Royal Bank of Canada, made a presentation on the impact of IT on the restructuring of financial markets. Mr. Phillipps explained that the reason the financial services industry (*i.e.*, fund managers, brokers, banks, custodians, clearing houses) has been on the forefront of IT for such a long time is that it was forced as a result of customer demands (both domestic and international) to create the tools for the movement of capital and funds to the point that today not only is there the convenience of instant banking machines but money is moved from major centres such as London, New York, and Singapore 24 hours a day. The financial services industry recognized the benefits of IT as a means to both increase customer satisfaction by increasing speed and efficiency and to reduce operational risk and increase profits.

Mr. Phillipps went on to explain that the reason for the increased movement of capital in offshore markets was the saturation of local markets, government incentives (*e.g.*, RRSPs), and developing and developed countries' growing appetites for investment. But influencing this trend, according to Mr. Phillipps, has been the reduction of transaction costs to individual firms made possible by IT and emerging global standards. He noted that the explosion in transborder capital flows has been greatly assisted by IT's ability to facilitate global cash management (i.e., by making cross-border payments easier and more secure), changing customer needs, and the rise of trading blocs.

Mr. Phillipps then assessed the impact of increased foreign direct investment, 24 hour electronic trading, the creation of "offshore" markets, and the rise of transnational banking and other diversified financial services, on the ability of states to formulate and implement macroeconomic policies and achieve international regulatory cooperation. Clearly, prior to the IT revolution, for purposes of security trading, countries were isolated. What IT has done is to increase the certainty (since information is now instantaneous) and confidence of capital movement; therefore, it has added value through increased security and integrity. The link between IT and security raised some questions among the participants, causing some to argue that although IT may indeed ensure greater certainty for trans-border capital flows this paradoxically has created uncertainty in world markets. In other words, participants asked how has the trans-border flow of capital affected global social welfare? Are bond and currency traders - who are unelected - dictating public policy? In addition, as the example of UPS moving operations to New Brunswick shows, IT can create "have" and "have not" regions with respect to economic prosperity. These, noted some participants, are the negative externalities associated with rapid movement of capital and information facilitated by new ITs.

The discussion then turned to how IT has had an impact on the state. Questions were raised: Is IT driving the process of change or is it the state? More pointedly, who will survive? That is, is the nation-state becoming obsolete? What will happen to multinational corporations as many of their functions are replicated by smaller boutique firms using IT? While these questions are somewhat philosophical, the participants did agree that technology has facilitated the rapid movement of capital, and that this in turn has had an impact on the state since domestic institutions are made more vulnerable as capital takes advantage of