Editor's Note

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The present issue of this journal contains six articles. In the first one, Juan Carlos Muñoz-Mora analyzes the microeconomic implications of rural conflict in the production decisions of Colombian coffee growers, using a unique database with information on coffee farms in 2006. The author focuses on those producers with crops up to 5 hectares, because these small producers are more vulnerable to violence scenarios. The work assumes that, in the coffee regions, both the armed conflict and the presence of illicit crops generate persistent and systematic environments of social, political and economic uncertainty, which together with the different market crises, create an unfavorable scenario for the small producers, who are then forced to change their production decisions. The author finds a negative relationship between the number of attacks and coffee production, leading to the municipalities with the highest number of attacks to lower production up to 1.2% compared to the other towns. Similarly, coffee production is also reduced in those municipalities where illicit crops are grown (0.34%).

Next, Juan Manuel Julio characterizes the pricing rules of Colombian retail prices of goods and services through the *hazard* function, for which he uses 12’052.970 monthly price quotes covering all the goods and services considered in the calculation of the Colombian CPI from March 1999 to May 2008. This database is very useful to study the presence of state dependence, including menu costs, since it covers a period of falling inflation, March 1999 to June 2006, and another of increasing inflation, June 2006-May 2008. The author finds that there is very strong evidence in favor of state dependence and that it is lower for items whose prices are flexible than for those with sticky prices. Also, he finds strong evidence in favor of competing risks between price increases and decreases and no evidence in favor of explicit contracts except for services that are characterized for this behavior. In addition, the sensibility of the *Hazard* function to changes in the rate of devaluation is very moderate. Finally, he finds strong evidence of heterogeneity due to the type of outlet and unobserved heterogeneity in great portions of the Colombian CPI.

In the third article, Juan Manuel Julio, Héctor Manuel Zárate and Manuel Darío Hernández study the price setting behavior of Colombian retailers of goods and services using a unique data base of 12,052,970 individual price reports covering all items in the Colombian CPI from March 1999 to May 2008. The findings of this paper can be used for the analysis of monetary policy in Colombia, as they provide the micro foundations for the design of staggered contract models. The authors found a great deal of price setting heterogeneity, that Colombian consumer prices were sticky, that price cuts were not rare, that absolute percentage price changes were larger than inflation, and that price change synchronization was low. Also, they found that the decision to raise prices covaries with inflation and cumulative inflation since the last price update, whereas the decision to reduce prices is highly heterogeneous among different groups of goods and services and covaries with the cumulative inflation since the last price change and the percentage difference between the price and the average market price.

Then, Miguel Urrutia and Mauricio Ruiz review the trends in real wages in three different periods of the economic history of Colombia in order to analyze the material living standards of the working class in the long run. These periods are: the nineteenth century (1820-1900), a period marked by the creation of republican institutions, civil wars and little economic growth; the first half of the twentieth century (1900-1956), during which the society began to leave Malthusian period and the industrialization starts, and the second part of the twentieth century (1956-2006), during which the modernization of the economy consolidates. To carry out this research, the authors used series of wages and consumer prices, complied by other authors, to calculate real wages for various groups of workers. The authors found that over the past 170 years, Colombian real wages rose less than the per capita GDP growth in most of the periods studied, except for the last 50 years. The authors interpret this large drop in the participation of employees as a worsening in income distribution and therefore may be a partial cause of the of income inequality in Colombia at present.

In the fifth article, Liliana Olarte and Ximena Peña analyze the impact of children on the earnings of women in Colombia, using information from the National Survey on Quality of Life 2008 and using derivations of the Mincer wage equation supplemented by the Blinder-Oaxaca decomposition technique. The authors not only analyze the effect of the number of children on income, but also the effect of the age composition to investigate whether the penalty in revenues is attributed to children who are more age dependent or if this penalty is independent of their age. They also inquire about the possible causes of this gap. The authors find that mothers earn on average 17.6% less than non-mothers. By correcting for selection bias and controlling for observable variables, the empirical results confirm the existence of a substantial penalty on maternity income of 9.4% between mothers and non-mothers; the gap is higher when children are under 5 years of age, 18.4%. According to the authors, this income differential may be explained by the fact that mothers are more likely to work in the informal sector and also motherhood is associated with greater household responsibilities for women.

Lastly, Fernando Tenjo and Martha López explore the performance of a set of early warning indicators for a group of Latin American economies under the endogenous cycle perspective. At the same time, the paper studies how these indicators perform in emerging economies whose cycle, while retaining an endogenous nature, is affected by external variables, in particular the flows of capital from abroad. The authors find that a combination of asset prices and credit provides valuable information of probable future financial crises, although they go a step further in the analysis of emerging economies and find that a combination of capital flows from abroad and credit is an even superior leading indicator of such events.