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Chapter One

INTRODUCTION

PUBLIC DISCUSSION regarding abortion policy in the United States tends to focus on the ideological extremes. Active participants in the debate typically align themselves with a pro-life or pro-choice position. To generalize, pro-life supporters view a fetus as a form of life with its own rights, so that abortion represents the taking of a life. Women who get pregnant with babies they do not want should carry the pregnancy to term and give up the child for adoption. Pro-choice activists believe in a woman's right to control her own body, and the ability to have an abortion represents an expression of that right. Whether or not a fetus is a person is a complicated question that each individual should be able to answer personally, and so each woman, not the government, should be allowed to weigh the trade-off regarding ending the pregnancy and what is best for her. Of course both positions can be argued far more elaborately and others hold positions intermediate to these, but these broad extremes frame the debate.

The clash in these ideologies has resulted in an impasse so great that only infrequently is the topic seriously addressed in public debate. Occasional flare-ups sometimes erupt, like that regarding "partial birth abortion" or the approval of RU-486, also known as the "abortion pill" or Mifepristone. But, for the most part, positions regarding abortion have become so deeply entrenched and the arguments so routine, that one can accurately forecast the course of an argument about abortion based on an individual's first few words. It is unnecessary to continue to fill in the rest since everyone knows what the details are going to be.

The 2000 presidential election provides a perfect example of this. Three debates between Vice President Gore and Governor Bush were held that year, each lasting an hour and a half. In the course of these debates, the candidates answered questions about abortion just once. During the one interchange that took place, Vice President Gore stated, "The main issue is whether or not the *Roe v. Wade* decision is going to be overturned. I support a woman's right to choose; my opponent does not" (Commission on Presidential Debates, 2002). Subsequently, Governor Bush affirmed that position, indicating "I am pro-life." With little additional detail regarding the broader issue of abortion availability, that exchange characterized the extent of the debate on a very complex issue.

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Yet within this polarized environment, it is ironic that the majority of Americans do not hold views that are consistent with either of these ideological positions. The Gallup Organization routinely surveys the nation regarding individuals' views on abortion policy; some of its survey results are presented in more detail in chapter 2. Periodically they survey a random sample of the population regarding the circumstances under which abortion should be legal. The majority of Americans (57 percent in January 2003) routinely report that the specific circumstances matter. The rest are roughly evenly split between those supporting abortion in any circumstance or under none. If the circumstances matter so much for so many people, then the issue for them cannot be solely about ideology.

President Clinton provided one expression of this more pragmatic view of abortion policy, stating at the 1996 Democratic National Convention that "abortion should not only be safe and legal, it should be rare." This centrist view focuses more on behavior than ideology. Although women should have the right to have an abortion, one would prefer that they do not exercise that right too often; avoiding pregnancy in the first place would be preferable. From this perspective, the outcome of interest is the behaviors (pregnancy and abortion), not the support of a philosophical argument.

Such a behavioral perspective has taken on additional importance in light of a recent U.S. Supreme Court decision. In 1992, the court ruled in *Planned Parenthood of S.E. Pennsylvania v. Casey* that restrictions on abortion access would be deemed constitutional so long as they do not impose an "undue burden" on women. This decision is controversial in the sense that no specific definition was provided for what this standard specifically entails. The court only provided the additional comment that "an undue burden exists, and therefore a provision of law is invalid, if its purpose or effect is to place substantial obstacles in the path of a woman seeking an abortion before the fetus attains viability." Although it may be difficult to identify whether an undue burden is present, one approach would be to determine the ways in which women's behavior would be altered if the restriction were imposed. For instance, if the restriction led women to give birth to children that they did not want, then perhaps this would satisfy the condition for an undue burden.

The manner in which abortion policies alter women's behavior represents a series of questions that can be objectively answered. How does a change in the legal status of abortion alter fertility outcomes? Does it alter the frequency of abortion? Does that lead to a change in the number of births? More abortions would necessarily reduce births if a policy change altered abortion behavior, but not the likelihood of a pregnancy. However, the policy change may alter the likelihood of a pregnancy, so one could also ask whether pregnancies become more or less prevalent through changes in levels of sexual activity and / or contraceptive use.

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Once one has answers to questions like these, one can take that information and use it to inform a debate about abortion policy from an alternative perspective. In other words, a discussion of abortion policy may be centered on the types of behavioral responses that are brought about by changes in policy rather than based upon philosophy.

The purpose of this book is to apply the tools of economic analysis to understand better these behavioral responses and their implications for policy. It is not intended to supplant in any sense the important philosophical issues on which the traditional debate has focused. In fact, for those who believe deeply in the philosophies supporting either pro-life or pro-choice positions, my approach would be unconvincing and inapplicable. But for others, it may help contribute to their thinking on the topic and inform the debate.

