

Reproductive Healthcare and Public Financing Costs

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Abstract

After the U.S. Supreme Court overturned *Roe v. Wade*, states with abortion “trigger” bans tied to the decision see an increase in municipal bond yields relative to states with preexisting laws protecting abortion. The effects are stronger in counties where access to abortion services decrease more after the court ruling, where residents are more accepting of abortion, and which rely more on female workforce. Using the stock market’s reaction following the Court’s decision and the staggered state-level adoption of laws targeting abortion providers, we identify deteriorated firm value, worsening business dynamism, and lower net in-migration as key factors underlying the rise in municipal bond yields. Together, our results highlight the importance of reproductive healthcare policies in driving local economies and public financing costs.

Introduction

The right to access reproductive healthcare is a highly contentious issue fueled by debates about gender equity, human rights, and morality. Abortion is a particular case in point. Ever since the landmark decision *Roe v. Wade* (1973), which legalized abortion nationwide, states like AK, OK, and IN have enacted numerous anti-abortion restrictions while others like CA, CO, and DE have enshrined protection for abortion in state laws.

Abortion policies could have ramifications beyond the legal and political realms, leading to major impacts on local economies. In this paper, we explore **how policies pertaining to abortion are priced in the municipal bond market and quantify the economic impacts** therein.

Methods

We exploit **variations in preexisting state laws on abortion and the overturning of *Roe v. Wade*** to identify the effect of restricting access to abortion on public financing costs.

$$Y_{i,t} = \sum_{t=-7:t \neq -3}^7 \beta_t \times Trigger_{s(i)} + \delta' X_{i,t} + \alpha_t + \alpha_i + \epsilon_{i,t}$$

- $Y_{i,t}$ is secondary-market transaction yield (in bps) for municipal bond i in month t
- $Trigger_{s(i)}$ is 1 if state s had abortion “trigger” bans in place, which were designed to quickly ban abortion if *Roe v. Wade* were overturned
- Control group is states with preexisting laws protecting abortion
- We also control for bond characteristics, year-month FEs, and bond FEs

Effects of Overturning *Roe v. Wade*

We find that

- Municipal bond **yields in Trigger states increase by 7-11 bps** relative to those in Protect states after the overturn, equal to ~3% of the mean (**Fig 1, a**)
- The effects are stronger in counties
 - where access to abortion services decrease more after the ruling (**Fig 1, b**)
 - which are more accepting of abortion
 - which rely more on female workforce

