

studies examining Canadian import demand (see, e.g. Deyak, Sawyer, and Sprinkle 1993).

Overall, expected foreign prices and the exchange rate exert the greatest influence on travel spending. The effect of domestic prices on travel spending, in contrast, is modest.

2. The Model

Canadian travel spending statistics are categorized according to the length of stay in the United States.⁶ Total travel spending is separated into two categories depending on whether spending occurs for same-day travel or travel that involves at least a one night stay in the United States. Expenditures are measured as the amount spent in the United States for accommodations, local transportation, food, entertainment, and goods and services, less fares. Canadian spending per day, measured in Canadian dollars, is shown in Figure 1. Total spending exhibits a general upward trend over the 1980-1994 time period, but the pace of this spending appears to have accelerated in 1990. Spending for each type of trip has increased but the portion attributed to same-day travel has grown more quickly, especially during the early 1990s.

In this section, we present a model of Canadian spending in the United States where consumers allocate income between domestic goods and goods purchased abroad. The consumer maximizes a utility function where utility is derived from domestic and foreign goods

⁶ Canadian travel spending data is from *Touriscope: International Travel, 1994*, prepared by Statistics Canada. Customs officers at border crossing points distribute a questionnaire to returning Canadian travelers which asks each traveler for detailed information about the length of their stay and how much they spent while outside the country.