White House Conference on the New Economy

by
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I want to call now on the President of the World Bank, Jim Wolfensohn, who from the first day he took office has really made a critical part of his mission bridging these digital divides in traditional and in new and innovative ways. Mr. Wolfensohn.

MR. WOLFENSOHN: Thank you very much, Mr. President, and for the invitation to talk about the new economy, which I think I am invited to extend to mean the global economy — because our country is integrally linked with the globe in ever-increasing ways, and as we look forward to the new economy, it has to be perceived as a global economy. As I think you know, we have 6 billion people on the planet today. And as we address the question of the global divide, we have to think that 3 billion of those people live under $2 a day, and 1.2 billion live under $1 a day, in absolute poverty. So as we hear Bill Gates talk about getting computers in every classroom, we must acknowledge that in many parts of the world in which we work there are no computers, and surely very few teachers are, in fact, using computers for teaching purposes.

But the issue is not just static, because as we look at the new economy, we need to project forward, if not a millennium, to 25 years. And in the next 25 years we will add 2 billion people to our planet. And the 4.8 billion that now live in the developing countries will, in fact, grow to 6.8 billion, or just short of it. So the challenge that we face of this global divide is not just one of measurement. We are confronted with the issue of not only the implications of developing economies’ pact on our economy, but that this interaction will in fact be the determinant of peace and tranquility around the world. Unless we can deal with the issue of the global divide as our major concern in the new economy, we will fail in the internal activities that we do here that are without regard to other parts of the world. So I make that as the first point.

The second point that I would like to make is that we were asked to talk about technology, health and education. And indeed, these are fundamental elements in terms of closing the global divide. But let me say that this issue needs to be looked at in a broader context — in the context first of all that closing the divide will depend on economic growth in those countries which have fallen behind. As our distinguished Secretary of the Treasury said the other day, if you have a discussion of these issues without talking about growth, it is like talking about Hamlet without the prince — and I quote him as he sits there. But, indeed, it is true — the
issue of economics is fundamental to what we are dealing with in the new economy.

In addition to economics, however, are the areas of technology, education and health, and as we look at the developing world in which we are operating, these are, in fact, fundamental issues. But they also require a comprehensive and integrated framework in which they can operate - that is holistic and long-term. In the countries in which we are dealing, there must exist effective legal and governance systems. We must have a judicial system which works. We must have financial frameworks. There must be efforts to combat corruption. I emphasize that, Mr. President, because it is important to put into perspective the fact that bridging the global divide is not just about addressing the questions of technology, education and health; it has to be done within a context of a comprehensive review that either putting money or technology or education into a system which is not equitable, which does not deal with the issues of justice and opportunity for people simply will not work.

In trying to explore the global divide and examine the concept and determinants of poverty, we have recently completed a study, Mr. President, of 60,000 poor people around the world. We have interviewed those people – in a project called "Voices of the Poor." And what is fascinating is that these people are no different from any of us in this room. They want opportunity for their kids; they want education. And the biggest challenge to the livelihoods of poor people is, in fact, health. Because if you are living on a dollar a day and you get sick and you cannot earn money, that is not just an inconvenience: that is a question of life or death. So people want opportunities to have their health protected, but they also want opportunities to make a better life for themselves. And this is where education comes in – because education, within that framework, is a key determinant for people in poverty to find their way out of their situation. And so, for us, the focus of so much of our activities interrelates health and education activities. It makes no sense to get kids in school if before the age of four they are physically deprived due to lack of health care. Several studies have shown that 50 percent of your intellectual development comes before the age of four, and that is before you get to school. There must be proper health care to address children's health needs and I know Bill Gates is so deeply concerned with these health issues – this becomes for us a central focus of what we are trying to do in reducing the global divide.

There is a nexus between health and education and, of course, there is the whole issue of assuring basic education for all citizens of developing countries. When Alan Greenspan was talking about the inadequacy of a high school education in this country, and the need for continuing education at community colleges, that is a fantastic dream. But our dream in so many parts of the world is to ensure primary education. Our expanded dream is to ensure secondary education for all – very few people have the opportunity for tertiary education. And this presents us with an enormous challenge and an enormous sense of fear, which comes with the challenge of globalization.

Then there is the issue of technology. In our own country, the challenge of technological innovation is simultaneously a challenge of job loss.
Imagine what it is like in developing countries, as you see the digital divide presenting you with yet another mountain to climb before you can compete internationally. Here, however, the story is not all sad. In fact, the opportunity exists because technology can both provide the challenge, but it can also provide the answer. And that is where I believe in this new economy we are coming into a new and highly positive phase in terms of the difference between the rich and poor countries, between the developing and the developed. We have many examples of how technology – in terms of distance learning; in terms of information on markets; in terms of creating new markets with e-business; in terms of allowing people to have access to global knowledge – may well provide the key for reducing the global divide. It is itself a challenge, but it is itself a great opportunity.

