$\Rightarrow$ Choose to pick as reference the mean value of the ad-valorem cost in 1974

$\Rightarrow$ Build the index Γ_t such that:

$$\Gamma_t = \frac{\bar{\tau}_{1974}.\exp(\gamma_t) - 1}{\bar{\tau}_{1974} - 1}$$

- With $\bar{\tau}_{1974} = \exp(\delta + \sum_i \alpha_i + \sum_k \beta_k$ the mean TC in 1974

- For the additive component, get after estimating Equation (**??**):

$$\begin{aligned} \widehat{t}_{ik74} &= (\delta + \alpha_i + \beta_k) \\ \widehat{t}_{ikt} &= (\delta + \alpha_i + \beta_k).\exp(\gamma_t), \qquad \forall t > 1974 \end{aligned}$$

- From which we deduce:

$$\widehat{t}_{ikt} = \widehat{t}_{ik74} \times \exp(\gamma_t)$$

- With $t > 0$, obtain the percentage change from 1974 through:

$$\begin{aligned} \Gamma^{add}_{ikt} &= 100\frac{\widehat{t}_{ikt}}{\widehat{t}_{ik74}} \\ \Rightarrow \quad \Gamma^{add}_{ikt} &= 100\exp(\gamma_t) \end{aligned}$$

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