Using Regional Variation in Wages to Measure the Effects of the Federal Minimum Wage
Card (1992)

`https://github.com/s-saisw/readingSummary`

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1 Research questions & contribution

To evaluate the effect of federal MW on teenage wages, employment, and school enrollment. Since this increase of the federal MW is a national event, Card (1992) employs "fraction affected" as an explanatory variable.

2 Methodology

- This paper is at *state-level* with focuses on *teen employment* as they are at the bottom of the wage distribution.
- Fraction affected is incorporated in a structural model as follows:

$$\Delta W_i = a + bFA_i + cX_i + e_i \tag{1}$$
$$\Delta E_i = \alpha + \beta \Delta W_i + \gamma X_i + \epsilon_i. \tag{2}$$

  Then the reduced form can be written as follows:

$$\Delta E_i = (\alpha + a\beta) + b\beta FA_i + (\gamma + c\beta)X_i + \beta e_i + \epsilon_i. \tag{3}$$

  This paper estimates both reduced form and *IV regression*.
- The main specification involve only at two points in time: *before and after* the increase.
- Besides pooling all states, it also presents *grouped analysis*, defining states with smaller fraction affected as control.

3 Main results

- Teenage wages ↑
- No teenage employment loss.
- No change in teenage school enrollment.

References

Card, D. (1992). Using regional variation in wages to measure the effects of the federal minimum wage. *ILR Review*, 46(1):22–37.