I may just close with a story, Mr. President, of someone recently in Ethiopia who was trying to determine how we could assist on the development of e-business. And the representatives that he was going to deal with a group who had no idea about it, and he said to a group such as this, "does anybody here know what a web site is?" And someone put up their hand and said, "well, I do; I have a web site." And he said, how do you have a web site in Addis Ababa, there are no connections. He said, "It is very easy. In the United States, there are many cab drivers in Chicago, New York and Washington are Ethiopian. And one of the things they want to do is to send goats to their families in Ethiopia. So I have opened a web site in New York. I go to my cyber-cafe every day and I collect the orders from the cab drivers to send goats to their families in Ethiopia."

These opportunities, Mr. President, are there well beyond goats – (laughter) – well beyond goats, but if we can make more widely available the opportunities in technology, I am a great believer, Mr. President, that we can help bridge the gap in education, health and in commerce, and I am very optimistic. (Applause.)

Q&A

Nick Grouf: Thank you. My name is Nick Grouf, and I am the CEO of a company called People PC. My question, I guess, goes to the heart of what we have been talking about. We've heard Chairman Greenspan speak of education and knowledge as one of the few irreversible assets. And Mr. Chase, you spent a considerable amount of time talking about this, as did you, Mr. Wolfensohn. We spend a tremendous amount of effort monitoring the flow of dollars across the globe; and yet, it seems that it's the flow of information and access to information that ultimately drives prosperity, opportunity, et cetera. And I am wondering if there might be an opportunity for us as a nation, and for us perhaps as a global community, to begin focusing on how we make access to that information available both to communities here in this country, as Mr. Gates has focused on, but also to communities across the globe – because I believe if we fail to do that, we will see both an emerging class system in this country, not defined by wealth, but defined by access to information, and a class system that will expand globally, and potentially create a degree of unrest and discord in an economy that we heard earlier today is
constrained currently only by labor markets and the productivity of those labor markets. And I would love to hear your view on that.

MR. WOLFSOHN: Well, Mr. President, I think you know that we are currently working on exactly this issue. We believe, from the Bank's point of view, that money is one asset that can be transferred, but equal to it is information. And so we are looking at the notion of providing what we call a global gateway to information on development, so that people with computers in villages, or governments, or local authorities, can have access to information which is available here – but more enriching than that, so that the information base that we develop can be enriched by experience in the field – the sort of experience Ms. Chatterjee has – so that the notion of information flowing out is much enriched by the notion of gathering of information in the field, which is applicable to the conditions in which it is operating. The idea that we have is to put together really what amounts to a global alliance, so that for people that are concerned with information needs – whether it be in schools or in local governments, or in development institutions or in women's cooperatives – that that information can be brought together. And our country is in a magnificent position to take the lead in the methodologies on this, and I am already talking to Bill and a number of others as to how this project might come together. So your point is very well taken, and it is something in which the United States can take a lead, but which requires international involvement and ownership.

MR. Chase: – when the Telecommunications Act was passed a few years ago, it included the e-rate, which now is helping to wire schools and libraries in this country. That, believe it or not, has an enormous impact on the access to knowledge for a whole host of kids who just did not have that access before. So it has already begun here. When we start talking about education and the quality of education, not only in this country but especially was the sake of discussion on this panel, I mean, it is the one resource that cannot be taken away from someone. When someone is educated, they don't lose that knowledge. What you do with it, then, becomes extraordinarily important. And as our guest from India indicated, the importance of capacity building for people once they gain that knowledge and what can be done with that knowledge is enormous. That's a key component of capacity-building – providing that opportunity for individuals to gain not only knowledge, but knowledge about how to access knowledge and the ability to access that. And I think you hit on a point that's extraordinarily important.

THE PRESIDENT: If I could just say, I think that if someone from another country were to ask me how they should structure their information dissemination based on our experience after the Telecom Act, I would go back to the first conversation I ever had with Vice President Gore about this, when he said, you know, the two things we have to do is make sure that there are discounted rates so that every school, every library and every hospital can access the information. And the second thing we have to do is to make sure that it is a pro-competition set-up, so that people – no matter where they are, no matter how meager their resources – have a chance to succeed as entrepreneurs, because they will have an explosive impact. Those are basically the only two things we fought for in that
Telecom bill and I think the results, in our country, at least, speak for themselves. Yes, sir, you had a question back there?

