reverse effect on import-competing industries. Plants in industries where Canadian tariffs declined significantly saw their available scale economies grow—which could reflect an adjustment to more flexible production technologies to reduce the productivity penalty associated with a large product portfolio, or more plausibly in view of the finding that technology-switching firms typically switch to mass production techniques, a reduced scale of operations or a reduced product palette to bring the range of products produced into a range that the reduced-scale plants could handle.

The Lileeva-Van Biesebroeck results highlight the role of trade in influencing firms' *process* technology choices and re-focus attention on the role of economies of scale in productivity performance and the role of trade in prompting a switch to technology that offers greater scale economies, a somewhat neglected topic in the trade literature in recent years.

Pierre Therrien and Petr Hanel, in their paper "Innovation and Productivity in Canadian Manufacturing Establishments", shed light on the interaction of productivity and trade with both process and product innovation.

This paper is grounded in the literature that seeks to unpack the role of technological change in growth and to understand the determinants of innovation. The research questions that initially drove this literature were posed in the first instance by growth accounting studies that assigned an important contribution to growth in advanced industrial countries to a residual in the growth accounting formula that was associated with disembodied technological change (i.e., technological change that was not embodied in the form of new, more efficient capital equipment). The productivity growth slowdown of the 1970s and 1980s in the United States and other advanced industrial countries focussed rather urgent attention on the innovation process: was the productivity growth slowdown due to a slowdown in the pace of innovation? And, if so, was this due to lagging innovation inputs, such as R&D? The key objectives of the innovation literature thus became to accurately measure the links between innovation and productivity, and between innovation inputs and innovation outputs. In the firm-based