

the possibility of a breakdown in the multilateral system should strike fear in the hearts of all policy makers in all countries. And as Coleridge once noted, "fear gives sudden instincts of skill".

In short, we must create a more open world economy, if we are to correct current imbalances before we topple over.

I recognize that some may find distasteful my focus on politics. But I believe that any discussion of the profound global issues of the day which ignore the political dynamics of nation states are interesting but, unfortunately, somewhat irrelevant.

It is relatively easy to agree on what should be done in a rational world -- reduced North American fiscal deficits and more open trade would be a pretty good start. But the problems would not even exist in the first place if that was the world we actually lived in.

For better or for worse, factors such as the political consequences of a U.S. tax increase, or the political clout of Bavarian, French or Japanese farmers, must be taken into account if we are to devise a practical formula for global progress and stability. Such domestic considerations are obstacles to progress which are all too real. They are what I believe economists call the "exogenous variables" which destroy the best laid forecasts and plans of mice and men. They simply cannot be assumed away.

Yet, it is equally true that politicians cannot ignore the impersonal and inexorable economic forces at work in the world.

That is why conferences such as this one are so important. (Because) only by understanding what should be done can politicians weave their way through the minefields of domestic politics to fuse the real with the ideal; and to practice the art of the possible.

That is the role of this Conference and this Research Centre -- to lead the way to greater public understanding and to create the conditions for optimal political choices. I therefore wish you well; and look forward to your deliberations.