Q: I'm a professor of economics at Harvard University, and before that I taught high school in Kenya. As Bill Gates has pointed out, vaccines are one of the key technological challenges facing developing countries. And it is very exciting to see this panel, because some of the key steps to increase access to vaccines are being taken by people on the panel. Mr. Gates, the work that your foundation is doing to bring vaccines to children all over the world is literally saving millions of lives, so thank you very much for that work. Mr. Wolfensohn, in a recent Financial Times article based on an interview with you, there was a statement that the World Bank is planning a billion-dollar revolving fund that would help developing countries purchase specified vaccines if and when they are developed or invented. Such a plan could provide incentives for private firms — pharmaceutical firms, biotech firms — to invest in developing vaccines for diseases like malaria or tuberculosis, which kill millions of people in developing countries, but for which there would not be a big market in rich countries. And, Mr. President, the tax credits that you have proposed could have a major impact. They could effectively double the market for new vaccines for tuberculosis, malaria and HIV. And in doing so in a way that would harness the energies of the private sector, rather than establish a new government bureaucracy to try and develop those vaccines. This would be a plan that would provide these incentives to private firms if they succeed in developing the vaccine, and not otherwise. My questions are for Mr. Wolfensohn and for Mr. Gates. For Mr. Wolfensohn, do you expect to bring to your board in the next year a plan based on the ideas that you discussed in the Financial Times interview, which would specifically incorporate a commitment to help purchase vaccines for specified diseases if they're invented? And for Mr. Gates, my question is, if a safe and effective and cost-effective malaria vaccine were developed, do you think that your foundation would be likely to consider buying this and making it available to developing countries? And, if so, might you consider announcing this fact in advance as a way of encouraging biotech and pharmaceutical firms to start investing in the R&D that would be necessary to create these vaccines?

MR. WOLFENSOHN: Well, the answer to your question is that we are actively considering that issue. And I think you know that incentives are thought to be effective in encouraging vaccine manufacturers to provide the vaccines. What we have learned is that it is not just the availability of the vaccine which is the problem. It is the improved capacity of the systemic health system which is needed in addition in order to ensure the distribution and delivery of the product. So I believe that it is useful for us to deal with the question of the supply of vaccines. But the issue of distribution, delivery and engagement in health services is, I think, a parallel concern that we have. And so we do not underestimate that in Sub-Saharan Africa, where only about $30 per per capita is spent annually on health, the availability of vaccines is clearly an important issue, and we will be facing it, and we will be bringing it to our board. But I think we should not underestimate — in the case of vaccines or in the case of the delivery of retroviral activities for AIDS which may well come along quite soon in terms of availability — that the systemic problems of health care are the great inhibitor, even more than the
vaccines. So it is a dual issue and the answer to your question is, yes, we will be bringing it to the board, but only in conjunction with systemic health sector reform.

MR. GATES: Yes, in terms of malaria, you probably know it kills over 1 million children a year. And it’s actually fairly scary in the fact that the goals of eliminating malaria have not been achieved; it is actually back in some areas where we thought we’d eliminated it. So we see two roles for the foundation. The first is actually funding malaria research, and we recently put $50 million towards that. And the other is exactly as you suggest: taking this global alliance for vaccines and having it make a commitment to say that when the drug becomes available that it will finance for the poorest countries the purchase of that drug. And so it won't just be the recipients of the research money, but anyone who can come up with that solution. That is a tough one, because there really isn't much of a market in the developed countries. But I think we will see a response to it, and it's right there at the top of the list.

Judy Brewer: My name is Judy Brewer. I am with the World Wide Web Consortium Web Accessibility Initiative. Part of overcoming the digital divide is not only ensuring economic access to the technologies, but ensuring that these technologies are usable by all. Accessible Internet and web solutions for people with disabilities who may not be able to see, hear or manipulate information in standard ways on traditional desktop computers, these accessibility solutions also support device independent access to information over mobile phones, hand-held devices, TV or automobile access to the web. They also support better internationalization of information, including access to information regardless of somebody's literacy level. Based on the comments today, with the exception of Secretary Summers and Mrs. Cisneros, I would guess that the 20 percent of the U.S. population with disabilities, and the millions of people with disabilities internationally are not seen as part of the marketplace of the new economy, nor as one of the largest untapped pools of potential workers for the new economy. And yet, we are. Ensuring accessibility of our new technologies is an important way to tap into that dual potential. Among your panelists, for instance, Mr. Gates of Microsoft has been supportive of the Web Accessibility Initiative at W3C. However, implementation of accessibility solutions with Microsoft's own technologies is lagging far behind what is needed. Ensuring economic access to technologies to inaccessible technologies still leaves many people behind. Can any of the panelists tell me where this is on your agenda?

