

self-correction. There is thus no escaping the need to deal with the political economy of structural adjustment, both at home and internationally, if we are to halt and reverse the erosion of the multilateral trading system. This is especially true in view of the powerful structural changes now overtaking the world economy.

I want to talk about the
Sources of Structural Change

The strong pressures for adjustment in the OECD since the 1970's came from several sources: the rise of the NIC's and the increasing challenge from Japan; continuing technological change, especially in information technology; severe commodity and oil shocks; and the breakdown of the Bretton Woods system of fixed exchange rates. The process of structural adaptation, difficult under the best of circumstances, was impeded by a number of government actions. Imposed mainly during the 1960's and early 70's, these measures had the unintended effect of impairing the capacity to adjust. The degree of impairment, it's true, varied significantly from country to country, being more acute in Europe than in the U.S. or Japan. Slower growth in the 1970's and the deep recession of the 1980's also inhibited mobility and adaptability.