. TV news) affects the way that the local population uses banks.

Banks build trust in several ways.

Institutional safeguards: Deposit insurance and strict regulation support confidence in the banking system.

Contractual commitments: Products, services, and account terms specify what a bank promises its customers.

Banking relationships: Past treatment and expectations for this treatment in the future.

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Banking relationships: Past treatment and expectations for this treatment in the future.

Customers must trust in bank's incentives to preserve the relationship.

Customers who anticipate needing flexibility must trust the bank's willingness and ability to help.

Our Economic Model: Information shapes trust in banks.

Households use information to assess banks' willingness to offer flexibility.

- Local relationships provide direct evidence.
- Public information is more important for national institutions.

The media disseminate and interpret broad information about the economy and its institutions.

- General news coverage can erode relationship trust.
- Information changes expectations about a bank's actions and a household's future needs.

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When news coverage increases uncertainty the local population should shift banking to more trustworthy banks.

Empirical Design:

Identify a shock to the type of media available in a local geography.

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Measure its effects on where people bank

- Local and National Banks

And how people bank

- Bank deposits

- Bank mortgage applications and approvals

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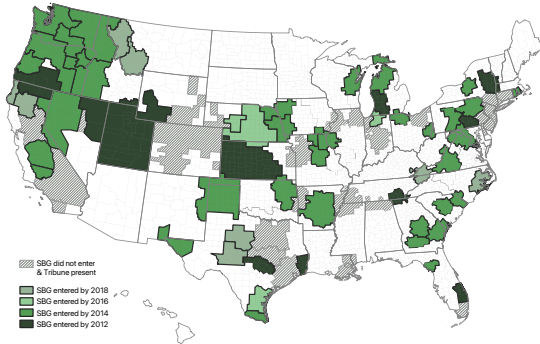
And how people bank

- Bank deposits
- Bank mortgage applications and approvals

Measure its effects on the banking market

- Bank entry/exit;
- Branch openings/closures;
- Bank pricing

Media Slant Shock – Sinclair Broadcast Group (SBG) Acquisitions



Documented slant towards (i) national-oriented (ii) increasing uncertainty wrt national institutions.

Identification and Regression Specification

Challenge 1: Selection effect wrt SBG acquisition

Solution: Use failed acquisition of Tribune Media to form comparison group of counties

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Challenge 2: Heterogeneity of treatment due to staggered entry

Solution: Use Local Projections Difference-in-Differences

Data

Hand collected station data - **Slant**

- Company filings, scraping
- Control for indirect ownership
- Between 1994 and 2017

