

# Heat Babies: Pre-Natal Exposure to Hot Temperatures Predicts Stock Market Investments Later in Life

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Recent insights show that pre-natal exposure to extreme heat negatively affects labor market outcomes later in life. We investigate whether extreme temperatures affect financial risk taking. Using data from a large panel study in Western Australia, we show that pre-natal exposure to days with mean temperatures exceeding 32 degrees Celsius reduces the likelihood that people hold stocks in adulthood. The channels through which pre-natal heat exposure affects stock market participation is through lower educational attainment, reduced financial literacy and lower income. Air conditioning in the household almost entirely offsets the negative consequences of hot outside temperatures. Together, these results show that adapting to extreme climate is not only important for the development of human capital, but also for building up financial capital. This contributes to the increasing evidence in economics showing that developments in early life have long-lasting effects for later-life outcomes.