Good morning, and a warm welcome to the sixth Annual Bank Conference on Development Economics. As you may know, the World Bank is approaching the fiftieth anniversary of its establishment at Bretton Woods. As we reflect on our past experience—and, more important, as we look to the future—the role of knowledge and research in what we do looms large.

Yes, the Bank is a development institution and a financial institution. But it is also a knowledge-based institution. Indeed, in many ways, our real value added lies in our ideas.

Over the past five decades the Bank has supported more than five thousand development projects with financing totaling more than $300 billion. Along with the money came advice based on the lessons learned from working in over 140 countries in many different sectors.

We continue to learn today. That is one reason why this event is so important. It allows us to listen and exchange ideas with our colleagues in the development economics community. In short: your coming here offers us the opportunity to learn.

The Transition Theme

This year’s conference addresses one of the biggest stories of the century: economic transition in the socialist economies. Again, we are dealing here, fundamentally, with the power of ideas. The transition phenomenon involves not just a change in economic systems, but also a change in thinking.

Our collective experience so far with the transition process is relatively limited. But already we have learned that moving from state to market is very different in each country—and that issues of timing and sequencing need to be customized.

- We have learned that reforms reinforce each other—one without others will not work.
- We have learned that social safety nets and adequate external support are essential to ease the pain of transition.

Lewis T. Preston is president of the World Bank.
And we have learned, perhaps above all, that without strong internal political commitment to reform, foreign assistance can achieve little.

And yet notwithstanding these early lessons, we find ourselves at the steep end of the learning curve. There is much that we do not know about how to achieve successful transition. Your discussions over the next two days should help shed further light on the road ahead:

- About institutional economics, and how best to build the financial, legal, and political frameworks that provide the critical underpinning for markets.
- About the adjustment of labor markets in countries where “full employment” has traditionally been seen as a basic right.
- And about how the process of transition affects economic geography, substantially altering the pre-cold war map—from industrial patterns to migration pressures.

The challenge of transition has added urgency to our analysis of these issues. But the lessons to be learned—and, let us not forget, to be applied—go beyond the transition economies. The issue of jobs, for example, is of vital interest to every country—developing or industrial. The same can be said of migration. These are issues that represent the practical realities of interdependence because they affect us all.

Ideas and Development

The familiar division of our world into East and West or North and South has vanished. But as the curtain that once distorted global economic and political relationships has been raised, the imperative of development has become even more visible:

- Over a billion people still live in absolute poverty.
- Environmental degradation threatens the earth.
- Numerous countries are struggling to reinvent their economic systems.

In this new world where the scope of peoples’ needs is ever more obvious, resources for development are ever more scarce—and good ideas are at an ever greater premium.

Generating those ideas is a challenge facing the World Bank, the development economics profession, and everyone participating in this conference.