Why are interest rates so high in Brazil? Mapping the evolution of academic explanations

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Abstract
Brazil's interest rate has remained persistently high since the 1999 adoption of inflation targeting, generating a large academic literature. However, there is no systematic account of how this literature evolved or whether its evidence supports the theses it addresses. This paper provides a bibliometric and content-analytic study of the Economics, Econometrics and Finance literature on Brazil's interest rate (Web of Science, Scopus and Scielo, 2000–2025). Articles are classified under Modenesi and Modenesi's (2012) five-thesis typology and vote-counted for whether their findings support, contradict, or partially support the assigned thesis. Publication activity has grown markedly, tracking Brazil's monetary-policy cycles; the reduced-efficacy and pro-conservative-convention theses jointly account for over three-quarters of the corpus; and the evidence, while predominantly supportive, is more mixed for some theses than others.

Keywords: Interest rate, Brazil, Systematic review; Selic; bibliometrics

Resumo
Desde a adoção do regime de metas de inflação, em 1999, a taxa de juros brasileira tem permanecido persistentemente elevada, dando origem a uma ampla literatura acadêmica. Contudo, ainda não há um mapeamento sistemático da evolução dessa produção nem uma avaliação sobre em que medida as evidências apresentadas sustentam as teses discutidas. Este artigo realiza um estudo bibliométrico e uma análise de conteúdo da literatura nas áreas de Economia, Econometria e Finanças sobre a taxa de juros brasileira, com base em trabalhos publicados entre 2000 e 2025 e indexados nas bases Web of Science, Scopus e SciELO. Os artigos são classificados conforme a tipologia das cinco teses propostas por Modenesi e Modenesi (2012), e seus resultados são avaliados por meio de um procedimento de contagem de votos, considerando se apoiam, contrariam ou sustentam parcialmente a tese correspondente. Os resultados mostram que a produção acadêmica cresceu de forma expressiva, acompanhando os ciclos da política monetária brasileira. Revelam também que as teses da reduzida eficácia da política monetária e da convenção pró-conservadora concentram, em conjunto, mais de três quartos do corpus analisado. Embora o balanço geral das evidências seja predominantemente favorável às teses examinadas, o grau de apoio varia entre elas, sendo mais heterogêneo em alguns casos.
Palavras-chave: Taxa de juros; Brasil; Revisão sistemática; Selic; Bibliometria

JEL Classification: E43, E52, E58, O54

1. Introduction

Since the introduction of Brazil's inflation-targeting regime in 1999, the country's policy interest rate has consistently remained among the highest in the world in real terms. This persistence has attracted sustained attention from economists across competing theoretical traditions, generating a literature that spans institutional analyses of monetary-policy transmission, models of multiple equilibria and self-fulfilling risk premia, political-economy accounts of a "pro-conservative convention," fiscal-dominance arguments, and claims rooted in jurisdictional uncertainty.

Despite the breadth of this debate, there is no systematic account of how the literature explaining Brazil's persistently high interest rates has evolved, which explanations have attracted the most sustained scholarly attention, or whether the empirical evidence produced by this large and heterogeneous body of work actually supports the theses it is most often invoked to defend. This gap motivates the bibliometric and content-analytic approach adopted here.

This paper addresses that gap in two complementary ways. First, following established bibliometric practice (Merigó et al., 2016; Doré and Teixeira, 2023), we systematically retrieve and screen the Economics, Econometrics and Finance literature on Brazil's interest rate across three databases, yielding a final corpus of articles published between 2000 and 2025, which accounts for the period corresponding to the country's inflation-targeting regime. Second, we classify each article in this corpus according to the five-thesis typology proposed by Modenesi and Modenesi (2012): a) reduced effectiveness of monetary policy, b) multiple interest-rate equilibria, c) the pro-conservatism convention, d) the fiscalist view, and e) jurisdictional uncertainty, each discussed at length in Section 2. We then code, through a vote-counting procedure, whether each article's own empirical findings support, contradict, or only partially support the thesis it addresses. Combining descriptive bibliometric mapping with this content-level, theory-anchored classification allows us to move beyond simply counting publications to characterizing what the literature, taken as a whole, actually finds.

We find that publication activity on this topic has grown markedly, if unevenly, since 2000, tracking Brazil's own monetary-policy cycles; the reduced-efficacy and pro-conservative-convention theses jointly account for more than three-quarters of the classified literature, far outweighing macro-institutional and legal-institutional explanations; and the balance of reported evidence, while predominantly supportive of the theses it addresses, is considerably more mixed for some explanations than for others.

The remainder of the paper proceeds as follows. Section 2 develops the historical trajectory of Brazil's real interest rate and the theoretical framework underlying the five competing theses used to classify the corpus. Section 3 details the search, screening and classification methodology. Section 4 presents the bibliometric results, combining descriptive indicators with the vote-counting synthesis of the direction of the evidence. Section 5 concludes, discusses the limitations of the exercise, and proposes avenues for future research.

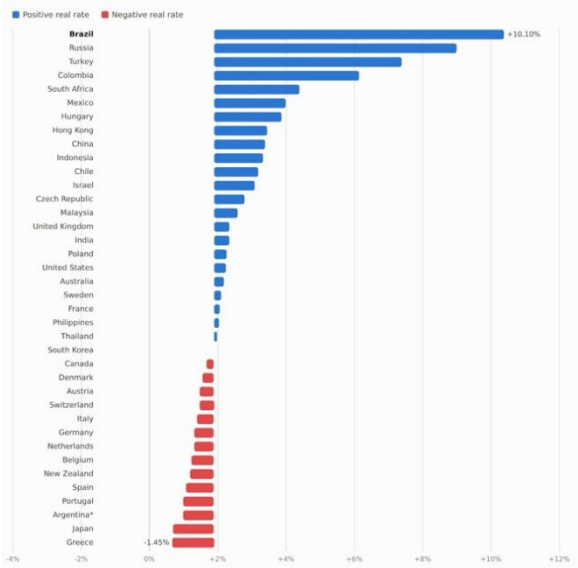
2. The evolution of real interest rates in Brazil (1995-2025)

This section (i) traces the trajectory of Brazil's policy interest rate over three decades; (ii) documents its position among the highest in the world; (iii) develops a theoretical framework in the wider debate on "the problem of the interest rate" in Brazil capable of explaining that persistence; and (iv) sets up the explanatory clusters that the bibliometric study will map onto the literature it screens.

2.1 Brazil's Interest Rate in Comparative and Historical Perspective

Since the Real Plan (1994) and, more specifically, since the 1999 adoption of the floating exchange rate, inflation targeting, and primary fiscal surplus — the so-called macroeconomic tripod — Brazil has sustained one of the highest real policy rates among both advanced and emerging economies. Cross-country comparisons of ex-ante real interest rates (the nominal policy rate less twelve-month-ahead inflation expectations), reveals that Brazil has consistently ranked among the top handful of economies worldwide for most of the 1995–2025 period.

Figure 1. Annualized Real Interest Rates by Country (ex-ante, % p.y.)



