imports by 53 percent. Linked to this, labour productivity in the export sector was found to be not only twice as high as the over-all business sector but also growing twice as fast. It is therefore not surprising that wages were also, on average, eight percent higher in the export sector.

Included in the NAFTA, were side agreements on labour and the environment. Kirton, in a chapter devoted to one of those side agreements evaluates the effectiveness of the environmental side agreement (the North American Agreement on Environmental Co-operation or NAAEC) in meeting its objectives from a Canadian perspective. He concludes that the agreement has, for the most part, lived up to its objectives, although meeting some more successfully than others.

Part 2: The Way Forward

Part 2 moves away from a historic evaluation of the impact of the Canada-U.S. FTA and the NAFTA for Canada to be more forward looking. While titled "The Way Forward", this analysis does not reflect the intentions or policy directions of the government of Canada as such; rather, the chapters in this part explore some possible scenarios that have been put forward for deeper integration with North America.

One such scenario has been that of a common currency being instituted within North America. While interest in this form of closer integration has subsided somewhat, the debate was based on the premise that operating different currencies within and integrated North American production system imposes unnecessary costs and frictions. It is within this context that Laidler examines the issue of increased cooperation in monetary policy between Canada and the U.S. providing an assessment of the entire spectrum of alternate monetary orders from increased exchange of information up to and including a common currency.

Professor Laidler acknowledges that there may be efficiency gains to be had from increased monetary integration resulting from reduced frictions to trade. Separate and floating currencies, however, also allow for a cushion in adjusting to shocks, and Canada and the U.S. still have significantly different industrial structures that face separate shocks. Probably the most convincing argument put forward by Laidler, though, is the simple fact that for any common currency arrangement, U.S. cooperation would be required and this does not seem likely at this point in time, especially as it relates to cooperation in setting policy or in sharing seignorage revenues. Without this cooperation, Canada would be required to give up a significant degree of policy control and revenue which would substantially reduce, if not eliminate, any potential efficiency gains.

It has been argued that, short of a common currency, better coordination of monetary policy could achieve similar gains. This could potentially include a greater sharing of information to a dual goal for monetary policy of price stability and exchange rate stability. Professor Laidler shows, however, that there is already a relatively high level of information sharing at both formal and informal levels and it is difficult to see what additional gains can be achieved on this front. As for dual goals for monetary policy, Laidler argues quite convincingly that attempts to influence the exchange rate have been largely ineffective in the past.