MR. SEN: I am not sure that I am the appropriate person in the context especially of adapting things, but you know, disabilities — of course, one of the things that has been very central in ??am an academic economist, and I can only respond to that — is being a very central concern in my own writings and that of many others, in fact. I mean, we'll call it "economic inequality" — much concern with these issues. But you see, I think you are not really asking a question to an academic. I think you would be very disappointed just to be told that academics are quite interested in it. You want them in a practical world to respond to it. So I think, to them, it has to turn.
Any response in terms of any of the parties would be helpful, actually.

MR. CISNEROS: Mr. President, I just would add one thought, and that is that I suspect that the issue is going to be even more important, given aging trends in our own country and in the industrial world, where a larger proportion of the population will be aged and suffer disabilities—sight and others, stroke and any number of other things that leave people essentially healthy. Their basic systems allow them to live to 80, 85 years of age, but they will be disabled for a longer period of time or incapacitated for a longer period of time. My guess is this is going to be a huge—we know it's going to be a big issue in terms of health systems and medical costs and so forth. It just strikes me that it's probably going to be an issue in terms of information access. People can live a relatively good quality of life if they can read, if they can get access to—my father is 82 and suffered a stroke 20 years ago; this year, we invested in a device that allows him **is an avid reader, just losing his eyesight. So there are devices now that you can magnify the size of print. That is a simple thing. He tries to use a computer. He has a difficult time with it. But my guess is, this is going to be a bigger issue as opposed to—

THE PRESIDENT: I can only tell you for me—I have supported every initiative of which I have been aware that would increase the access of disabled Americans to the workplace, and I believe that technology in this area will become more and more user-friendly, including user-friendly to the disabled. I think there are just—there will be, by definition, a market for it. And I think it's terribly important. I noticed—it's interesting—when I was in Mumbai, I stopped at two different schools for blind students and said hello to them, and I was thinking about that at the time. But I think on balance we should see this as a positive thing to the disabled community, because it is far more likely to bring more disabled citizens of the world into the new economy than it is to keep them out, as long as we make sure that as user-friendly technology is developed, it's made available on the most equitable possible basis.

MR. GATES: Let me speak a tiny bit about it. This is a very important area to our employees. In fact, we have a large group which is our accessibility group. And there has been fantastic progress over the last five years. Accessibility comes in many different categories. Making it so that you can use different types of keyboards, that turned out to be a problem that was relatively straightforward to solve. The keyboard, the mouse, getting rid of audio clues that were a problem for people with limited hearing. The one that's been very tough, and we've—I'm very proud of the work we've done, but there's a lot more to do—is dealing with people who have visual limitations. We have things like magnifiers in the product, so that if you just need bigger fonts you can get it. But the toughest of all is that when the graphical interface was invented, we used that computer screen, and there were a lot of things happening up there that made it tough for—particularly for blind users. We have a lot of relationships—one is with a group in Spain called ONCE. Spain funds programs for blind people probably better than any country; they devoted the lottery, which at the time they may not have realized what a benefit that was going to be, to this organization. And so they've had
some really smart people working on this. And so that type of accessibility we have a long ways to go to have full fidelity there. But even today, there are in this country thousands and thousands of people who have jobs because computers, and the platform that has been built, allows them to get at activities that would not have been possible without technology. So I'd agree with the President, it is an opportunity. It is one that we cannot lose sight of; we have got to keep it as a priority. But already I would say there are fantastic things that have taken place. We are also the creator of a group of employers that have gotten together to make sure there is visibility, so to speak, of the fact that there are these people with these talents, and what are the barriers to helping to get them into the work force. The energy has not gone into that and so even once the technology is there, getting that focus on the hiring has turned out to be important, as well.

MR. WOLFENSOHN: I just want to say that I chaired my first conference on technical aids for the disabled 20 years ago. And when I came to this job I discovered that the issue of disabilities in developing countries starts at a very, very low level. So that the notion of jumping to the use of computers for the creation of job opportunities is a monumental leap. What we are working on at the moment is the issue of getting services provided for the disabled in many of the countries in which we are operating. The very poorest countries are not providing for people with mobility disabilities, wheel chairs or the most basic requirements in terms of hearing and visual impairment. The thing that we are trying to do is to try and build allocations of health and other social services for persons with disabilities. I do not exclude the use of technology. In fact, I welcome the opportunity. But I do not underestimate this problem in many of the countries in which we are dealing — would hope that you might bring some action on it, as well — stage one is to recognize the persons with disabilities in many of the countries as having special needs. And I must tell you that that is quite tough in many of the places in which we are working.

