

grew even as labor productivity fell. The authors' statistical analysis produces only a partial explanation: Bad management practices (e.g., running only single shifts) account for only one-sixth of the decline.

That mystery is the very point, the authors say. Until economists and others can identify more of the reasons why so much investment in Africa is wasted, it's unwise to pour more capital into the stricken continent.

Free Trade Defended

"Radical Birthday Thoughts" by Bill Emmott, in *The Economist* (June 28, 2003),
25 St. James's St., London SW1A 1HG, England.

The inequality between rich and poor nations, particularly between the richest few and the poorest few, has been growing in recent decades. But the anti-globalization skeptics who say that free trade means the rich get richer and the poor stay poor are wrong, argues Emmott, editor of *The Economist*, in an essay marking the 160th anniversary of the magazine's founding on a free-trade platform.

"Countries in Asia," he says, "have actually been narrowing the gap substantially: There, excluding already-developed Japan, in 1950–2001 income per head increased fivefold." In the period's early decades, the income growth was limited mainly to Hong Kong, Singapore, Taiwan, and South Korea; since 1980, it has spread to Southeast Asia and accelerated in China and India, the world's most populous countries. These are hardly laissez-faire states, but all have liberalized some markets. (Yet economic liberalization is not a miracle cure, as the cases of Russia, Ukraine, and Belarus make clear.) "For all the anti-globalists' cries on their behalf," Emmott adds, "few of the world's poorer countries show signs of wanting to retreat from liberalism: Their question, rather, is whether to extend it rapidly or gradually, and whether they have the domestic governmental institutions to cope with it."

Using the World Bank definition of poverty as income of \$2 or less a day, adjusted for differences in purchasing power, Surjit Bhalla, an Indian economist, calculates that the share of the world's population in poverty dropped from 56 percent in 1980 to 23 percent in 2000. That still represents a huge number of people—1.1 billion. But it's far fewer, says Emmott, than the 1.9 billion in poverty in 1980.

Before the era of liberalization that began about 1980, global poverty was on the rise.

Along with greater prosperity has come "an impressive expansion of political and civil freedoms," says Emmott. Eighty-one countries have taken "significant" steps toward democracy since 1980, according to a recent United Nations report. Of the world's nearly 200 countries, 140 now hold multiparty elections. To be sure, many of these countries still lack an independent judiciary, equality before the law, and constitutional limits on the abuse of power. Most nations in sub-Saharan Africa "have simply allowed a rotation of plundering governments." Still, by the UN report's count, 82 countries—home to 57 percent of the global population—are now full-fledged democracies.

Many countries still aren't rising out of poverty, Emmott acknowledges: Some of those in Asia, Central Asia, and Latin America, most in the Middle East, and almost all in Africa remain poor. "There, incomes have stagnated or even declined, and life expectancies are falling too, thanks to AIDS and other plagues." With 13 percent of the world's population, Africa accounts for only 3 percent of its gross domestic product.

If the pressure for protectionism is growing, Emmott argues, it is because of "the widespread and quite outrageous abuse, by capitalists, of capitalism," in the Enron scandal, for example, and other instances of corporate malfeasance in the United States and elsewhere. Laws against such abuse should be tightened and vigorously enforced, he urges. A revival of protectionism would be "a shame for the rich world, but a tragedy for the poorer countries."