Source: Authors' elaboration using IMF / BIS real-rate panel.
Note: the series consists of BIS policy rate (latest available, Apr-May 2026) deflated by IMF WEO April 2026 forecast for 2026 inflation

Figure 2 below, shows the trajectory of the Selic nominal rate over the period. We divide the period in subperiods according to some relevant episodes. Between 1995 and 1998, immediately after the Real Plan, ultra-high rates defended the exchange-rate anchor against the capital flight triggered by the Mexican, Asian, and Russian crises. From 1999 to 2002, under the newly adopted tripod, rates remained high through repeated "confidence crises," including the market turbulence surrounding the 2002 presidential election. Between 2003 and 2008, inflation gradually fell, yet rates stayed very high despite an unusually favorable global liquidity environment — the period that most sharply poses the puzzle this framework addresses. From 2009 to 2016, the global financial crisis prompted an initial easing, followed by the 2011–2012 experiment cutting the Selic toward roughly 7.25 percent and its subsequent reversal amid the 2016 Brazilian crisis. Between 2017 and 2020, disinflation culminated in a record-low 2 percent Selic. This is the only episode in which Brazilian real rates approached zero, coinciding with a period of exceptionally low rates worldwide. From 2021 to 2025, post-COVID inflation triggered aggressive tightening by the BCB, and Selic rates returned to the 14–15 percent range and real rates once again among the highest in the world.

Figure 2. Effective (Nominal) Selic Rate and CPI Inflation (IPCA), 1995–2026



Source: Authors' elaboration using BCB statistics

Two features of this trajectory motivate the theoretical discussion that follows. First, the rate has remained high not only during episodes of acute stress (1995–2002) but through years of favorable global liquidity, fiscal surplus, and falling inflation (2003–2008); persistence across such different macro-financial environments is the central fact any theory must explain, and the two brief episodes of genuine convergence toward low rates (2012, 2020) were both reversed within a few years. Second, high real rates have coexisted with inflation that is itself high relative to peers -- a combination that is difficult to reconcile with a textbook view in which a sufficiently high policy rate should, given enough time, deliver low and stable inflation. This joint anomaly is the empirical starting point for the theoretical framework developed below.

2.2 What Determines the Interest rate? A Theoretical Framework

Interest as a Convention under Fundamental Uncertainty

For Keynes, the money rate of interest is "a highly conventional, rather than a highly psychological, phenomenon" (1936: 203), because it depends on what market participants believe others believe it will be. Human decisions bearing on an uncertain future, Keynes writes, "cannot depend on strict mathematical expectation, since the basis for making such calculations does not exist" (1936: 162–163); he implicitly assumes that an entrepreneurial economy is characterized by a non-ergodic stochastic process (Davidson 2003), meaning that current knowledge is not enough to pin down, for instance, the mathematical long-term expectation of the yield on an investment. Convention is the device economic agents use to overcome this uncertainty. In other words, a shared, self-validating belief about what the "normal" or "safe" rate of interest should be, which persists not because it reflects fundamentals but because departing from it individually is costly and departing from it collectively requires a coordinated shift in beliefs.

This treatment of convention was later formalized by the French Convention School. A convention, in this tradition, is a behavioral regularity that a population conforms to, that each member believes others conform to, and that this shared belief provides a sufficient reason to keep conforming to it — even though an alternative regularity could, in principle, have been equally viable. Conventions of this kind solve coordination problems, such as the valuation of financial assets, by supplying a common reference point where no objective one exists (Dupuy 1989; Lewis 1983 [1969])

Applied to interest-rate determination, this means that expectations about the future course of interest rates depend on what Keynes called the "safe rate of interest" or the value that the public believes to be normal or sustainable on the basis of past experience and prevailing expectations. Suppose this conventional safe rate is i^s, and the central bank begins easing by cutting the short rate below i^s. Although the monetary authority can exercise close control over the short-term rate, the long-term rate also depends on expectations concerning future monetary policy and on the public's liquidity preference. If the reduction in the short rate fails to alter the convention governing i^s, a reduction in the short rate need not translate one-for-one into a lower long rate if a sufficiently low long-term rate comes to be regarded as "unsafe." Market participants will then anticipate a subsequent increase in rates and the associated capital losses on long-duration securities, increasing their preference for liquidity and resisting a further decline in long rates. Monetary easing may therefore have only a limited effect on the long-term rate unless policy itself succeeds in changing the convention regarding what constitutes a normal or safe rate (Keynes 1936: 202–204; Seccareccia and Lavoie 2004).

This distinction is important because convention need not be confined to financial-market expectations about long-term rates. Monetary authorities themselves operate within historically and institutionally constituted understandings of what constitutes an appropriate, prudent, or credible policy stance. The argument developed below is that, in Brazil, such an understanding has taken the form of a persistent "pro-conservative convention" in which there is a sustained belief among policymakers and financial-market participants that unusually high short-term interest rates are necessary or normal. The Selic may consequently remain systematically above the levels implied by conventional policy-rule benchmarks, not because those high rates reflect an independently determined equilibrium or natural rate, but because the convention itself shapes the expectations, policy practices, and interpretations through which the prevailing level of interest rates is reproduced.

2.3 Five Theses on the Determinants of Brazil's High Interest Rates

Brazilian economists — working chiefly, but not exclusively, in the Post Keynesian and structuralist traditions — have classified the competing explanations of "the problem of the interest rate" into five theses (the typology traces to Modenesi and Modenesi (2012)). The theses are not mutually exclusive and most authors combine several. However, we distinguish them analytically because we believe it to be useful both for exposition here and, more directly, for classifying papers in the bibliometric corpus.

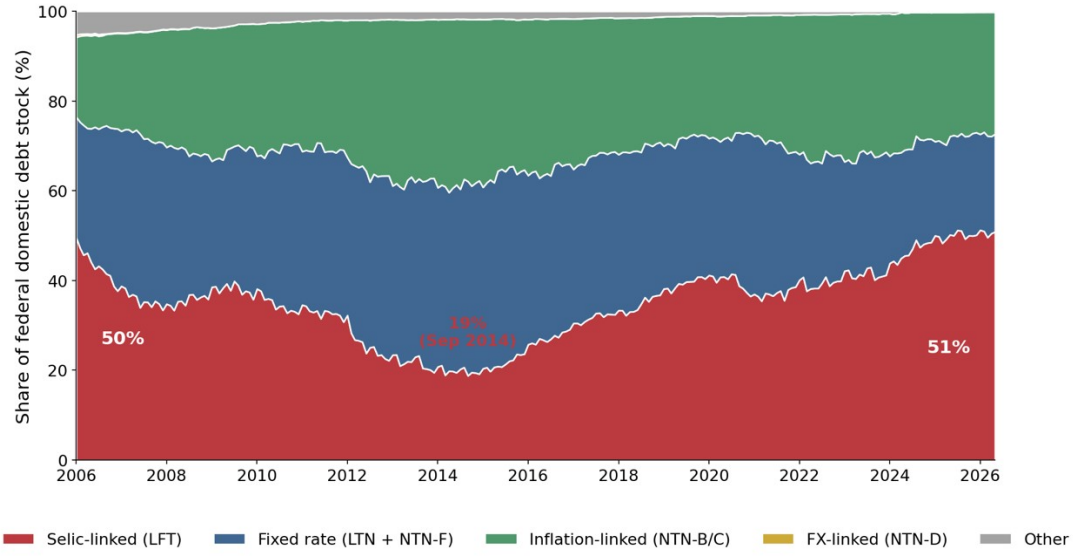
Reduced Efficacy of Monetary Policy

The most widely subscribed thesis holds that the Selic must be kept unusually high because Brazil's institutional and financial architecture blunts the normal transmission channels of monetary policy, so that a given amount of disinflation requires a disproportionately large policy rate.

