

Editor's Summary

This volume of *Economía* consists of four papers. The first one is very special: Jere R. Behrman's Carlos Díaz-Alejandro Prize Lecture, entitled: "What You Don't Know CAN Hurt You—Or at Least Mislead You." The Board of Editors has been discussing whether to include the lectures in *Economía* for some time, and we are pleased to report that *Economía*, as the official journal of LACEA, will publish all future Carlos Díaz-Alejandro Prize Lectures, as well as the LACEA Presidential Addresses.

Jere R. Behrman has devoted his life to the empirical study and evaluation of human resources, household behavior, and social policies in Latin America, and we are honored to welcome his lecture as the first in our journal. It is only fitting then, that the other three papers in this volume study related topics: first, Cárdenas, Chong, and Ñopo explore how households in Latin America cooperate and trust each other; second, Krivonos and Olarreaga analyze the impact of agricultural export prices on poverty in Brazil; and third, Ronconi looks at how public works influence workers' welfare in Argentina.

In "What You Don't Know CAN Hurt You—Or at Least Mislead You," Berhman summarizes his extensive forty years of experience in research and policy analysis in the region. He discusses the empirical challenges he has faced in the evaluation of social and other programs in the last forty years, and he shares his journey toward improving the field's understanding, data collection, and policy discussion. He has had a tremendous impact on the way policies have been designed in the region, and I am sure his research will continue to make a mark in the future. As pointed out by Mauricio Cardenas in his introductory remarks, Jere Berhman tackles some of the most important questions in development: "his research is rooted in a profound moral concern about the opportunities facing individuals and societies" and has covered questions that deal with some of the "most basic inputs to opportunity: the sufficiency of your nutrition, the effort of your parents, the quality of your schools, and the kind of labor market they confront." Latin America is perhaps one of the most

unequal regions in the world, and Jere Berhman has been leading the charge in the analysis of programs aimed at addressing that issue.

The lecture summarizes Berhman's views on the estimates found in the literature on a diverse set of questions. He highlights, quite convincingly, that some of those estimates are questionable, at best. He points to the two most important problems in evaluation—endogeneity and selection—and he discusses different possible approaches for dealing with these issues. His conclusion captures his feelings on the matter: “Estimates can be interpreted more confidently if they are based on explicit models of behavior that recognize the possible importance of unobserved factors and that are linked to special data. The estimation methods should also control for factors such as selection on unobserved variables and endogeneity.” This paper is a tour through Behrman's amazingly interesting research and, at the same time, a lecture on how to do good empirical work.

The second paper in this volume is “To What Extent Do Latin Americans Trust, Reciprocate, and Cooperate? Evidence from Experiments in Six Latin American Countries,” by Juan Camilo Cárdenas, Alberto Chong, and Hugo Ñopo. The authors are interested in understanding one of the most puzzling and important phenomena in our society: how does cooperation arise? This is puzzling because humans are generally modeled as having individualistic objectives. Moreover, as Cárdenas, Chong, and Ñopo point out, “Cooperating or forming groups to produce an outcome that is beneficial to the group is usually costly. Sometimes it involves a coordination game in which each individual would benefit more if everyone else behaves accordingly, and the payoffs drive individuals toward the best outcome without conflicts between individual and group interests. Other times it is a collective action game in which the individual strategy would be not to cooperate, although everyone in the group would benefit if everyone cooperated.”

To tackle the question of how cooperation arises, Cárdenas, Chong, and Ñopo use several field experiments to study how individuals trust, reciprocate, and cooperate. The games, which are fantastically interesting, highlight precisely the values of trust and cooperation. The authors implemented the trust games in six cities: Bogotá, Buenos Aires, Caracas, Montevideo, Lima, and San José. The two most important findings are the following: first, on average, the degree of trust and cooperate among Latin Americans is remarkably similar to that found in other regions of the world. They compare their results to papers on the same experiments and games performed in member countries of the Organization for Economic Cooperation and Development

(OECD). Second, players' expectations about the behavior of other players determine the degree of trust, reciprocity, and cooperation.

The third paper in the volume is "Sugar Prices, Labor Income, and Poverty in Brazil," by Ekaterina Krivonos and Marcelo Olarreaga. What would happen in sugar-producing countries if the OECD countries were to dismantle their trade protection policies in their respective sugar industries? This seems like a first-order issue for a country like Brazil. This paper evaluates who would benefit and who would lose out from changes in the international price of sugar, based on a model calibrated to evaluate the welfare implication in Brazil of a 10 percent increase in the world price of sugar.

To answer this question, the authors take three steps. The first step is a pass-through regression to determine the impact of an increase in the international sugar price on the local sugar price. Since regions have different degrees of openness and competition, the authors estimate the pass-through in eleven regions, obtaining estimates that fluctuate from 0.75 to 1.00. The second step is to compute the impact of sugar prices on wages and unemployment for different types of workers. They find, for example, that workers with higher skills experience larger wage increases when sugar prices rise, and that employment increases the most for the lowest income level when sugar prices increase. Finally, using the estimates of the pass-through and the local impact on wages and employment, they simulate the impact of a permanent 10 percent increase in international sugar prices. They study the impact on household income, as well as on poverty measures. The authors find a very large effect, which is big enough to bring 280,000 individuals out of poverty! Discussions of the distributional impact of globalization have always been an important economic and political concern, and this paper tackles the issue thoroughly and convincingly.

Finally, "Estimates of the Benefit Incidence of Workfare" by Lucas Ronconi studies the effectiveness of a work program implemented in Argentina in 1996 and expanded in 2001. As the author suggests, poverty alleviation programs that require individuals to work can be very well targeted because of self-selection. In other words, only those with small opportunity costs are willing to give up their other jobs and work for relatively low wages. The paper finds, however, that self-targeting is significantly weakened when individuals can lie about their work status. The program will therefore be incorrectly targeted if there is little enforcement of the work requirement.

The paper compares a new sample collected by the author with an earlier sample collected by the Argentine Ministry of Labor, Employment, and Social Protection (MOL). Studies based on the original sample found that the self-

targeting aspect of the program was working extremely well, and most of the benefits were directed to the poorest deciles. Ronconi argues that the collection method of the original sample was biased and unlikely to find nontargeted individuals in the population. He analyzes four different samples and finds that the targeting is much worse.

All three applied papers share Jere Berhman's message. All three papers study important social aspects and are very careful with the identification method and data collection. In the end, the three sets of authors are very clear that what we do not know might, indeed, hurt us.

Economía is the result of a collaborative effort, and, as usual, thanks are due to many people who made that process successful. Associate editors worked hard to guide papers to publication; members of the panel contributed valuable insights and spirited discussions; and *Economía* staff, in particular Catherine Mathieu, helped put it all together. Without their steady and abundant effort, this volume would have not have come to fruition.