

high minimum wage tends to cause firms that use much unskilled labor to migrate. This provides some harmonization pressure on minimum wage differentials. The large differences that exist among state and provincial minimum wage laws, however, give rise to no strong average international differences and, hence, little international harmonization pressure.

Labor Mobility

Similar considerations apply to labor as to capital. Harmonization pressures that work through labor mobility follow from policies that influence international income differentials. Overall per capita income, real wages by sector, industry, and occupation, and the general quality of life all matter.

Sharp differentials in personal tax rates, not matched by perceived differentials in benefits from government expenditures, can set up flows of emigration and immigration. The underlined qualification is important. Most Canadians who consider moving to the United States are aware, for example, that they must obtain their own private medical and hospital insurance, which, for complete coverage, can be quite expensive. They will thus set this cost against any higher after-tax income that they expect to earn.

In the usual case, some specific service is provided in both countries but by different methods. The incentive to migrate then depends only on the cost-benefit differential. This may be hard for potential migrants to estimate, particularly when the service must be purchased on the free market in one country but is provided out of general government revenues in the other.

There are also some extreme cases. For example, incentives to migrate will be stronger when taxes are used to finance expenditures that many people do not value. For example, taxes used to finance major pollution