This study reports on the development of a macro-economic model of the Trinidad and Tobago economy which is aptly characterised as an open petroleum economy.

The model is estimated with the aid of both Ordinary Least Squares (OLS) and Two Stage Least Squares (2SLS) techniques, with data covering the period 1966-80. The results of the two estimation procedures have not been found to be markedly different, and hence OLS may be taken to provide a reasonable approximation to (the more sophisticated) 2SLS.

The model has been tested by the technique of historical simulation, and found to provide a reasonably good simulation of the behaviour of the economy over the period of enquiry.