

“What Happened When Two Countries Liberated Trade? Pain, Gain”
New York Times 01-27-2005 & **“Failed Economics and Successful Economies”**
The Macdonald Commission Report 20 Years On 2005

1. Before the Canada-U.S. Free Trade Agreement (FTA) went into effect in 1989, roughly what fraction of Canadian industries were protected by tariffs of more than 10 percent?
2. Name a few of these well-protected Canadian industries.
3. As a whole, are these industries high-end and capital-intensive or low-end and labor-intensive? Prior to the FTA, were these sectors expanding or contracting?
4. Describe the short-run effect of the tariff reductions on employment in these industries and in manufacturing as a whole.

5. Describe what happened to manufacturing employment in the long run (after 10 years).

6. What happened to labor productivity in manufacturing – did it rise or fall and by how much?

7. What changes can explain the shift in labor productivity in manufacturing?

8. What effect did U.S. tariff cuts have on productivity?