The main hypothesis that I present is that the availability of abortion may be viewed in some ways as a form of insurance. Economists have developed standard models of insurance in which the primary feature of its availability is that it provides those who purchase it with protection against downside risk. If an individual has car insurance and his or her car is stolen or is involved in an accident, the insurance will help pay for it to be replaced or repaired. However, if the insurance provides complete protection, it may bring about behavioral changes for those who purchase it in that it may lead to riskier behavior. If an individual's insurance provided full reimbursement for repair costs or full replacement value if the car were stolen, that person may drive more recklessly or park it in higher theft neighborhoods than he or she would have otherwise. Insurance companies try to minimize this form of behavior by charging deductibles and copayments so that the insured bears some of the cost of a loss, providing some incentive to prevent it from occurring.

The availability of abortion shares some of the features of a standard economic treatment of insurance. The primary feature of abortion is that it provides protection from downside risk in the form of giving birth to a child that is unintended, either because the timing for having a child is bad or because additional children are not desired. On the other hand, if this form of insurance is available at very low cost, it may lead to changes in behavior that increase the likelihood of its being needed. In other words, it may alter decisions regarding sexual activity and contraception that would affect the likelihood of becoming pregnant.

This framework provides specific behavioral predictions that would result in response to changes in abortion policy. If a very restrictive abortion policy is in place, relatively few women may choose to have an abortion. For those women who are pregnant with children that they do not want, they largely may be forced to give birth anyway in this environment. If abortion policies were made less restrictive, women may choose to abort

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a pregnancy rather than give birth to an unwanted child. This represents the protection from downside risk that abortion availability can offer. But at some point, abortion availability may become sufficiently unrestricted that most or all women who would otherwise give birth to an unwanted child will choose to abort. If additional restrictions were removed, few, if any, unwanted births would be averted.

On the other hand, as abortion becomes even more readily available, the scope for changes in the likelihood of a pregnancy grows. Since using contraception or abstaining from sexual activity may be viewed as costly, women / couples may choose to do so less frequently, in essence substituting abortion for contraception, as abortion becomes even more accessible. Moreover, the availability of relatively low-cost abortion provides another benefit to women / couples in that it enables some time to pass between conception and the point at which a decision needs to be made regarding an abortion. This allows the decision makers to obtain additional information regarding the value of giving birth, such as the response of family members, the strength of the couple's relationship, or just the woman's or couple's own feelings about having a child. In this way, getting pregnant with the option to abort is actually advantageous and does not necessarily result solely from the substitution of abortion for contraception.

The implications from viewing abortion in this insurance framework suggest that different types of public policies may have very different types of effects. For instance, outlawing abortion may lead to a significant increase in unwanted births. On the other hand, comparatively smaller restrictions may not increase unwanted births much at all despite reducing the number of abortions performed. The reduction in abortion would be brought about by greater use of contraception and/or less sexual activity, resulting in fewer pregnancies.

Empirical research that has tested these predictions using data from the United States and other countries generally supports these predictions. In the United States, the process of abortion legalization in the early 1970s represented the biggest change in policy; studies of the impact of this policy-change suggest that birth rates fell considerably in response. Since then some states have instituted different forms of restrictions on abortion access, like Medicaid-funding restrictions, parental involvement laws, and mandatory delay laws that make it somewhat more difficult for women to obtain abortions. The reduction in the number of abortion clinics over time in some areas represents another form of moderately restricted abortion access. Overall, there is little evidence to indicate that these forms of restrictions increase the birth rate despite the fact that abortions are found to decline, suggesting that pregnancies become less common in response.

Similar evidence is available from an analysis of changes in abortion policy in other countries. Many countries in Eastern Europe, in particular,

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have experienced changes in abortion policy over the past two decades largely, but not exclusively, linked to political changes in those countries. Almost all of these changes resulted in liberal abortion laws, but the degree to which abortion used to be restricted varied quite a bit. The evidence shows that in countries where abortion was severely restricted, a broad legalization led to a reduction in births. On the other hand, in countries where previous restrictions were relatively modest in scope, legalization did not result in fewer births despite the fact that abortions increased, suggesting that pregnancies rose. Taken as a whole, these findings are consistent with the view that abortion acts like a form of insurance.

In what way can these findings be used to address the question of the appropriate design of abortion policy? At this point, the analogy of abortion as a form of insurance breaks down. As I described earlier, copayments and deductibles are appropriate methods to deal with the incentive issues that result from complete insurance in standard cases. With car insurance, for example, society as a whole is better off if excessive car thefts and accident rates can be reduced since they impose additional costs on society beyond those paid by the owner of the car. A straightforward extension to abortion policy might lead one to think that some form of moderate restriction would be appropriate. By imposing a small cost on the insured as a means to prevent excess use of the insurance, it would reduce "excessive" abortions.

But this implication may not be appropriate here. For instance, women / couples will choose the method of fertility control that is least costly (in terms of money or other factors) for them. If abortion is chosen more often because of its lower cost relative to contraception or abstinence, then it is valuable to them. Therefore, if the abortion decision only had an impact on the couple themselves, abortion should be unrestricted.