The absence of a long-maturity domestic yield curve is one mechanism. Carvalho (2005), Kregel (2004), and Bacha and Oliveira Filho (2006) argue that without a term structure extending to sufficiently long maturities, monetary impulses cannot travel from the short end of the curve to the financing conditions that actually shape real investment decisions. Thus, it is in the sphere of financial circulation that the largest share of monetary income concentrates, and stimuli fail to transmit "to the longer segments, where they could influence real investment choices" (Carvalho 2005: 331–332). The central bank is consequently forced to move the short rate much further than would otherwise be necessary to achieve a given effect on aggregate demand.

A closely related mechanism is the structure of Brazilian public debt itself. Historically, a large share has been held in Letras Financeiras do Tesouro (LFT), which are floating-rate bonds indexed to the Selic with near-zero duration and high liquidity, also referenced by the Certificado de Depósito Interfinanceiro (CDI) in the banking system's own liabilities. Because LFT holders bear essentially no capital-loss risk when the policy rate rises, a Selic hike does not threaten the market value of the dominant asset in institutional portfolios. Instead, it simply raises the flow of interest income paid to bondholders (Pastore 1996; Moraes 2006).

Figure 3. Composition of Brazil's Federal Domestic Debt by Indexer, 2006-2026



Source: Authors' elaboration using statistics from the Tesouro Nacional (National Treasury)

This "income effect" — as opposed to the "wealth effect" that operates through long-duration debt in most advanced economies — mutes a standard transmission channel of monetary policy and creates what several authors call a perverse or "reverse financial-income effect". Consequently, a rate hike raises the income of the mostly institutional LFT holders and, depending on their marginal propensity to spend, can even prove expansionary rather than contractionary (Parreiras 2007). Barbosa (2006) further shows that this linkage generates a "contagion effect" between public-debt management and monetary policy. The reasoning is as follows: because the Treasury depends on the Selic to place its debt, the central bank's inflation mandate and the Treasury's financing needs can pull in different directions, adding a risk premium to the policy rate itself. Barbosa (2004) also argues that the strong inertial/smoothing behavior of the Selic itself reinforces the persistence of the rate once set. As can be seen in picture 3, Brazilian public-debt maturities remain short by international standards averaging one to one-and-a-half years, with instruments rarely extending past five to ten years.

A third mechanism discussed by Nakano (2005, 2011) is the imperfect credit channel. Because banks are themselves large LFT holders, their assets and revenues also expand when the Selic rises, so credit can keep expanding until rates reach a critical level at which moral hazard and adverse selection sharply raise default risk. The credit channel only begins to operate as conventionally assumed after that threshold. A fourth is a cost channel argued by Marques and Fochezatto (2006) present empirical evidence that higher interest rates raise firms' financing costs, which are passed through to prices under mark-up pricing, partially offsetting the demand-side disinflationary effect of a rate hike — a friction reinforced, Carvalho (2005) notes, by the importance of cost shocks as a source of inflationary pressure

in Brazil. A fifth mechanism is the weight of administered prices which represent roughly 30 percent of the IPCA basket and is largely insensitive to the interest rate, so free prices — and therefore aggregate demand — must be repressed more than they otherwise would to offset the administered segment's frequently above-average growth (Modenesi 2003, 2005a). A sixth is weak central-bank credibility: absent full formal independence, the expectations channel of transmission is weaker, requiring a higher policy rate to anchor inflation expectations (Favero and Giavazzi 2002; Holland 2006).

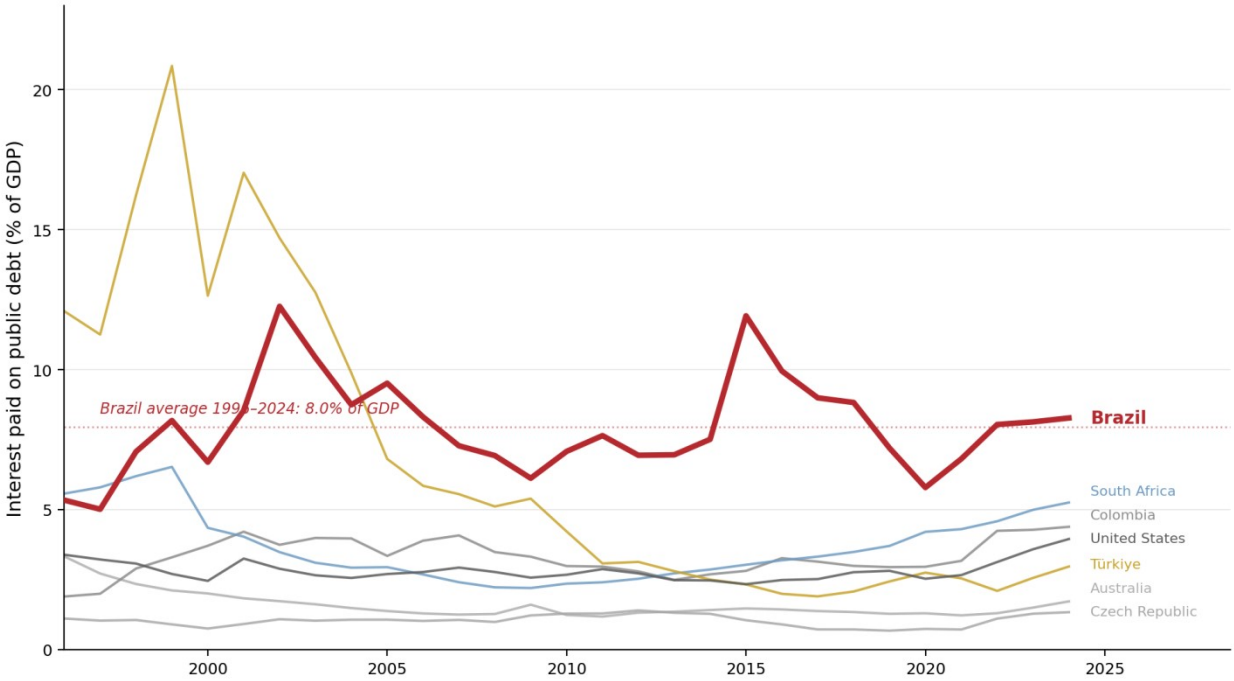
Another strand attributes some loss of efficacy to subsidized long-term credit with investment financed by BNDES and Caixa Econômica Federal at the below-Selic Taxa de Juros de Longo Prazo (TJLP). Because these investments are insulated from monetary tightening, they reduce the aggregate reach of the Selic (Arida 2005; Giambiagi 2007). Giambiagi's (2007) own estimate of the fiscal cost of the Selic–TJLP spread — under 0.5 percent of GDP between 2000 and 2006 — and the limited share of TJLP-referenced credit in the total stock suggest that the effect is relatively unimportant. In fact, Araújo and Modenesi (2010) report empirical evidence against the thesis on this specific mechanism. Using a VAR model, Araújo and Modenesi (2010) argue that inflation is only weakly sensitive to the Selic, while output is strongly and negatively affected so that a rate hike reliably slows the economy but only imperfectly cools prices. Their conclusion is that to achieve a given inflation target, the central bank needs to hold rates far higher, and for far longer, than a standard transmission model would imply. Modenesi and Araújo (2013) build on this to argue that low monetary-policy efficacy, rather than inflation expectations or fiscal risk per se, is among the most important in explaining why the Selic must be kept so high to achieve a given amount of disinflation.

