

Table 3

Exogenous Reduction in Manufacturing Employment
(thousands of person years)

	non-durable	durable
1998	.07	.07
1989	5.6	5.7
1990	11.2	11.7
1991	17.0	18.1
1992	22.9	24.3
1993	28.7	31.5
1994	34.4	38.0
1995	40.0	44.4
1996	45.3	50.1
1997	51.0	56.6
1998	56.7	63.3
1999	56.9	64.0
2000	56.9	64.5
2001	56.5	64.0
2002	56.5	64.5
2003	56.5	65.1
2004	56.5	65.6
2005	56.4	66.2

2.6 Federal Government Direct Fiscal Reaction

As a result of the reduction in tariffs, the federal government will lose revenue from customs duties. In the base case, it is estimated that this revenue would have been roughly \$3.5 billion (at nominal prices) in 1992, or 2.8 per cent of the base case federal revenues. By 2005, the direct amount rises to \$6.3 billion, or 2.3 per cent of total revenues. It can be argued that it is unlikely that the federal government will accept this revenue loss. Since the personal sector primarily benefits as a result of the lower import prices, it has been assumed that federal personal income taxes are raised by the amount of the loss in tariff revenue. It should be noted that household real