1988-1992, with varying assumptions about whether Canadian production functions are altered by access to the larger United States market, and whether current United States trade practices are continued or are altered to respond to "protectionist" pressures in that country. It is assumed that the level of economic activity in the United States and elsewhere is unchanged by the agreement, which condition implies a small understatement of the export benefits to Canada. In all impact cases, we have assumed that a surcharge on personal income taxes is imposed by the federal government equivalent to the loss of customs revenues that would have been realized in the base case. And in all cases, we assume that the Canadian exchange rate adjusts to current account, inflation, growth and interest rates and that the Bank of Canada targets on maintaining the same "real" interest rate as is reported in the base case.

1.2 Method Of Analysis And Cases Reported

1.2.1 National Impact Method - To measure these impacts, we have used The Informetrica Model (TIM) of the Canadian economy and simulation studies of the United States developed by Wharton Econometric Forecasting Associates of Philadelphia. As is outlined in Appendix A, TIM combines a sectorally detailed Keynesian final demand framework with adjusted input-output tables to provide sectorally detailed estimates of industry output, employment, and prices. This is formally simultaneous so that relative as well as aggregate price and wage formation is measured and feeds back into the final demand estimates. Approximately 50 export and import equations are