Multiple Equilibria and the Reversal of Causality

Bresser-Pereira and Nakano (2002) advance a structurally different argument, later known as the Bresser-Nakano hypothesis. Using a model in the spirit of Romer (2001), they argue the Selic is assigned multiple, partly contradictory objectives simultaneously: restraining aggregate demand to control inflation, discouraging currency depreciation to contain cost-push inflation, attracting capital inflows to balance the external accounts, sustaining demand for government bonds to finance the fiscal deficit, and containing the trade deficit through demand compression. Because these objectives cannot all be satisfied at once, raising the rate to achieve one tends to worsen the others, triggering further increases. Beyond a critical threshold, the economy leaves a stable equilibrium and enters an unstable one in which the interest rate itself becomes the main determinant of perceived default risk. Below the threshold, a given level of risk pulls the rate toward a stable, “virtuous” equilibrium; above it, the debt-service burden generated by the high rate raises perceived default risk further, pushing the country toward an unstable, self-reinforcing “perverse” equilibrium. In simple terms, the high interest rates set by the Brazilian government, increases the perception of risk by investors. This is in contrast with the standard explanation that investors perceive the risk first, and then demand higher risk premiums.

Bresser-Pereira and Nakano (2002) note that Brazil's short- and long-term real rates have systematically exceeded those of countries with equal or worse sovereign ratings (Peru, Colombia, Venezuela, Russia), which is hard to reconcile with a purely fundamentals-based risk premium. Building on the Eichengreen–Hausmann “original sin” literature, a related view traces the risk premium to Brazil's history of high inflation and default and to structurally weak institutions that prevent it from borrowing in its own currency at long maturities and low rates.

Figure 4. Interest Paid on Public Debt as % of GDP. Brazil vs. Peer Economies, 1996-2024



Source: Authors' elaboration using IMF, World Economic Outlook database.

Critics point out that Brazil has not defaulted domestically since the mid-1990s stabilization and has sustained investment-grade-adjacent credibility for much of the inflation-targeting period, so a purely historical-reputation channel struggles to explain the persistence of the premium. As the chart above shows, Brazil's interest burden as a share of GDP has remained systematically above that of peer economies with comparable or weaker credit standing for three decades, including years of investment-grade ratings and primary surpluses.)

The Pro-Conservative Convention

Building directly on the Keynesian convention argument set out above, one possible explanation for the long-lasting high level of short-term interest rates in Brazil is that the BCB has been setting the Selic by conducting a so-called pro-conservative monetary policy, combined with the peculiarity of Brazilian debt described above, which reduces the efficacy of monetary policy (Oreiro et al. 2012; Modenesi and Modenesi 2012). The concept of convention has been used to explain the long-lasting high levels of the Selic by many authors, including Bresser-Pereira and Nakano (2002), Nakano (2006), Erber (2008a; 2011), Chernavsky (2007; 2008), Modenesi (2011), Corrêa (2010), and Modenesi et al. (2013).

Bresser-Pereira and Nakano (2002) originally sought inspiration in the concept of convention to explain the Selic's long-lasting and excessively high level: "after the persistent maintenance of the interest rate at a very high level, it is natural for the fear of a reduction to emerge, and for that level to become a convention" (2002: 169). According to Nakano (2006), the overly slow pace of the Selic reduction that started in 2005 — despite controlled inflation, no demand pressure, high unemployment, falling industrial output, a primary surplus near 5 percent of GDP, low country risk, and favorable global liquidity — could only be justified by the BCB's acceptance of a convention according to which the Selic's nominal floor, although extremely high, should remain around 14 percent per year, and monetary policy should follow a Taylor rule aligned with the New Consensus, smoothing interest-rate movements.

Erber (2008a; 2008b; 2011) took an innovative approach in stating that the excessively tight Brazilian monetary policy should be understood from the perspective of political economy. The question is not merely macroeconomic, but the result of a coalition of interests revolving around the maintenance of high interest rates. According to Erber (2011, our translation), the overvaluation of the Real is another pillar of the coalition sustaining the BCB's conservatism: "the exchange rate appreciation is the Siamese sister of high interest rates." As Erber (2011: 43) pointed out, the persistent appreciation of the Real has significantly benefited importers, consumers, and enterprises; the two sisters act to the benefit of companies able to access external credit and all who want to send resources abroad, either for investment (especially commodity producers) or as interest, profits, and dividends. In his view, this convention benefits not only rentiers and financial institutions, who derive high earnings from high interest payments, but also the BCB itself, which collects the reputational benefit of achieving its targets.

Chernavsky (2007; 2008) also suggested that the high Selic relates to a convention established by the BCB and public-debt holders seeking the highest payoffs possible — a self-referencing logic, rather than economic fundamentals, at the basis of the Selic's determination. Results presented by Modenesi et al. (2013) corroborate the view that BCB policy is ruled by a pro-conservative convention supported by the adoption of a Taylor rule (aligned with the New Consensus) with three distinctive features: (1) a high degree of interest-rate smoothness; (2) a high pure domestic equilibrium interest rate; and (3) high interest-rate differentials. Items (2) and (3) largely explain the overvaluation of the Real, a key element in Brazil's price stabilization. Maintaining a high differential between domestic and foreign interest rates has in fact been the BCB's main instrument for price stabilization since the Real Plan, stimulating capital inflows that finance the balance of payments while sustaining the Real's overvaluation (Bresser-Pereira 2010). As Kregel (2004), Carvalho (2004), and Arestis et al. (2011) have shown, the exchange rate has been the main monetary-policy transmission mechanism in Brazil.

Bresser-Pereira (2019) attributes the persistence of the high real rate, in part, to a rentier–financial dynamic that benefits banks, asset managers, and rentier households whose income depends on high yields, and to the broader financialization of the Brazilian economy that this dynamic both reflects and reinforces. The "conservative convention" actively serves creditor interests and is reproduced because those who benefit from it also have the institutional weight to keep the Selic anchored above what a standard policy rule would prescribe.