The problem with this view is that abortion decisions may also lead to something that economists call an "externality," in which the behavior of one individual has implications for the well-being of others. Such externalities in the car insurance example include the police expenditures and harm to others brought about by greater rates of car theft and accidents. In the present context, however, that externality may be positive or negative for society. Other individuals may promote a couple's ability to make the most informed choice possible or they may decry the outcome of their decision. In fact, violating a woman's right to privacy or taking away a child's life represent extreme examples of externalities that one could incorporate into this decision should one want to reintroduce these philosophical arguments. Either way, incorporating this externality significantly complicates the determination of appropriate public policy. Arriving at a solution requires weighing the advantages received by some

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against the hardships imposed upon others; a definitive solution to this problem is beyond the scope of economic analysis.

In a sense, the analysis presented here mimics the strengths and weaknesses that economic analysis brings to any policy discussion. Economists make a distinction between "positive" and "normative" questions. A positive question asks "what is" and a normative question asks "what should be." For instance, one could ask whether the minimum wage increases unemployment. This is a positive question and economic analysis can provide a strong framework for evaluating this claim (although, in this case it still generates quite a bit of controversy!). The answer to this question, along with other positive questions like the extent to which minimum-wage jobs are held by poor people, could help inform the normative question of whether we should increase the minimum wage.

Typically, economists have far more success addressing positive questions. We can generally offer some insight into how to use the answers generated by positive questions to evaluate the normative question, but the answer to that normative question may remain unresolved. This is the position I find myself in with the analysis of abortion policy in this book. I can attempt to clarify the circumstances under which one would favor a certain set of policies over others, but in the end it is impossible to state definitively what the best set of policies is. Nevertheless, the findings can serve as a reasonably agreed on set of facts that can be used in a broader discussion about the normative question of what form abortion policy should take.

Some of the ideas expressed in this book have been described earlier by others, and particularly by Posner (1992). Posner also treats abortion restrictions as a cost and discusses the impact of changes in its legal status on the likelihood of pregnancy. Moreover, he describes a process of weighing the social costs and benefits of the unwanted births that may result if abortion were illegal, in determining how abortion policy should be set. But there are two main differences between the research presented here and that in Posner (1992). First, his economic analysis is provided at an intuitive level that is consistent with basic economic premises, but the lack of detail overlooks some of its nuances. For instance, no recognition is made of the distinction between minor abortion restrictions and an outright ban in discussing the impact of abortion policy. Second, no empirical evidence is presented to support his hypotheses. It is the combination of economic modeling and empirical evidence that is presented in this book that considerably strengthens the conclusions drawn.

The remainder of the book will provide the material necessary to support and interpret these conclusions based on the theoretical and empirical evidence. Chapter 2 will provide the institutional background in the United States necessary to place the contents of much of the rest of the

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book in context. I will briefly review the legislation and judicial decisions that have shaped the history of abortion policy in the twentieth century. This information will be crucial for the design of the quasi-experiments described in subsequent chapters. I also present an extensive array of statistics regarding abortion in the United States, including, for example, its incidence, trends over time, and the characteristics of those who abort as well as their reasons for doing so.

Chapters 3 through 7 present the main theoretical and empirical analyses. Chapter 3 presents the theoretical framework that provides predictions regarding the impact of changes in abortion policy on individual behavior. The concept of abortion as insurance is derived from this analysis. In chapter 4, I provide an overview of the empirical methods employed to assess whether changes in abortion policy have a causal impact on an individual's behavior. The empirical evidence to be presented will extensively use quasi-experimental methods, and this chapter will provide a primer in their use. Although these methods provide significant benefits for the study of abortion policy, they are not perfect and appropriate caveats are required in order to adequately interpret the findings that come from them. Therefore, I will describe the methods and review both their strengths and weaknesses. I present empirical results for the United States in chapters 5 and 6. The former examines the impact of abortion legalization itself and the latter considers relatively minor restrictions like Medicaid funding and parental consent laws. These results are largely based upon previous research, although some new analyses are reported as well.

Up until this point the analysis has narrowly investigated abortion policy in the United States, but chapter 7 broadens the discussion into the international arena. In particular, I focus on Europe separately, examining Eastern and Western European countries. Initially I present a brief overview of the institutional environment, reviewing legislative changes, judicial decisions, and the statistical background necessary to interpret subsequent analyses. I then conduct empirical exercises analogous to those regarding the United States to investigate the impact of changes in abortion policy on individual behavior.

Although this book will cover a great deal of territory in evaluating the impact of abortion policy, there are still a number of questions that remain unanswered. Chapter 8 will identify some of those questions, describing what we do know about them and what still remains to be understood. The topics covered in that chapter include the impact of abortion policy on other outcomes, like life-cycle fertility, marriage, and the well-being of children, and the impact of welfare reform on abortion. In addition, I will briefly address other abortion policy issues, like the impact of RU-486, partial birth abortion, and the impact of improvements in contraceptive technology compared to changes in abortion access.

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The final chapter summarizes the findings and discusses their implications for policy. After reviewing the findings presented earlier in the book, I will take up the normative question regarding the implications of the positive analysis for abortion policy. As I indicated earlier, this discussion will leave us with a useful framework to help think about appropriate public policy in this area, but it will be limited in its ability to draw specific conclusions regarding what the "right" policy should be. Although I do not conclude with specific policy prescriptions, this book offers the significant contribution of shedding new light on an old question with the hope of stimulating fresh discussion.

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