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Editors' Summary

This issue of *Economía* consists of four papers. The first paper by Gladys López-Acevedo and Mónica Tinajero-Bravo looks at the effects of several programs aimed at small and medium-sized enterprises in Mexico on firm performance in the long term. The second paper by Eduardo Lora and Johanna Fajardo compares perception of one's social ranking with objective measures of social ranking to find that there is a large difference between the two, partly because individuals incorporate a wide variety of wealth measures in their assessment apart from income. Verónica Amarante, Mery Ferrando, and Andrea Vigorito study the effects of conditional cash transfers on school attendance and child labor among teenagers in Uruguay in the third paper. Finally, Rodrigo Taborda discusses possible media bias in the reporting of exchange rate–related news during revaluation episodes in comparison with reporting during devaluation episodes in the fourth and last paper of this volume.

In the first paper, Gladys López-Acevedo and Mónica Tinajero-Bravo estimate the effects of a variety of support programs aimed at small and medium-sized enterprises in Mexico by using a novel ten-year panel data set of firm-level data from 1994 to 2005. These programs comprise primarily business development services such as consulting services, training programs for workers, quality control practices, and export promotion, among others, and programs that support R&D activities. Rigorous evaluations of such programs are scarce, particularly in developing countries, owing to lack of appropriate data sets that contain longitudinal information and allow some correction for self-selection into program participation. López-Acevedo and Tinajero-Bravo link a firm panel data set with program participation information from a different source to estimate treatment effects by using fixed-effects models. The longitudinal dimension of the data proves to be extremely useful in allowing identification of effects that take a long time to realize after program participation begins.

The results indicate that three of the four programs for small and medium-sized enterprises assessed have been successful in improving firm outcomes such as sales, value added per worker, and exports. Programs that promote R&D activities have been particularly effective in these dimensions. However, these effects only show after three to four years following the start of program participation, so they are undetectable in cross-section data sets or panel data sets with a shorter span. In some cases, effects continue to increase (as much as threefold) from year 3 to year 10 of program participation.

Alessandro Maffioli highlights several contributions of the paper. He notes that the construction of a long-term panel data set allows López-Acevedo and Tinajero-Bravo to address a variety of questions unanswered in the literature, owing to lack of appropriate data. However, Maffioli also indicates that it would have been extremely useful to understand not only individual program effects but also complementarities among them. In particular, the possibility of understanding coordination and sequencing of different policy instruments available for small and medium-sized enterprises is important for policy design.

In the second paper, Eduardo Lora and Johanna Fajardo use a rich data set for sixteen Latin American countries to assess the gap between perceived social ranking and objective social ranking based on income measures. After showing that the gap is large, the authors proceed to explore the factors that most explain this difference. By using the usual definitions of middle class (income ranges from US$2 to US$13 per day or from 0.5 to 1.5 times the median income), the authors show that only 69 percent of middle-income individuals classify themselves as such according to the first definition and only about 45 percent do so according to the second one. The authors indicate that individuals consider a wide variety of measures of wealth apart from income when assessing their social ranking. These include human capital (education), access to financial services, access to public utilities, and ownership of durable goods such as a car, washing machine, television, or computer, and they also consider the presence of children in the household as a key factor for social ranking. In particular, individuals with children tend to perceive themselves as middle-class even if they are rich according to standard income measures, and the reverse is also true.

The existence of this gap is interesting from a scientific point of view, but it is also critical from a more practical policy design perspective. Previous literature cited in Lora and Fajardo's paper indicates that individuals react differently to policies depending on their own perception of their social ranking. In particular, it has been shown that preferences toward redistribution

and preferences for work (among others) change depending on the perceived social ranking. In a sense, this hints at the idea of using more multidimensional measures of poverty to design policies and, most important, to assess the possible effects of a variety of policies depending on individuals' perception of their class. This point is emphasized again by Jamele Rigolini in his comments on the paper. In particular, Rigolini indicates that individual responses to policies designed to alleviate poverty might critically depend on self-classification of social ranking rather than on the objective classification of social ranking. As such, understanding the determinants of the difference between the two becomes critical for policy design and the political economy issues involved.

Verónica Amarante, Mery Ferrando, and Andrea Vigorito study the effects of conditional cash transfers on school attendance and child labor among teenagers in Uruguay in the third paper in this volume. Uruguay's conditional cash transfer program, PANES, was implemented between 2005 and 2007, a few years after a severe economic crisis. The program was, in principle, designed like many others in the region in the sense that it consisted of a monthly subsidy conditional on children's school attendance and health checkups. However, conditions were not effectively enforced and, more important, beneficiaries seemed unaware of the existence of the conditions for the subsidy. The program was not piloted, and so program assignment was not random. However, program assignment was based on an income eligibility criterion measured by a score calculated using various socioeconomic characteristics collected through a household survey. Exploiting this feature of the program, the authors estimate program impacts by using a regression discontinuity design and also present difference-in-differences estimates.

