

back highest-cost units of output. But the Wonnacotts and Harris and Cox predict enormous productivity improvements -- amounting to elimination of the Canada/United States productivity differential -- as lower prices force firms to rationalize the number of product lines and build scale-efficient plants.

The quantitative findings of the studies, related to these assumptions, can be conveniently summarized in the following table:

Summaries of Gains from Free Trade
(as percentage of G.N.P.)

Pricing Assumptions	Cost Performance Assumptions		
	Pessimistic: no cost effect, or marginal effect	Middle of Road: some rationaliza- tion or change in input costs	Optimistic: full equality of U.S./Canada costs
Pessimistic: no price effect on domestic output	Boadway & Treddenick -- 0.0% (a) Williams -- 2.3% Brown & Whalley -- 1.6% (b)		
Middle of Road: 'mixed pricing'		Hazledine -- 4% (c)	Cox & Harris -- 9%
Optimistic: 'law-of-one- price'	Scenario A -- 0.35% Scenario B -- 1.25% Magee -- 2% (d)	Effective protection: Dauphin, Wilkinson & Norrie (no free trade impact figures)	Wonnacott -- 7-9%

Notes:

- (a) Estimated on Unilateral Free Trade only
- (b) figures are for world, not Canada
- (c) Multilateral Free Trade
- (d) for U.S.

Scenario A assumes that with free trade U.S., prices will have no effect on Canadian industries which previously priced independently of both U.S. and world prices.

Scenario B assumes that with free trade U.S. prices will affect the pricing policies of such industries.