The Fiscalist Conception

A fourth thesis holds that because the Selic indexes a large share of public debt, the rate must be kept high independently of the inflation outlook, simply to sustain demand for government securities and thereby finance the fiscal deficit. Barbosa (2006) frames this as the "contagion effect" between debt management and monetary policy, arguing it helps explain why the policy rate is so high in real terms regardless of the price outlook. Delfim Netto (2005), Giambiagi (2002), and Oreiro and de Paula (2010), among others, attribute excessive monetary rigidity to the fragility of public accounts, holding that eliminating, or substantially reducing, the nominal fiscal deficit is a precondition for bringing the Selic down. Pastore and Pinotti (2006) frame the problem as one of fiscal-monetary policy-mix coordination. According to them, the excessively expansionary fiscal stance forces monetary policy to offset it through crowding-out, in the spirit of Sargent and Wallace (1981) — "the history of high inflation is the history of fiscal imbalances." A closely related but distinct variant (Goldfajn 2011; Segura-Ubiergo 2012) attributes high rates to insufficient domestic saving

relative to the public deficit, prescribing fiscal consolidation to raise aggregate saving and thereby permit lower rates.

Fiscal-dominance arguments of this kind imply that because a large share of public debt is short-term and Selic-indexed, a rate hike meant to fight inflation can perversely raise the debt burden and the fiscal-risk premium by enough to be self-defeating. This thesis should not be conflated with the reduced-efficacy thesis above since the latter attributes rigidity to transmission-channel failures irrespective of the fiscal stance, whereas the fiscalist view holds that even if every transmission problem were solved, the Selic would still need to remain high because of the size of the debt or the inadequacy of the monetary-fiscal mix. Critics respond that direct empirical tests find at most a low probability of realized fiscal dominance in the periods the theory was meant to explain. Brazil's public debt is not obviously high by international standards despite its short maturity and heavy reliance on Selic-indexed LFTs reducing its profile; and that a decade of primary surpluses failed to produce the anti-inflationary effect the thesis predicted, leaving it, on the existing evidence, without robust empirical support.

Jurisdictional Uncertainty

A related "jurisdictional uncertainty" thesis (Arida, Bacha and Resende 2005; Bacha 2005) attributes the risk premium instead to weaknesses in contract enforcement and property-rights protection. The risk that contracts will not be honored under Brazilian law, through the manipulation of indexation rules, judicial annulment of exchange-rate correction clauses, or the freezing of financial assets all raise the required return on Brazilian assets independent of macro fundamentals. This uncertainty is said to prevent the pricing of long-term financial assets and, consequently, the formation of a long-term credit market, requiring a higher short-term policy rate to achieve a given inflation target. The thesis underlies, though less explicitly, Arida's (2003b; 2004) proposal for full convertibility of the real, on the reasoning that convertibility risk itself raises the country-risk premium and/or requires excessive currency depreciation, both of which push up domestic real rates relative to what would prevail under full convertibility.

The convertibility proposal drew direct criticism from Belluzzo and Carneiro (2004) and Oreiro, de Paula and Silva (2004), and Ferrari Filho et al. (2005) offered a critical empirical assessment. Critics respond more broadly that jurisdictional-uncertainty claims are difficult to falsify and have not been matched by observable gains in institutional quality alongside the (partial) falls in the real rate seen in 2012 and 2020. Bresser-Pereira and Silva (2009) reject the underlying claim on empirical grounds. They argue that Brazilian institutions were considerably weaker in the past, when interest rates were nonetheless much lower, and are broadly comparable today to those of peer countries with similar or worse risk ratings but markedly lower interest rates. Gonçalves, Holland and Spacov (2007), in what appears to be the only dedicated empirical test of the thesis, find no supporting evidence — a result that makes jurisdictional uncertainty the least empirically persuasive of the five theses.

2.4 Complementary Strands

Beyond the five theses reviewed above, it is worth situating them against a more conventional New Keynesian/mainstream framework, since the two interact directly rather than standing wholly apart. Papers in this mainstream vein were largely screened out of the bibliometric corpus itself — most fall outside the study's inclusion criteria (Section 3) — but they are worth summarizing briefly here because they bear on the same explanatory question and help frame what the five theses are responding to.

Natural/neutral rate estimates. Semi-structural models applied to Brazil (e.g., da Silva and de Araújo 2016; Ronchi Neto and Candido 2020; Klose 2020) typically put the natural or neutral

rate (r*) well below the observed Selic for most of the sample, often in the 3–5 percent real range against observed real rates several points higher. A persistent, largely unexplained wedge between r* and the actual policy rate is difficult to square with a purely optimal-policy account and leaves room for the institutional and political-economy explanations developed above (these studies were in fact captured by the underlying search but excluded under the study's term-structure/forecasting screening criterion — Section 3 — and are noted here for context)

The exchange rate and external constraint. As Kregel (2004), Carvalho (2004), and Arestis, Ferrari-Filho and de Paula (2011) argue, the exchange rate has functioned as Brazil's principal monetary-policy transmission channel, both attracting the capital inflows that finance the balance of payments and sustaining the currency appreciation that has historically been a key channel of disinflation. Because this exchange-rate channel operates independently of, and interacts with, the convention and multiple-equilibria theses above, it is best understood as a transmission mechanism nested within them conceptually rather than as a sixth, independent thesis — consistent with the bibliometric study's own screening, which treats a paper whose primary focus is the exchange rate itself (rather than explaining the interest-rate level) as grounds for exclusion (Section 3), instead of a distinct coded category.

Credibility and IT design. Papers examining central-bank credibility, communication, and the specific design of Brazil's inflation-targeting regime (e.g. Minella et al. 2003; Bevilaqua, Mesquita and Minella 2007; Arestis, Ferrari-Filho and de Paula 2011) overlap substantially with the theses "credibility as a transmission channel" (H1) and "credibility as the BCB's own stake in the pro-conservative convention" (H3). In the bibliometric corpus, such papers are accordingly coded under whichever of the two theses their own argument most directly supports, rather than as a separate category — Minella et al. (2003), for instance, is coded under H3 in the vote-counting exercise below

These complementary strands summarized above sit largely outside the study's own inclusion criteria and are cited here for theoretical context rather than as members of the quantified corpus. Only the main five theses mapped above correspond directly to the clusters the bibliometric analysis quantifies in Section 4. None of the five theses, on its own, purports to explain the entirety of Brazil's interest-rate anomaly. No single, simple explanation should be expected given the heterogeneity of mechanisms — economic, institutional, and political-economy — at work, and the persistent coexistence of anomalously high real rates with above-peer inflation is itself the strongest evidence that transmission failures, rather than an efficiently priced risk premium, lie at the core of the puzzle.

