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