Gallup Confidence in Institutions Survey - **Trust**

FDIC Summary of Deposits - **Deposits**

Call Reports - **Household Deposit Products**

HMDA loan data - **Loans**

RateWatch (S&P) - **Pricing**

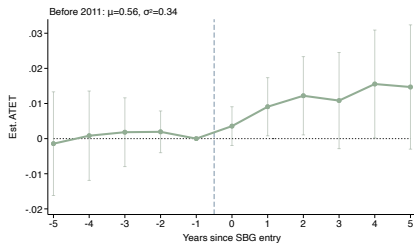
Census Data - **Demographics**

HOUSEHOLD DECISIONS

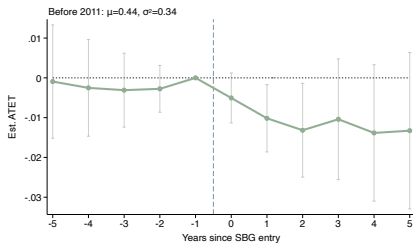
BANKING MARKET

TRUST

Deposits moved from National to Local banks



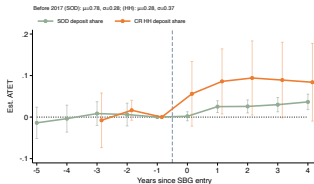
(a) Local Banks



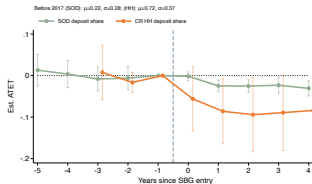
(b) National Banks

Estimated Household Deposits from Call Reports

Panel A: Household Deposit Balances

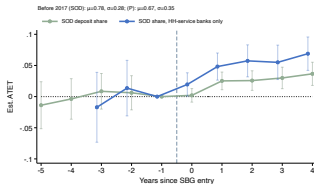


Local Banks

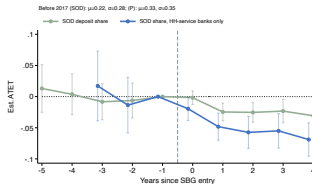


National Banks

Panel B: Banks Offering Household Deposit Products

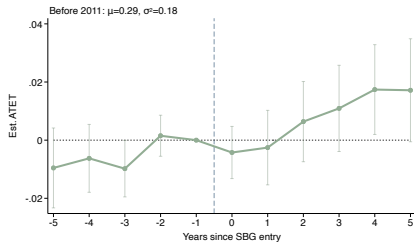


Local Banks

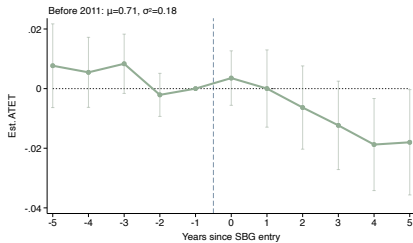


National Banks

Loan Applications moved from National to Local banks



(a) Local Banks



(b) National Banks

The response extends across income groups.

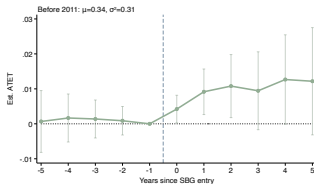
Both higher- and lower-income households shift mortgage applications toward local banks.

The response is stronger in counties with more volatile wages before SBG etnry.

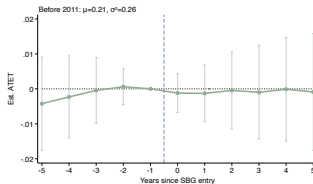
This pattern is consistent with a greater potential need for bank discretion, independent of income level.

Holding Company status proxies for local decision authority

Panel A: Deposit Shares

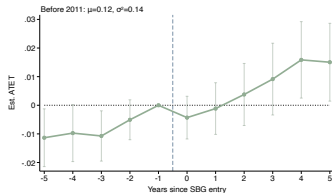


Local Organizational Form

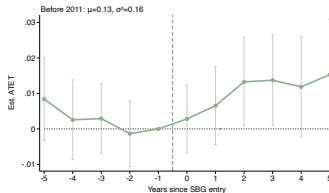


Non-Local Organizational Form

Panel B: Loan Application Shares



Local Organizational Form



Non-Local Organizational Form

HOUSEHOLD DECISIONS

BANKING MARKET

TRUST

Local banking markets did not change.

Loan approval rates remained the same.

Entry, exit, expansion, and contraction remained the same.

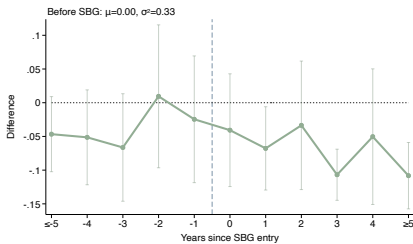
Local banks did not make rates more attractive.

HOUSEHOLD DECISIONS

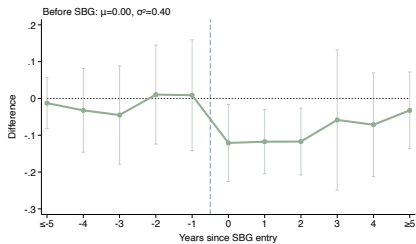
BANKING MARKET

TRUST

Trust in large institutions declined.

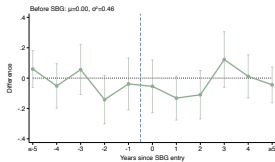


(a) Banks

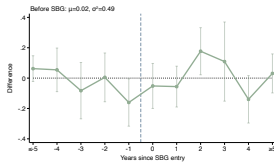


(b) Big Business

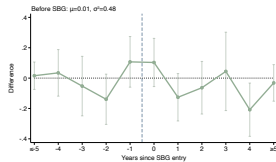
Trust in local institutions was steady.



(a) Small Business



(b) Church



(c) Police

These results are robust to economic factors:

County-level deposits and GDP.

Local Economy

Regulatory Stress Tests.

CCAR Stress Tests

Alternative Definition of Local Banks.

