RAQUEL BERNAL
MARCELA ESLAVA
UGO PANIZZA
ROBERTO RIGOBÓN

Editors' Summary

This issue of *Economía* consists of six papers. The first paper looks at the consequence of capital flow surges and discusses policies for mitigating the possible negative effects of these surges. The second studies the links between prudent fiscal management and the effectiveness of macroeconomic policies. The third shows how better information can nudge workers to save more for their retirement. The fourth demonstrates the presence of peer effects in fertility decisions. The fifth uses twin-birth data to show that birth weight has a large impact on early childhood health. And the last paper, based on Roberto Rigobón's presidential address at LACEA 2014, discusses what macroeconomists can learn from online price data.

In "Capital Inflow Surges in Emerging Economies: How Worried Should Latin America and the Caribbean Be?," Andrew Powell and Pilar Tavella start by documenting the surge of capital inflows to Latin America after the global financial crisis (they propose a novel definition of "surge" that considers the total size of the gross inflow episode across countries). Next, the authors use a probit model to explore what factors determine whether capital inflow surges lead to a banking crisis or a recession. For the typical episode, they find that surges increase the probability of a banking crisis by 8 percent and the probability of a recession by 24 percent. They also show that the quality of banking supervision is key for reducing the risk of a banking crisis after a capital flow surge and that crises are more likely to happen when portfolio flows dominate the surge. Powell and Tavella conclude the paper by suggesting a set of policy responses, which, depending on the country/inflow characteristics, can mitigate the negative consequences of a capital flow surge. Such policies include reforms in bank regulation and interventions that may affect the composition of inflows and reduce the share of portfolio flows.

In "Macroeconomic Gains from Structural Fiscal Policy Adjustments: The Case of Colombia," Hernando Vargas, Andrés González, and Ignacio

Lozano assess the macroeconomic effect of Colombia's fiscal policy and public debt management over the past ten years. They analyze the influence of fiscal policy changes on the short-term output response to fiscal shocks with a model that allows structural nonlinear impulse response functions and evaluate monetary policy by identifying policy shocks with a narrative approach similar to the one developed by Romer and Romer. They find that sound fiscal management has improved Colombia's ability to implement effective countercyclical monetary and fiscal policies. Specifically, they show that sound policies increased the reaction of output to government expenditure shocks and strengthened the response of market interest rates to monetary policy shocks. The authors conclude that sound fiscal policy brings strong countercyclical benefits to both monetary and fiscal actions.

In "Knowledge, Information, and Retirement Saving Decisions: Evidence from a Large-Scale Intervention in Chile," Eduardo Fajnzylber and Gonzalo Reyes exploit a large-scale natural experiment to analyze the impact of personalized pension projection (PPP) statements on retirement savings. The authors compare the saving behavior of individuals during the first twelve months after they received the PPP statement with the saving behavior of comparable individuals who did not receive this statement due to some specific administrative rules. The paper addresses two different issues. First, it tests the full-information hypothesis (if individuals are fully informed, PPP statements should not have any effect on their saving behavior). Second, it explores differences across individuals who belong to different age groups (a test of myopia or liquidity constraints) and also across genders. The paper finds that PPP statements had an effect on savings (individuals who received the statements were more likely to make voluntary contributions) and that this effect was larger for older individuals. This latter result is consistent with the presence of myopia or liquidity constraints. The paper has important policy implications because it shows that small improvements in the information provided by pension administrators can nudge workers toward saving more and help individuals to better align their savings plans with their retirement income goals.

In "Peer Effects on a Fertility Decision: An Application for Medellín, Colombia," Leonardo Fabio Morales uses a large sample of mothers from the Colombian city of Medellín to test for the presence of peer effects in the fertility decisions of low-income women. The author estimates a model of social interactions in which the relevant peer-effect groups are defined using spatial and social distance criteria. The paper finds positive and statistically significant peer effects indicating that young women are more likely to become teenager mothers if their peer group has a significant composition of teenage mothers. This result suggests that there are important externalities involved in fertility decisions.

In "Birth Weight and Early Childhood Physical Health: Evidence from a Sample of Latin American Twins," Victor Saldarriaga studies the effect of birth weight on physical health for a sample of children in ten Latin American countries. The author identifies the effect of birth weight by focusing on twins who, by definition, are exposed to the same conditions (maternal stress and nutrition, length of pregnancy, and institutionalized delivery) during pregnancy and at the moment of birth but who may receive different nutritional intake within the womb (this will depend on either the fetal position or the connection between the umbilical cord and the placenta). While the paper shows that cross-sectional estimates overstate the effect of birth weight on children's health, it does find that birth weight significantly increases the height-for-age z score and body mass and reduces the probability of chronic undernourishment before the age of five. The paper also shows that the effect of birth weight on early childhood physical health is larger for low-birth-weight babies and that postnatal health investments, such as vaccination and breastfeeding, do not contribute to correcting detrimental effects on children's physical development caused by adverse birth outcomes. These findings suggest that policies aimed at improving birth weight might have larger benefits for babies across their life cycles than interventions occurring during the first years of life.

The last article of this issue is based on Roberto Rigobón's presidential address to the 2014 LACEA conference in Mexico City. In "Macroeconomics and Online Prices," Rigobón describes his research (joint with Alberto Cavallo and other authors) based on data from the Billion Prices Project at MIT (BPP). Cavallo and Rigobon created BPP more than a decade ago with the objective of exploring how the web could be harnessed to improve the collection of price data. In his presidential address, Rigobón describes the main advantages and problems related to collecting price data from the web and provides two examples of his recent research using BPP. The first focuses on explanations for deviations from the law of one price. Standard explanations focus on transport costs, tariffs, differences in language or culture, competition, and volatility of the exchange rate. BPP data show instead that the most salient determinant of price differences is the currency in which prices are quoted. A study of four industry leaders (Apple, IKEA, H&M, and Zara) shows that there are significant differences across countries outside the euro area (even for countries with a pegged exchange rate) but prices are often identical within the euro area. The second example focuses on the distribution of price changes. Contrary to what is found with scanner data from the United States, BPP data indicate that the distribution price changes are not normally distributed. Rigobón discusses possible explanations for this finding and its implication for research on price stickiness.

As always, we are very grateful to the people and institutions that make the journal possible. The journal's editors, associate editors, and panel members put great effort into evaluating the papers submitted and providing suggestions to bring them to their full potential. *Economía*'s managing editor, Roberto Bernal, worked incredibly hard to get the journal's machinery working and to see this issue through to completion. The Inter-American Development Bank and the World Bank continue to provide generous financial and logistical support to the journal. For decades, these institutions have provided support to economic research in the region, a legacy that the journal always benefits from. Finally, LACEA makes the journal possible. We are grateful for the sustained support that the association gives to our activities.