



Halle Institute for Economic Research  
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# IWH Research Seminar in Economics

June 6, 2019, 14:15–15:45, conference room, ground floor



## The Impact of the Opioid Crisis on Firm Value and Investment

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(together with Paige Ouimet and Kailei Ye, The University of North Carolina at Chapel Hill - Kenan-Flagler Business School)

The increasing rates of opioid abuse has had a significant impact on the United States. This paper shows that the opioid epidemic has implications for firms which must now contend with a lower pool of available and productive workers. We show a negative relationship between opioid prescriptions and subsequent firm growth, after controlling for local economic and demographic conditions. We also show that firms invest in technology to substitute capital for labor and mitigate some of the costs due to the labor shortages. We establish a causal link between opioids and firm values using the staggered passage of state laws intended to limit opioid prescriptions. Following the passage of these laws, we find a 20 basis point increase in the cumulative abnormal return of the average firm and a 50 basis point increase for firms that are less capital intensive pretreatment and thus have not invested in technology as a means to mitigate the negative effects of opioids on the pool of available workers.

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