emerged will carry over into 1986.

For the second half of the decade, this base case is similar in character to that reported by the Department of Finance as "Canada's Economic Prospects, 1985-1990" at the time of the May budget. Real growth in 1985-1990 is projected to average 3.5 per cent, which leads to a decline in the unemployment rate to 7 per cent in 1990. Annual inflation, as measured by the Consumer Price Index, averages 3 per cent, and the federal government experiences continuing budget difficulties. The nominal short term interest rate (90-day commercial paper) remains at, or slightly below, 9 per cent throughout the six years, implying a sustained period of high "real" rates. The Canadian dollar appreciates to 80 cents by 1990.

Beyond 1990, cyclical "growth recessions" emerge in 1996 and 2001, but average growth of 2.5 per cent in the 1990's and a little less than 2 per cent in 2001-2005 is sufficient to reduce the unemployment rate to the 5 per cent range by 1992, and sustain it at that level thereafter.

2.2 Reductions In Tariffs

The tariffs between the United States and Canada were phased out over the period 1988-92; tariffs between the rest of world and Canada were left unchanged. These bilateral tariff changes are applied only to the goods-producing industries: agriculture, forestry, fishing and manufacturing. The data employed were provided by the Department of External Affairs, and was incorporated in TIM at a highly detailed level. It is worthwhile to note that in most cases