

Difference in Differences

Economics

Comparing change over time between a treated and untreated group.

The design.

1

Identify treated and control groups

One receives the policy, one does not.

2

Measure both before

Establish the pre-treatment levels and trends.

3

Measure both after

Same outcomes, same measurement.

4

Difference twice

Change in treated, minus change in control.

5

Check parallel trends

Did they move together before the treatment?

The parallel trends assumption is what the design rests on. Plot the pre-period; if trends diverge, the estimate is not credible.