

Does Minimum Wage Cause Inflation in Iran?

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Abstract

This paper presents a brief study on the development of prices and wages in the Iran's economy over the period 1949 – 2013. The Granger causality test is applied to examine causality between change in prices and wage inflation. The application of Granger causality test proves that there is a bidirectional relationship between inflation and wages. We believe that the outcomes of this research will have a crucial impact on the decision makers planning for economic activities in Iran.

Keywords: *Granger Causality test; inflation; Minimum Wage*