3. Methodological considerations

Bibliometric studies typically rely on three main data sources: Scopus (Elsevier), Clarivate Analytics' Web of Science (WoS), and Google Scholar (GS). WoS and Scopus are the databases most commonly used for field delineation (Doré & Teixeira, 2023), since GS, despite indexing a substantially larger volume of documents than the other two, is not restricted to peer-reviewed scholarly material and is affected by inconsistencies, duplicate entries and incomplete metadata, such as missing or incorrect title, author or volume information (Nagarajan, Teixeira, & Silva, 2017). Although WoS and Scopus exhibit considerable overlap in coverage, each still indexes a nontrivial share of unique documents, which justifies the combined use of both sources.

Because the object of this study is a country- and policy-specific literature, and considering that Brazilian scholars frequently publish in regional and national journals not comprehensively indexed by WoS or Scopus, the search was further complemented with Scielo (Scientific Electronic Library Online), the reference bibliographic database for Latin

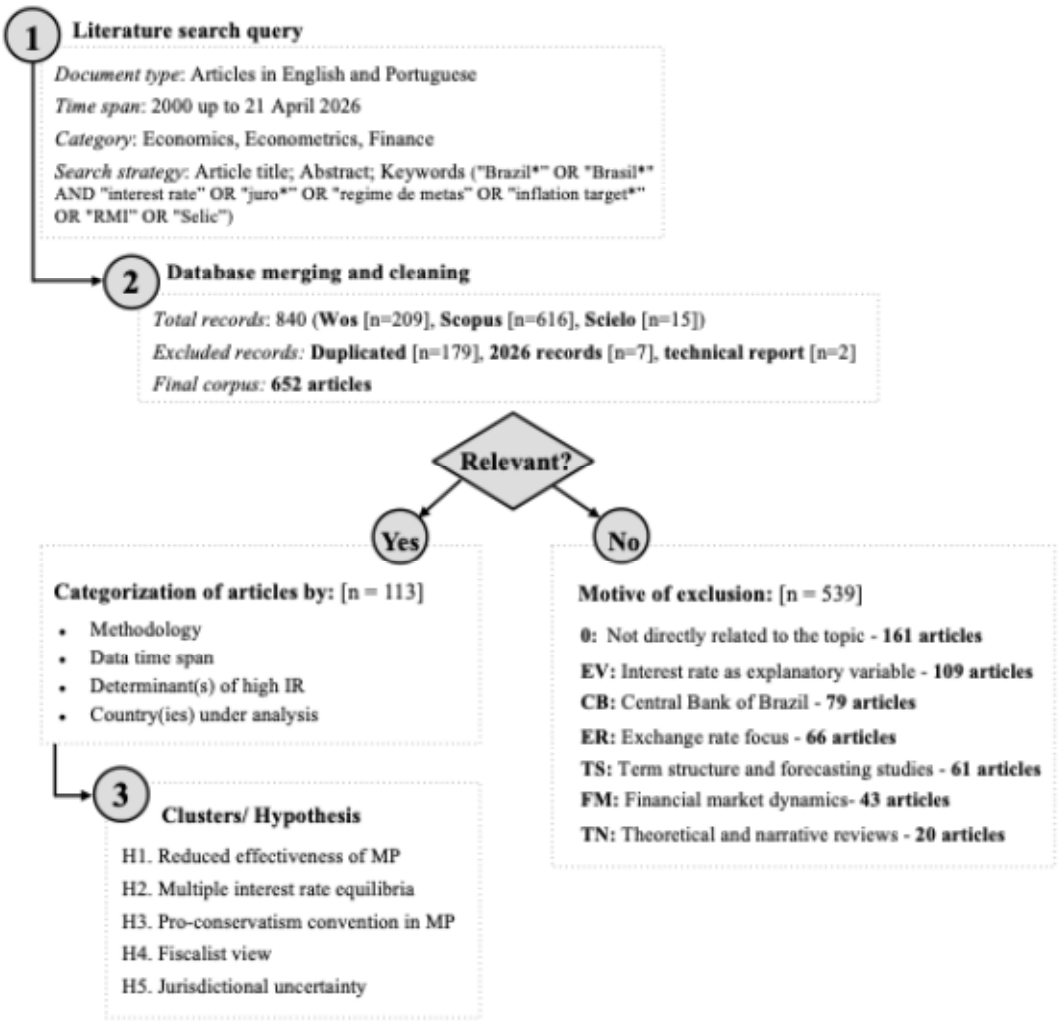
American, Iberian, and South African scholarly output. This addition mitigates the regional coverage bias that typically affects country-focused bibliometric reviews when these rely exclusively on mainstream international databases (Chen & Yang, 2019; Flores-Sosa, Avilés-Ochoa, & Merigó, 2022), and is consistent with the practice, in this stream of research, of triangulating indexing sources whenever the phenomenon under study has a strong national or regional dimension.

The search was conducted across the three databases for records published after 2000[1], restricted to the subject category of Economics, Econometrics, and Finance. Records were retrieved by searching the terms 'Brazil', 'interest rate', 'inflation target*', 'RMI' and 'Selic' in the title, abstract or author keywords fields, both in English and Portuguese. This combination of terms was designed to capture articles addressing the persistence of high interest rates in Brazil regardless of the specific analytical lens, namely monetary policy design, the inflation-targeting regime, fiscal policy, external vulnerability, or institutional and political-economy factors, through which the phenomenon has been examined.

Following recent bibliometric contributions in economics and finance (Merigó et al., 2016; Wallin, 2005; Doré & Teixeira, 2023), the analysis combines descriptive bibliometric indicators, such as publication counts by year, author, journal, institution and country, with a content-level thematic classification of the articles, grouped into clusters according to the theses proposed by Modenesi and Modenesi (2012). In their review analysis, the authors divide the extant literature to explain Brazil's persistently high interest rates into five groups, namely: i) Reduced effectiveness of monetary policy; ii) Multiple interest rate equilibria; iii) Pro-conservatism convention in monetary policy; iv) Fiscalist view; and v) Jurisdictional uncertainty. We then resort to this taxonomy to classify each article in the final corpus according to the thesis it most directly addresses and, in addition, to code whether its empirical findings support, contradict, or only partially support the corresponding thesis, following a vote-counting synthesis of the direction of the reported effect (see below).

Figure 5. Main steps of the systematic review process.

[1] The starting year was set at 2000, rather than earlier, because Brazil's inflation-targeting regime (*Regime de Metas de Inflação*, RMI) was only introduced in 1999; restricting the sample to 2000 onward therefore captures the literature discussing the persistence of high interest rates specifically under the monetary policy framework currently in place, avoiding the conflation of this debate with the distinct set of explanations that applied to the pre-RMI, high-inflation period.



Source: Authors' own elaboration.

Figure 5 details the search procedure and the main steps of the screening and review process. The initial search, conducted in April, 2026, yielded a combined total of 840 records: 209 from WoS, 616 from Scopus, and 15 from Scielo. After merging the three outputs into a single database, records were screened in three sequential steps. First, duplicate records were removed (n = 179). Second, seven records published in 2026 were excluded, since the search was conducted before the year was complete and the sample was restricted to closed publication years (2000-2025). Third, two records were excluded because they corresponded to institutional or technical reports rather than peer-reviewed journal articles. This screening process resulted in a corpus of 652 articles.

