to be expected" in the opening invasion of the southernmost Home Island, Kyushu. None of the others at the meeting disputed Leahy's view. General George C. Marshall, army chief of staff, reported that 766,700 U.S. troops (not counting replacements for losses) would be needed during the first 45 days of the invasion. With the war then projected to last through 1946, the longer-term implications were clear to Truman and the others present: Unless some means other than invasion were found to end the war, hundreds of thousands of Americans would die.

Economics, Labor & Business

Is Global Inequality Rising?

"Inequality Among World Citizens: 1820–1992" by François Bourguignon and Christian Morrisson, in *The American Economic Review* (Sept. 2002), 2014 Broadway, Ste. 305, Nashville, Tenn. 37203.

There's a growing effort among economists to measure global economic inequality, but it's been hampered by the scarcity of reliable data and other factors. Bourguignon and Morrisson say there's another problem: Economists have, in effect, been barking up the wrong tree.

It doesn't make much sense, they argue, to look at the problem strictly in terms of inequality among countries, as most other economists have done. (Bourguignon is an economist at the École des Hautes Études en Sciences Sociales in Paris, Morrisson at the Sorbonne.) Pretending that everybody in, say, Costa Rica, takes in the nation's median income of $4,040 doesn't give a very accurate picture of the world. So the two men set out to measure trends in inequality over the long term—from 1820 to 1992—by incorporating measures of inequality *within* countries as well as among them. Their results are a kind of bad-news, good-news package: Earlier studies "clearly" underestimated the amount of global inequality in the past, yet it appears that the long-term rise in inequality "almost leveled off" around 1950.

From 1820 to 1950, according to the authors, global economic inequality increased almost continuously, though the pace slowed after World War I. Social scientists use something called the Gini coefficient to measure inequality; a Gini coefficient of 1.0 represents maximum inequality. The world's Gini coefficient grew from 0.5 in 1820 to 0.61 in 1914, and to 0.64 in 1950. By 1992, it had reached 0.657. This is a high degree of inequality—even today's more inegalitarian countries have Gini coefficients below 0.6, the authors note. (However, the post-1950 rise is partly offset by positive developments in other income indicators: Between 1980 and 1992, for example, the poorest of the poor actually increased their share of the world's total income for the first time since 1820.)

Rising global inequality after 1820 did not mean that the poor were getting poorer. On the contrary, say Bourguignon and Morrisson, "the extreme poverty headcount fell from 84 percent of the world population in 1820 to 24 percent in 1992." The rich simply got richer faster.

The authors' biggest innovation comes in identifying the sources of inequality. In 1820, within-country inequality accounted for 80 percent of the world's inequality. In other words, there wasn't a great rich-poor disparity among countries, but there was *within* each country. By 1950, however, within-country inequality accounted for only 40 percent of the global total.

What happened? Through 1950, the "dominant" drag on equalization was Asia's slow economic growth, particularly in China and India, the two demographic giants. Asia's economies grew "some 4.5 times slower than the world average and 6 times slower than the average for the Western European region, including its offshoots." (It's an interesting illustration of the perils of such studies that Asia's "little dragons," by jumping so far and so fast after World War II, actually contributed to an *increase* in at least one measure of global inequality.)

Remarkably, there doesn't seem to be much connection between population growth and global inequality. One reason is that the relative size of regional populations hasn't changed that much. And to the degree that, say, poverty-stricken Africa's population has grown rapidly

in recent decades, economic gains in China have offset the effect.

"The burst of world income inequality [since 1820] now seems to be over," the authors conclude. "There is comparatively little difference between the world distribution today and in 1950." What should worry us now, they say, is that poverty is becoming increasingly concentrated in Africa and a few other parts of the world.

Feel the Pain

"Pricing and the Psychology of Consumption" by John Gourville and Dilip Soman, in *Harvard Business Review* (Sept. 2002), 60 Harvard Way, Boston, Mass. 02163.

What's the last thing the Amalgamated Sprocket Company wants its customers to think about? The price of its sprockets, of course. But Amalgamated and many other companies may be making a big mistake.

The reason is elementary, say Gourville and Soman: "A customer who doesn't use a product is unlikely to buy that product again." And the more a consumer remains aware of what he paid for a product, the more likely he is to use it.

When the two professors—Gourville at Harvard Business School, Soman at the School of Business and Management at the Hong Kong University of Science and Technology—studied ticket sales at a Shakespeare theater festival, they found that people who bought tickets to individual plays had a no-show rate of less than one percent. Those who paid in advance to attend all four plays had a no-show rate of 21.5 percent.

The pattern shows up again and again. Health club members who pay annual fees pump a lot of iron in the months immediately after they write a check, but before long they're back in their easy chairs. Monthly dues payers go to the gym on a more regular basis.

Gourville and Soman think their no pain–no gain principle can be applied in many fields. To get their customers to come in for regular checkups and immunizations, for example, health maintenance organizations can itemize costs within the regular flat fee. That would make customers more aware of what they're paying for. The principle can also be used to minimize consumption. Country club managers who want to reduce the summertime throngs on the links would be shrewd to make club members pay up long before, in the cold, dark days of winter.

Defending the IMF

"The IMF Strikes Back" by Kenneth Rogoff, in *Foreign Policy* (Jan.–Feb. 2003), 1779 Massachusetts Ave., N.W., Washington, D.C. 20036.

The International Monetary Fund (IMF), which provides short-term loans to distressed member-nations, has become a favorite target of anti-globalization protesters and other critics. Rogoff, economic counselor and director of the research department at the IMF, rises to its defense.

One common criticism is that the fund imposes harsh economic policies on governments, crushing the hopes and aspirations of their people. But from Peru in 1954 to South Korea in 1997 to Argentina today, governments in developing countries have sought IMF aid because they were already in deep financial trouble. The IMF steps in where private creditors fear to go and offers loans at low interest rates. The fund doesn't create the austerity, says Rogoff, it *lightens* it: "The economic policy conditions that the fund attaches to its loans are in lieu of the stricter discipline that market forces would impose in the IMF's absence." Even so, he adds, politicians—including those whose economic mismanagement often helped to bring on the crisis—find in the IMF "a convenient whipping boy" when they must finally impose austerity.

To be sure, the IMF insists on being