MR. CHASE: — there is probably no other public institution that is doing more in this area than public schools — not enough, so I want to make sure that is understood. And part of this is a result of IDEA that was passed 25 years ago. What we are seeing in many schools — still not enough — many schools, is the use of technology to meet those needs of disabled students that have, in fact, been highlighted through the use of IDEA and IEPs and the whole process there. Still not enough, but moving certainly in the right direction.

THE PRESIDENT: I have to bring this to a close, but let me tell you what I am going to do here. We are going to have about a 15 minute break between now and the start of the final session. And what I would like to encourage you to do, if you have more questions, is to come up and talk to our panelists during the 15 minutes. I wanted to close by giving our guests who have come the furthest away a chance to answer this question. Dr. Sen and Ms. Chatterjee, if you had $2 or $3 billion to spend on this topic, closing the global divide, how would you spend it? — in India.

MS. CHATTERJEE: Well, if we had that kind of money, two or three things. As I said, we believe in the convergence of these different activities to
close the divide. So one thing we would definitely do is to try and help use that as a revolving fund to help women develop their small businesses and their employment, and also promote capitalization. And also encourage them to get some sort of social protection, some sort of social security. But we would also put it into developing information technology and the idea of vocational schools, which we are developing very much. So education, but with the support of information and technology.

DR. SEN: Well, I agree with that answer. In a very tiny way I used my Nobel money to start up an educational foundation for — especially for girls, but mainly for rural children. It is, of course, a tiny amount of money in comparison — in this table with Bill Gates around, one couldn't even mention numbers like that. (Laughter.) But I think that to a great extent, based on the idea, there are three priorities I put there. One was the elementary education. The other was elementary health care, including the point you mentioned about clean water being one of the central aspects of that. And third was gender inequality, which I think is a big prime mover of change. I think if there are changes that we are going to see in the developing world, perhaps nothing is as important as the access of women to the economic opportunities like microcredit, employment opportunities, in which, of course, Mirai herself is very strongly involved — but also education and so on. And the radical change that women's education has brought — you see, India is very interesting if you contrast it. For example, Mirai mentioned that infant mortality has come down from, say, 145 to 72. Now, if you take a part of the country where education is more well-developed, like Kerala, the infant mortality is 14, compared with say China's 30. So, you know, you are really dealing — you see the impact. It is not only education, but I think that is the primary factor. I think the difference that women's education can make is really truly dramatic. So I would have thought, possibly these three priorities are the direction I would go.

THE PRESIDENT: Last comment, for Mr. Gates. The information technology revolution has created more billionaires in America in less time than ever before. And we have just scads of people worth a couple hundred million dollars, which to people like me is real money. And what could I do as President, or what could we do, to encourage more philanthropy like the kind the Gates Foundation has manifested? And what can we do to make sure that we leverage all this so that there is some synergy in the movement of the philanthropic world toward this? You know, 100 years ago, when J.P. Morgan and all these people made all their fortunes, they built great monuments to our culture — the great museums, the great public, the great libraries. But now, we have all these younger people who made lots of money who really want to transform society itself — really without precedent. We have always had some foundations that were interested in doing this. But the potential we have to leverage private wealth here through philanthropy to transform society, I think, is without precedent in history. What can we do to see that there are more efforts like the one you're making?

MR. GATES: I think that is a very good question. And it is one that I think about a lot, and do not have as good an answer as I would like to have. There are some foundations that have a lot of resources that are starting to do some exciting things. The Packard Foundation is fantastic.
The Eli Lilly Foundation, the Welcome Foundation over in the U.K. And all these new foundations are learning a lot from the existing foundations and people like the Rockefeller Foundation, that have been out there doing fantastic things for decades and decades. That still does not really get into this new generation of success, and how we can make it exciting for those people to get involved. I have to say that as I learned more about it, I have gotten more excited myself. So a little bit I just need to reach out and spread that excitement. When you're making money, it keeps you very busy, it's really a full-time thing. (Laughter.) And sometimes, you think, boy, does all that giving really have an impact? Is it money well-spent or not? Because your whole job is to be skeptical about what things really have impact, and what do not. And I am pleased to find out that philanthropy, if it is done the right way, can have a phenomenal impact. And everybody gets to pick their own area. As we have seen on this panel, there is not going to be a shortage — if these people turn to philanthropy, it is not going to be something where we say, "No, that's all taken care of." And so, how can we encourage them? I don't know. I need to think about that some more. I think there is some leadership to be exercised here.

THE PRESIDENT: Let's give them all a hand. We'll take a 15-minute break. Thank you.