As the keywords adopted may embrace different focuses of studies rather than our main research interest, i.e., why real interest rates are so high in Brazil, the 652 articles were submitted to a screening to check their relevance to the goal of the present study. In this stage, we excluded from the subsequent analysis 539 articles, since they were theoretical- and narrative/ review-related papers (20), empirical studies using interest rate as an explanatory variable (109), studies centering on the behavior of the Central Bank of Brazil (79), those on exchange rate focus (66), papers dealing with the term structure of interest rate and forecasting studies (61), those on the financial market dynamics (43), and, finally, studies that were not directly related to interest rate (161). The remaining articles (113) were assumed to be directly addressing this research question and constitute, then, the sample used for the

content-level, cluster-based mapping of explanatory arguments presented in the remainder of the paper.

Because the aim of the study is to map the main arguments explaining Brazil's high interest rates, rather than to assess scientific impact or collaboration patterns, citation data were not retrieved, and no citation-based indicators (e.g., h-index, citations per paper) or citation-based networks (e.g., co-citation, bibliographic coupling) or co-authorship networks were computed. Descriptive bibliometric indicators were instead limited to publication counts, such as the number of articles per year, author, title, journal, and affiliation of authors.

After a preliminary thesis code assignment to each article, we recorded whether its empirical findings supported, contradicted, or only partially supported the corresponding thesis. This vote-counting synthesis of the direction of the reported effect follows a small but established practice in economics of tabulating findings by direction, rather than pooling them into a single quantitative estimate, when the underlying studies are too heterogeneous in data, method, and estimated relationship to support a formal meta-analysis (see, e.g., Haase, Seiler Zimmermann & Zimmermann, 2016; Kupabado & Kaehler, 2025), which is precisely the case for the corpus assembled here. Because vote-counting based on statistical significance is known to have poor statistical properties - its power has been shown to decrease, rather than increase, as more studies are added (Hedges & Olkin, 1980) - we instead followed current reporting guidance for synthesis without meta-analysis (Campbell et al., 2020) and classified studies by the direction of the reported finding rather than by statistical significance, treating each article as contributing a single vote to its assigned thesis. This procedure does not weight studies by sample size, data quality, or the magnitude of the estimated effect (Stanley & Doucouliagos, 2012), thus the results should accordingly be read as indicative of the balance of the evidence within each thesis, rather than as a formal quantitative synthesis.

4. A bibliometric account of Interest Rate-related studies

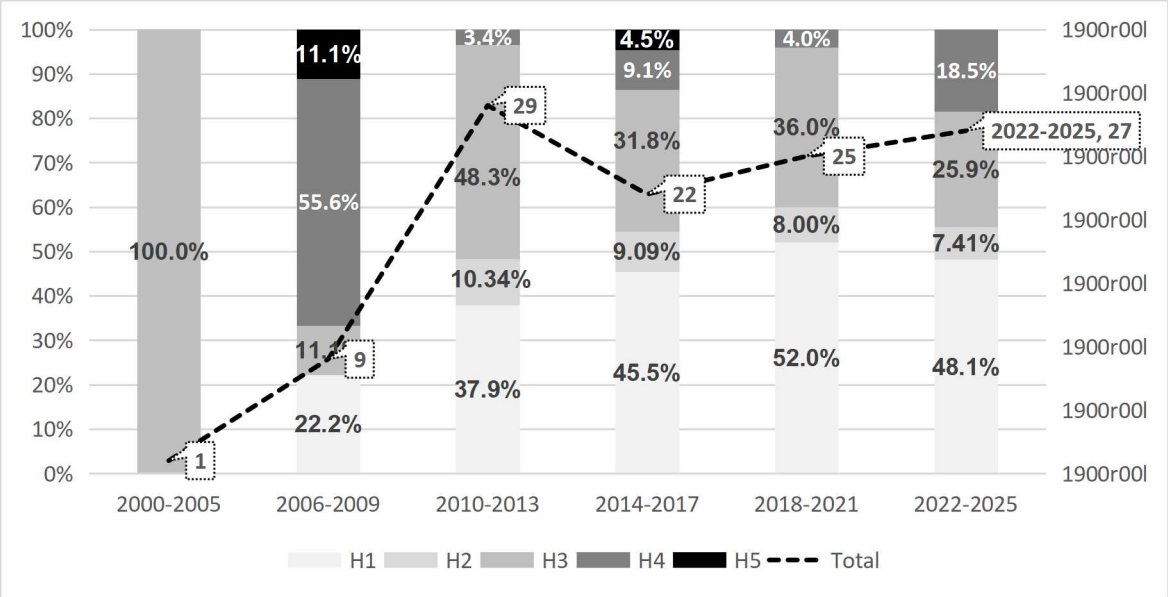
Beyond describing how this literature has evolved and tallying the direction of its findings, this section situates the resulting patterns against the analytical distinction developed in Section 2 between the theses centered on the conduct and credibility of the Central Bank (H1 and H3) and those centered on macro-institutional or legal-institutional constraints (H4 and H5). As Table 3 below reports, the corpus is concentrated in H1 and H3, which jointly account for more than three-quarters of the classified articles — a concentration that mirrors the common analytical core identified in Section 2, where the reduced-efficacy and pro-conservative-convention theses were shown to share a single underlying account of the Central Bank's own behavior rather than describing two independent explanations. The comparatively modest and more contested empirical support recorded for H1 (46.0% supporting, but 48.0% classified as ambiguous — the highest such share among the five theses) is likewise consistent with Section 2's account of H1, which catalogues several distinct and only partially reconciled mechanisms said to blunt monetary-policy transmission; the heterogeneity of mechanism, method and interpretation across studies is what this high 'ambiguous' share is capturing. The near-unanimous support recorded for H2 and H4, by contrast, should be read against their small sample sizes (9 and 14 articles respectively) rather than as evidence of a more settled debate, and the two studies directly testing jurisdictional uncertainty (H5) both report evidence against it, corroborating Section 2's characterization of this thesis, on existing evidence, as the weakest of the five.

4.1. Evolution of the literature and descriptive profile

The empirical literature addressing Brazil's persistently high interest rates has grown markedly, if unevenly, over the period covered by this review (2000-2025). Figure 6 presents

the evolution of the 113 articles retained after the screening process across six windows, reporting both the total number of publications per window (right axis, dashed line) and their distribution across the five theses proposed by Modenesi and Modenesi (2012). Publication activity rose sharply from a single article in 2000-2005 to a peak of 29 articles in 2010-2013, before falling back to 22 in 2014-2017 and recovering gradually thereafter. This decline coincides with the 2014-2016 economic and political crisis that the country faced, which appears to have shifted scholarly attention toward other topics. Interest in the subject gained renewed momentum after the Covid-19 pandemic, the formal independence of the Central Bank, and the return of successive interest rate hikes.

Figure 6. Evolution of empirical literature on high interest rate in Brazil (righ axis, dashed line), and share of articles by hypothesis in total empirical publications (left axis), 2000-2025.



