

technical difficulties in measuring productivity differences, it was thought that it was better to err on the conservative. Also, it was assumed that there was no productivity equalization outside the manufacturing industry. In the case of agriculture, forestry, fishing and mining it is not known to what extent the differences in the productivity levels are due to differences in the state of nature in the two countries. The productivity levels in the services industries were not equalized because they are not generally, directly affected by freer trade. This modest change in productivity is one of the most important differences between this study and some others.

The non-tariff barrier assumptions used are preliminary estimates of their amounts. Also, they do not include estimates of the effect of subsidies in either of the two countries. As their removal would have a positive (and therefore, offsetting) effect on domestic prices, and as they appear to be larger in Canada than in the United States, inclusion of their impact in the analysis would doubtless have a significant downward influence on the real results reported in this study. On the other hand, their removal would reduce the need for a surcharge on personal income taxes.

5.2 Conclusions

Are the impacts developed in this study large enough? The Business Council on National Issues has recently declared that "most economists who have studied the subject believe that freer bilateral trade would raise per capita GNP in Canada by 3-7 percent".⁴ Our results are below the range of such estimates (2.5 per cent and an