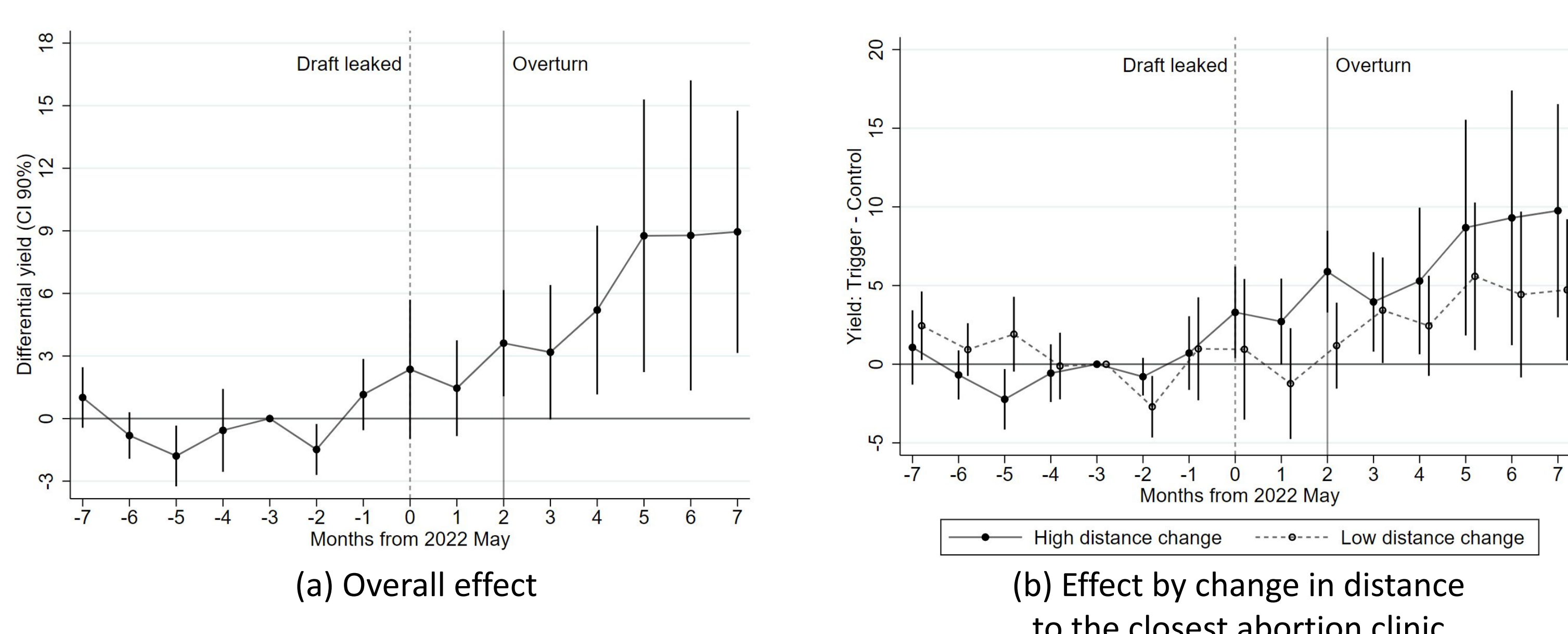


Fig 1. Effect of Overturning *Roe v. Wade* on Municipal Bond Yields (General Obligation bonds)

Exploring Channels

We explore underlying channels by examining the impacts of abortion restrictions on two vital determinants of local economies and tax bases: firms and residents.

We exploit the **staggered state-level adoption of laws targeting abortion providers (TRAP laws)** and identify the following driving forces for our findings:

- Deteriorated firm value
- Worsening business dynamism (**Fig 2**)
- Lower net in-migration (**Fig 3**)

