

IAB-Colloquium 2008

Arindrajit Dube (Institute for Research on Labor and Employment, UC Berkeley)

### **Minimum wage effects across state borders: Estimates using contiguous counties**

#### Abstract

Most local case studies of minimum wages do not find significant employment effects, while studies using national data find some negative effects for teenagers. We develop and apply two local estimators that compare all contiguous counties or metro areas in the U.S. that straddle a state-based minimum wage differential.

The local estimators show no adverse employment effects. Moreover, we reconcile the local and national level estimates by showing that the negative elasticities in national panel models are generated by unobserved spatial heterogeneity in employment trends that are unrelated to minimum wage policies. We can also rule out other explanations for the difference between local and national level estimates, such as lagged or long-term effects of minimum wages.