# The Speed of the Audience

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**W**hen you hear "financial communication" you probably think of the comprehensive annual financial report (CAFR) management's discussion and analysis (MD&A). Or maybe the annual budget transmission letter. Or perhaps a well-designed website. You probably don't think of social media. But you should. As today's young folks like to say, if it's not on social media, it didn't happen.

On social media, for better or worse, citizens act like customers. They want useful information, and they want it in real time. For state and local governments that's both an opportunity and a challenge. Social media is a cheap and easy way to share financial information with a huge audience. When used well, it can also put the right information in front of the right people at the right moment, and that can produce financial and other benefits. For instance, studies have shown that "followers" and "likes" can influence a company's stock value, and that views expressed in social media can predict future stock prices.[1]

But it's also a challenge because, unlike the CAFR or the budget, governments don't control the content that appears in social media. Influencers of all sorts, many of them poorly informed and reckless in their intent, can quickly take over the conversation. Nonetheless, many financial communications experts agree that the opportunities are too great to pass up. Today's state and local finance officials must move at the speed of the audience.

That raises a key practical question: How can state and local finance officials use social media effectively, but appropriately? In particular, how can they share information quickly, but in ways that are transparent, balanced, and thoroughly grounded in a historical and financial context? This is a tall order.

A good place to start is to pay careful attention to your jurisdiction's financial mood or narrative. What overall tone do your communications on social media convey to citizens, taxpayers, journalists, and others? And is that the tone you intend to convey?

To illustrate, consider this brief case study from Twitter. Financial officials in the 50 largest U.S. cities and the 50 largest counties have established 53 official Twitter accounts. They include city and county auditors, budget offices (including independent budget offices and those run by mayors/executives), revenue officials like assessors and tax collectors, and chief financial officers (CFOs)/treasurer/comptrollers. Some of these officials are elected, and some are appointed. From January 1, 2018, through June 20, 2020, they collectively tweeted more than 72,000 times. Those tweets can tell us a lot about the story they're telling.

Their body of tweets included more than 1,500 unique words that convey one of four "sentiments."[2] Words

## Exhibit 1:

Most Common Sentiment Words in State and Local Finance Officers' Tweets

| | Before COVID-19 | After COVID-19 |
|---|---|---|
| 1 | Happy | Closed |
| 2 | Excited | Questions |
| 3 | Honor | Crisis |
| 4 | Enjoyed | Effective |
| 5 | Opportunity | Vulnerable |
| 6 | Leadership | Critical |
| 7 | Improve | Required |
| 8 | Fraud | Honor |
| 9 | Question | Law |
| 10 | Inconvenience | Risk |

Source: Author's analysis of 72,128 tweets; January 2018-June 2020

like "improve" and "effective" convey positive sentiment. "Closed," "crisis," and "vulnerable" convey negative sentiment. Uncertainty comes through in words like "preliminary" or "precaution." And words like "court," "appeal," or "contract" convey a litigious sentiment. These words appeared more than 33,000 times.

A key point from this style of textual analysis is that the audience perceives these words as conveying a particular sentiment regardless of the intended sentiment. This is especially important in finance, where words like tax and expense are part of the typical finance lexicon and do not convey bad news. But citizens and taxpayers could certainly seem them that way.

Exhibit 1 shows the top ten most common words appearing in tweets before and after the COVID-19 crisis took hold on March 12, 2020. Before COVID, positive sentiment words like "happy," "excited," and "honor" dominated the finance narrative. Perhaps not surprisingly, since COVID, words like "closed," "questions," and "crisis" have taken over.

COVID-19 provided a great opportunity to see how sentiment changed. We might think the prevailing sentiment during the pandemic would be uncertainty about the spread of the virus and how it might affect taxes, spending, pension assets, and other key areas of state and local finance. Is that what happened?

It turns out the sentiment went really sour. Exhibit 2 shows how sentiments changed. The light blue dots show that sentiment as a percentage of total sentiment words before COVID-19, and the dark blue dots show that percentage after COVID-19. The results are broken out by the type of official.

Budget offices and chief executive officers (CEOs) both shifted sharply negative. CEOs were 58 percent positive before COVID-19, but only 25 percent positive

after. They also went from 28 percent negative to 62 percent negative. Budget offices were 42 percent positive before COVID-19 and only 10 percent positive after. CFOs went from 36 percent negative to 57 percent negative. Fully 40 of those officials' total sentiment shifted from net positive to net negative.

Meanwhile, there was no noticeable increase in uncertainty. Budget offices also trended strongly to litigious, which increased from 18 percent litigious to 37 percent.

Was the goal to convey negativity? I doubt it. But with a steady stream of "closed," "vulnerable," and "shortfall" flowing through Twitter, that's the mood that emerged. The key lesson here is to be deliberate. Have a plan for the content you want to convey through social media and be mindful of the mood that content sets. ⬛
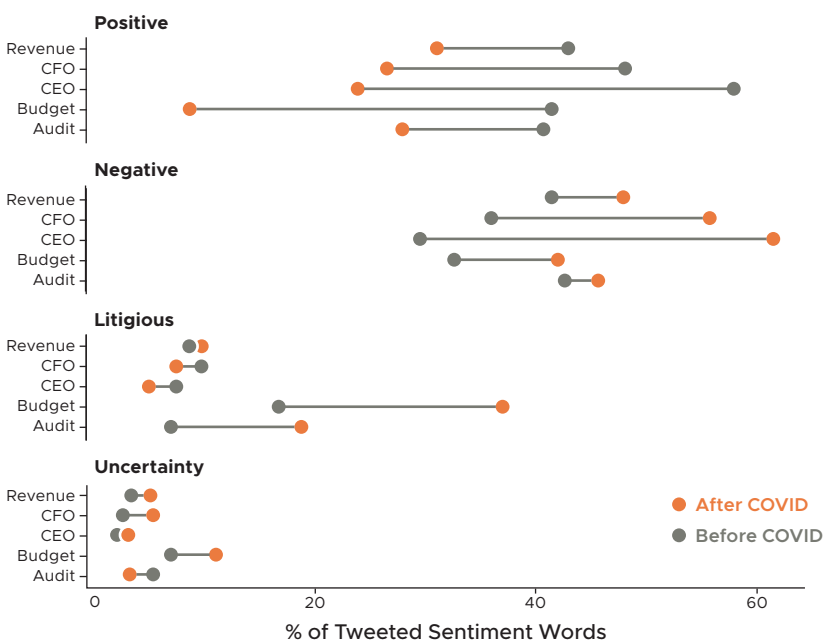
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[1] Jordi Paniagua and Juan Sapena, "Business Performance and Social Media: Love or Hate?" *Business Horizons* 57(6), 2014; Hailiang Chen, Prabuddha De, Yu Hu, and Byoung-Hyoun Hwang, "Wisdom of Crowds: The Value of Stock Opinions Transmitted Through Social Media," *Review of Financial Studies* 27(5), 2014.

[2] This analysis is based on methods developed in Tim Loughran and Bill McDonald, "When is a Liability Not a Liability? Textual Analysis, Dictionaries, and 10-Ks." *Journal of Finance* 66(1), 2011. Those methods were applied to governments by Kevin T. Rich, Brent Roberts, and Jean X. Zhang, "Linguistic Tone and Internal Control Reporting: Evidence from Municipal Management Discussion and Analysis Disclosures," *Journal of Government and Non-Profit Accounting* 7(1), 2018.

**Exhibit 2:** **Sentiment Turned Sour**
Local Finance Officials' Tweets, Before and After COVID-19



Source: Author's analysis of 72,128 tweets; January 2018-June 2020