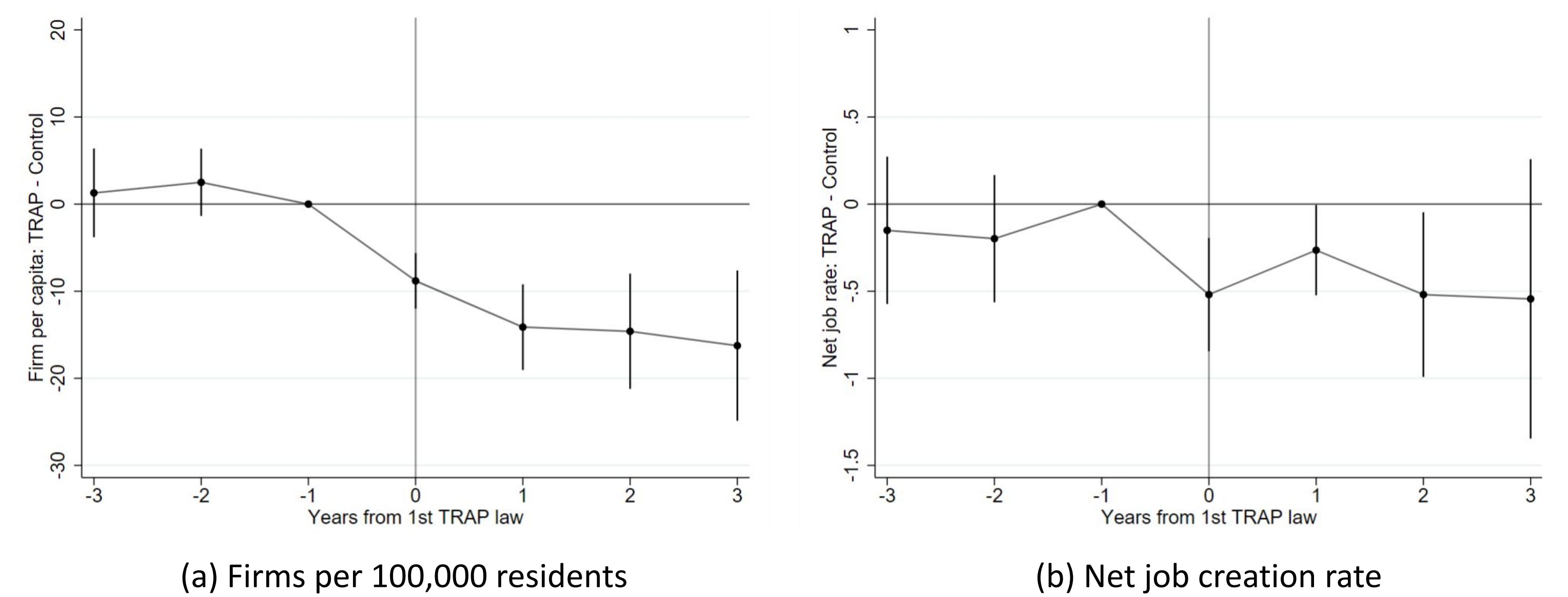


Fig 2. Effect of TRAP Laws on State-level Business Dynamics

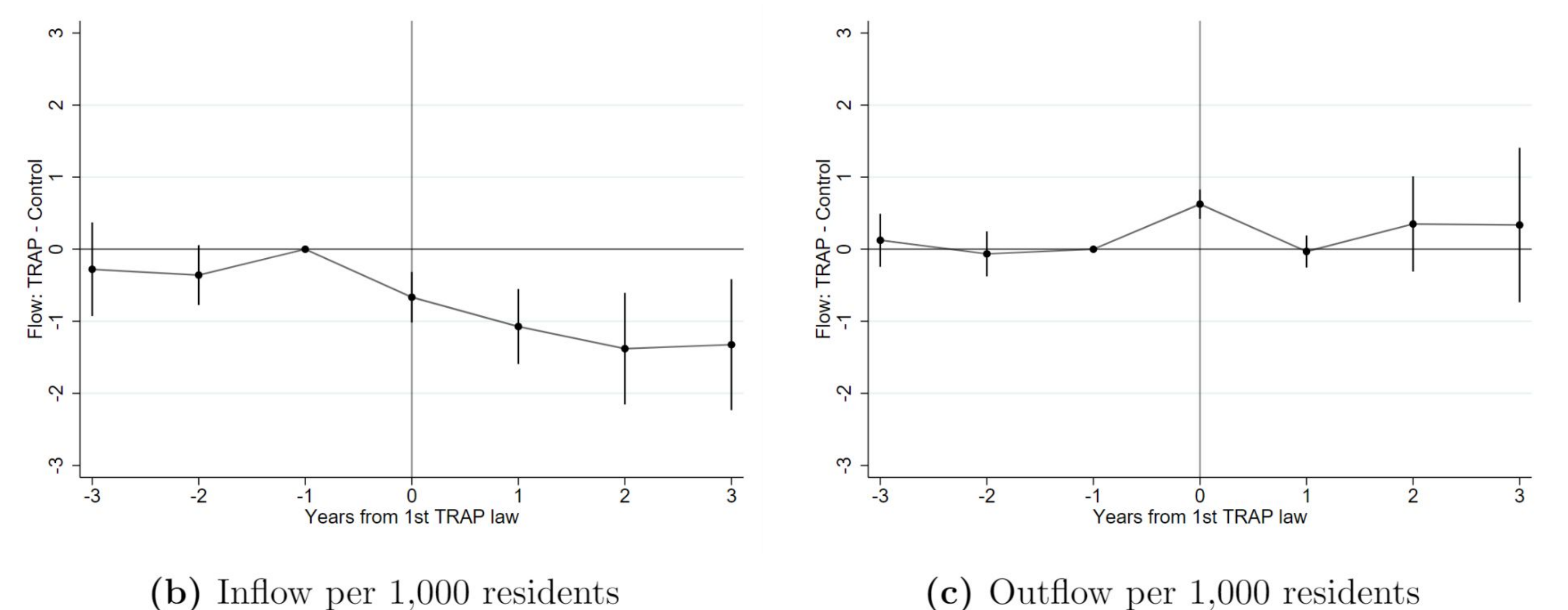
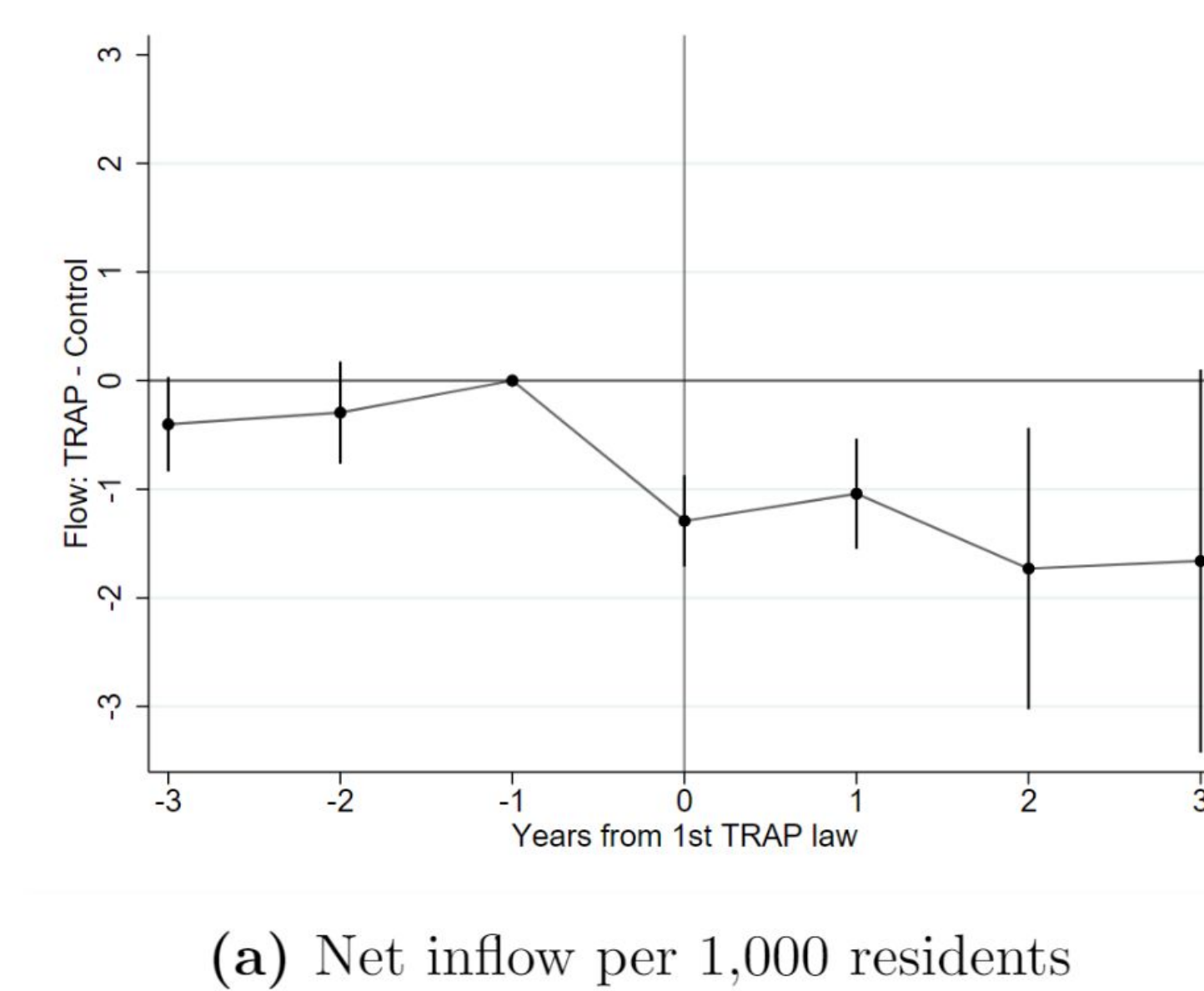


Fig 3. Effect of TRAP Laws on Cross-State Migration

Conclusions

Our findings suggest that **abortion policies could lead to shifts in business activities and changes in labor supply**, affecting local business dynamism and reshaping the lines of economic competition between states.

In addition, given the vital role of public financing in supporting government operations and public projects, our documented **effects on municipal bond yields will have implications for public services, infrastructure, and economic growth.**

Lawmakers should consider the economic ramifications of abortion policies in addition to their legal and moral implications.

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