Local Banks

These results are robust to estimation choices:

Other estimators (AS, CDH, CS).

Estimators

Restricting Sample.

Restrict Sample

Propensity Score Matching.

Propensity Score Matching

Parallel Trends Violations.

Parallel Trends

In summary, media slant affects banking decisions.

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Media entry tilts slant towards coverage of national events with a negative tone.

Local population changes where it banks:

- shift deposits and borrowing to local banks

Banks do not change their local presence

- entry/exit/branching

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A reduction in trust is the mechanism driving the decisions:

- Trust in banks and “big business” declines

Conclusion

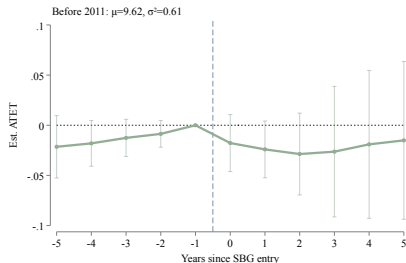
This study shows that media slant affects a foundational financial decision made by the near-universe of U.S. households:

Where to Bank

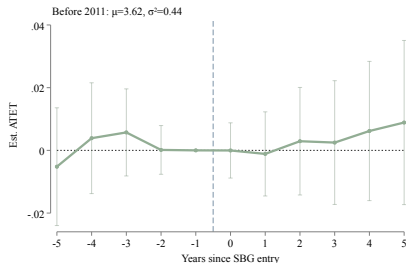
Local banks are an essential component of the local banking ecosystem.

→ People turn to them when they lose trust.

Trends in County-Level Deposits and GDP per capita



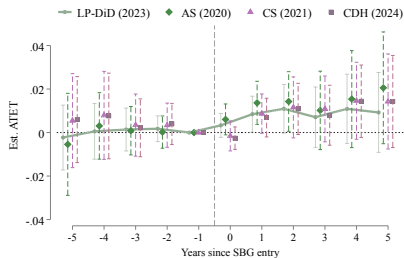
(a) Total Deposits per capita



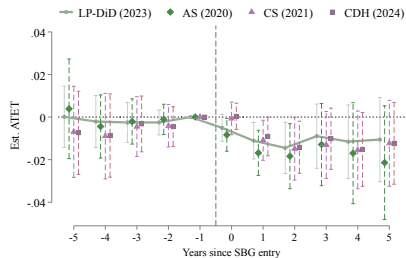
(b) Local GDP per capita

[Back](#)

Other Estimators



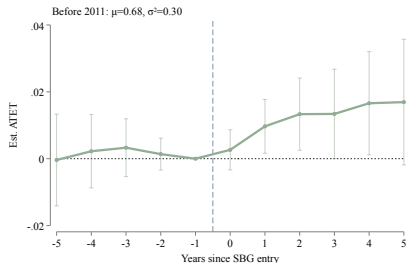
(a) Local Banks



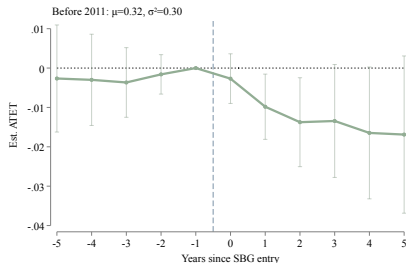
(b) National Banks

[Back](#)

Only Tribune Sample



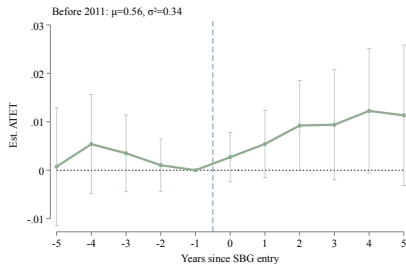
(a) Local Banks - Tribune



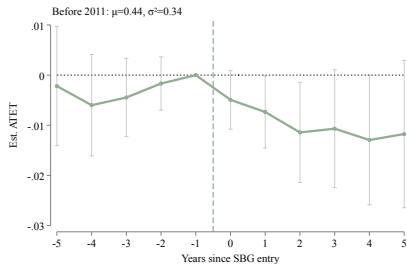
(b) National Banks - Tribune

[Back](#)

Propensity Score Matching



(a) Local Banks



(b) National Banks

[Back](#)