The results indicate that there are no significant effects on either school attendance or child labor for children between the ages of fourteen and seventeen. Additional results show that an income substitution effect does not seem to explain the lack of results, and there do not seem to be any behavioral response differences dependent on awareness of subsidy conditions, either. In sum, the authors interpret these results as an indication that the overall program design, namely, a monthly subsidy with unannounced and not successfully enforced conditions, was not effective in promoting human capital among teenagers in Uruguay.

In his comments on the Amarante, Ferrando, and Vigorito paper, Felipe Barrera-Osorio acknowledges the contributions of this paper in various dimensions: understanding the effects of conditional cash transfers in very different contexts, acknowledging that finding no effects also constitutes an important

result, and making an attempt to identify reasons for the null effects. However, he regrets that the analysis does not yield any compelling evidence to explain why the program was not successful in Uruguay, contrary to the evidence available on a wide variety of other countries in the region. The authors discard potential labor supply responses of parents and adverse effects of the fact that for the most part beneficiaries were unaware of subsidy conditions. They speculate that the results might be related to the implementation of the subsidy without changes in the supply of education or the lump-sum nature of the subsidy regardless of the number of children in the household, conditions that have also been found in other countries in the region with conditional cash transfers.

Our fourth and final paper of the Fall volume, by Rodrigo Taborda, explores the issue of media bias in the reporting of the nominal exchange rate news in Colombia. In particular, the author documents the difference between media reporting of revaluation episodes vis-à-vis devaluation episodes, statistically evaluates the significance of the distance between the two in media outlets, and, finally, studies the correlation between the word *revaluación* and terms arguably associated with lobbying groups interested in explicit government intervention in their favor regarding the exchange rate, such as public institutions, specific groups of exporters, and public assistance. The motivating fact is that revaluation news makes its way to media outlets with much more frequency that devaluation news. Furthermore, news, editorials, and op-eds often argue against revaluation episodes, speculating about the potential negative effects on a variety of economic groups. The author finds it strange that this happens in spite of close to twenty years of the implementation of a flexible exchange rate regime and having experienced the effects of a fixed exchange rate regime in conjunction with a high black-market premium. Taborda argues that one possible explanation lies in pressure from economic groups and media bias. In other words, he explores the possibility that news provided by certain interest groups might imply larger audiences for media outlets through reporting of what are perceived as catastrophic revaluation episodes.

The results of the paper point to the existence of what the author refers to as media bias, in the sense that there are, in fact, significantly more exchange rate–related news items during revaluation episodes than during devaluation episodes. Furthermore, using statistical analysis of the text of news items, the author provides evidence that references to revaluation are closely associated with the use of other words, such as *exporters, central bank, government,* and *assistance*. Finally, the paper provides some evidence that the intervention

of the central bank in the exchange rate market might be explained by the number of these terms in the news, although the author acknowledges the possibility of endogeneity problems in these estimates. From the policy perspective this is an interesting result, as it poses a question about the effects of news reporting on decisions of the central bank, especially in an institutional setting in which the central bank has been granted complete autonomy.

In his comments, Gustavo Suarez acknowledges the robustness of the three main statistical facts presented in the paper but argues that other explanations for these facts are possible. For example, he indicates that the correlations presented might be consistent with journalists' offering biased reporting (in response to lobbying groups) to an ex ante unbiased viewer and also consistent with an unbiased journalist's catering to an ex ante biased viewer. Similarly, he points out that the association between the intervention of the central bank and the amount of news related to depreciation episodes might be a mere correlation owing to an omitted or unobserved variable that affects both the exchange rate (and thus increases the possibility of news reporting on this issue) and increases the likelihood of central bank intervention at the same time. Finally, Suarez offers interesting avenues to further investigate whether other hypotheses might also be relevant in explaining the three statistical facts presented by the author.

As usual, we are very grateful to the people and institutions that have made this interesting issue of the journal possible. The group of editors, associate editors, and panel members of the journal put great effort into evaluating the papers and providing suggestions to bring them to their full potential. *Economía*'s managing editor, Roberto Bernal, worked incredibly hard to get the journal's machine working, taking this issue to completion. The Inter-American Development Bank and Universidad Adolfo Ibañez hosted some of the meetings where these papers were presented and subject to discussion and contributed logistics support for those meetings. More generally, these institutions have provided decades-long support to economic research in the region, a legacy that the journal always benefits from. Finally, it is LACEA that makes the existence of the journal possible. We are grateful for the sustained support that the association gives to our activities.