

He also suggests that having two goals for monetary policy would only make its operation less transparent and thus less effective.

Rao and Sharma, in "International Competitiveness and Regulatory Framework: A Canadian Perspective" explore the role of regulations in contributing to Canada's much cited innovation and productivity gaps with the U.S. Using data from the OECD and the Institute for Management Development (IMD), they show that Canada has a more restrictive regulatory environment than the U.S. in a number of areas including product market regulations and labour market regulations. Using a very simple reduced form equation for their estimation, the authors find that two areas of regulation in particular; intellectual property rights and restrictions to foreign direct investment, explain about one-third of the gap in R&D intensity and 55 percent of the labour productivity gap between Canada and the U.S. Even if one questions the precise estimates of these regulations on innovation and productivity performance, the sheer size of these impacts deserves greater attention by researchers and policy makers.

Blair, Downs and Ndayisenga build on the theme established by Rao and Sharma and examine the potential gains from a specific regulatory reform: cooperation between Canada and the U.S. for human drug approvals. The authors suggest that increased cooperation with the U.S. would allow for economies of scale in drug approvals, resulting in shorter delays for drug approvals without requiring additional resources. According to their analysis, speeding up drug approval times by 6 months would contribute to increased output of 2.4 percent as well as employment of 4.1 percent and R&D of 2 percent for the human drug industry in Canada. Reducing delays by 12 months would essentially double these gains. Possibly more importantly, however, speeding up time to market would increase the availability of new drugs to Canadians; reducing health care costs and improving the quality of life of Canadians. The primary obstacle, as the authors note, would be that of accountability in the system.

Beaulieu and Emery, in the next chapter, examine whether there is any benefit to increasing the geographic diversification of Canada's trade, particularly exports. As has already been noted, even prior to the Canada-U.S. FTA, Canadian exporters were heavily dependant on the U.S. as a market. This, as would be expected, increased after the agreement, peaking with 87 percent of Canadian merchandise exports going to the U.S. in 2000. While the authors note that some risks increase with this concentration, especially those that stem from national economic power such as trade, national fiscal and monetary policy, the U.S. is not, in fact, one market. Rather, it is 300 million plus individual consumers, many different levels of government with many different interests and objectives. Possibly most importantly, the authors point out that Canada-U.S. trade is the summation of many individual argents making their own export, investment and consumption decisions.

Having noted this, Beaulieu and Emery ask whether, through some coordination of activities, would it be possible to make Canadians better off by diversifying trade? Specifically, they test whether incomes in Canada have become more volatile as a result of an increased concentration of exports on the U.S. and also, through a more diversified export pattern, would it be possible to reduce the volatility of incomes in Canada. On both accounts they conclude that