Source: Authors' own elaboration.

Analyzing the distribution of relevant interest-rate research by hypothesis over time (Figure 6, left axis), it is possible to observe that as the number of publications increases (2000-2013), the attention given to each thesis change considerably, stabilizing around similar shares since then. First, in the initial period (2000-2005), the single article retrieved addressed exclusively H3 (100%), a share that should be read with caution given the negligible number of observations. Second, studies centered on the fiscalist view (H4) has the most volatile pattern, dropping from 50.0% (2006-2009) to only 3.4% (2010-2013), thus giving way to a markedly more concentrated research agenda around the pro-conservatism-convention thesis (H3).

As can be observed in Figure 6, the distribution of publications over the entire period is favorable to studies addressing the reduced effectiveness of monetary policy (H1, 44.7%), followed by the pro-conservatism convention (H3, 32.5%), the fiscalist view (H4, 12.3%), multiple interest rate equilibria (H2, 8.8%), and jurisdictional uncertainty (H5, 1.8%). These findings reveal the relevance and greater attention devoted to explanations centered on the conduct and credibility of monetary policy itself (H1 and H3 jointly account for 77.2% of the final corpus), as compared to macro-institutional and legal-institutional explanations (H4 and H5 combined, 14.1%). Moreover, if we consider that H1 and H3 share a common analytical core in the behavior and reaction function of the Central Bank of Brazil, their joint

predominance is even more pronounced than the isolated shares suggest, supporting the aforementioned claim.

Apart from the second period (2006-2009), when the fiscalist view accounted for half of the (still small) total of articles, the thesis that attracted the greatest share of attention among the five was the pro-conservatism convention, which reached 48.3% of total research in 2010-2013 and remained the largest or second-largest thesis in every subsequent period. Furthermore, as can be observed in Figure 6, the renewed growth in fiscalist-view studies since 2018 (from 4.0% in 2018-2021 to 18.5% in 2022-2025) was not accompanied by a comparable revival of the jurisdictional-uncertainty thesis, which has remained absent from the literature since 2018.

Of a total of 113 articles in the final corpus, the jurisdictional-uncertainty thesis (H5) accounts for only 2 publications, confined to the 2006-2009 and 2014-2017 windows. Such evidence confirms that, unlike H1, H3 and H4, this explanation has not sustained continued scholarly engagement over the period under analysis, consistent with Modenesi and Modenesi's (2012) own assessment of jurisdictional uncertainty as the thesis of lowest explanatory power within the debate on Brazil's persistently high interest rates.

4.2. Vote-counting: balance of the evidence

For each article, the direction of the reported finding relative to its assigned hypothesis was coded as supporting, contradicting, or only partially/ambiguously supporting that thesis, following the vote-counting procedure described in Section 3. Table 3 reports the results as a percentage of the articles assigned to each hypothesis.

Table 3. Vote-counting results by hypothesis: direction of the reporting findings.

Hypothesis	N	Supports	Contradicts	Ambiguous
H1 – Reduced effectiveness of monetary policy	49	44.9%	6.1%	49.0%
H2 – Multiple interest rate equilibria	9	77.8%	11.1%	11.1%
H3 – Pro-conservatism convention in monetary policy	39	59.0%	7.7%	33.3%
H4 – Fiscalist view	14	85.7%	7.1%	7.1%
H5 – Jurisdictional uncertainty	2	0.0%	100.0%	0.0%
Total	**113**	**56.7%**	**8.8%**	**34.5%**

Source: Authors' own elaboration.

This distinction matters because being assigned to a hypothesis only indicates which explanation an article addresses, but it says little about whether the article's own results actually corroborate that explanation. An article can test and find evidence consistent with it, in which case the vote is coded as supporting. In like manner, an article can find no evidence in a certain hypothesis, in which case the vote is coded as contradicting. Two examples from the sample illustrate the point. For instance, Silva, Paes and Bezerra (2018) find evidence of incomplete interest-rate pass-through, directed credit, and a cost channel in the transmission of Brazilian monetary policy. Because this finding is consistent with the H1 thesis that the transmission of monetary policy is structurally impaired, the article is coded as supporting H1. By contrast, Gonçalves, Holland and Spacov (2007) test the H5 thesis directly using panel-data evidence spanning several emerging economies (Brazil, included), and conclude that the data do not support this explanation, i.e. the hypothesis that jurisdictional uncertainty and capital controls explain Brazil's high real interest rates. Even though the article was explicitly designed to test H5, its own results contradict it, and the vote is coded accordingly. The same pattern applies to Campos and Cysne (2025), who test the H4 (fiscal dominance) thesis econometrically and estimate the probability of fiscal dominance in Brazil to be negligible, again yielding a vote against the thesis their own article was built to examine. It is precisely

this distinction between the thesis an article addresses and the direction of the evidence it produces that the vote-counting exercise is designed to capture.

5. Concluding remarks

This paper attemps to systematically map the academic literature explaining why interest rates in Brazil have remained persistently high since the adoption of the inflation-targeting regime in 1999. Rather than adjudicating among the competing theoretical explanations reviewed in Section 2, we combined a systematic, multi-database bibliometric search with a content-level classification anchored on the five-thesis typology proposed by Modenesi and Modenesi (2012), and assessed, through a vote-counting synthesis, the direction of the empirical evidence reported within each thesis.

Three main findings emerge from this exercise. First, scholarly attention to Brazil's high interest rates has grown unevenly but persistently since 2000, closely tracking the country's own monetary-policy cycles, with publication activity peaking around 2010-2013, receding during the 2014-2016 crisis, and recovering after the Covid-19 pandemic alongside renewed rate hikes. Second, the literature is heavily concentrated: the reduced-effectiveness-of-monetary-policy thesis (H1) and the pro-conservative-convention thesis (H3) jointly account for more than three-quarters of the classified corpus, reflecting a research agenda centered overwhelmingly on the conduct and credibility of the Central Bank itself, relative to the comparatively modest attention paid to macro-institutional and legal-institutional explanations such as the fiscalist and jurisdictional-uncertainty theses. Third, the vote-counting synthesis indicates that the literature's own empirical findings are, on balance, more often supportive than contradictory of the thesis each article addresses, but this balance is far from uniform. For example, support is close to unanimous for the fiscalist and multiple-equilibria theses, more qualified and frequently ambiguous for the reduced-efficacy thesis — the most populous category — and, notably, the two studies directly testing jurisdictional uncertainty both report evidence against it, making this the thesis with the weakest empirical backing within the corpus assembled here.

These results suggest that the persistence of Brazil's high real interest rate is best understood, at least as reflected in the academic literature itself, as a problem centered on the transmission and credibility of monetary policy rather than as a straightforwardly fiscal or institutional-legal phenomenon. This is consistent with the theoretical discussion in Section 2, where the reduced-efficacy and pro-conservative-convention theses were shown to share a common analytical core in the behavior of the Central Bank, and helps explain why these two theses, rather than the fiscalist or jurisdictional-uncertainty theses more closely associated with mainstream policy debate, have dominated the scholarly agenda.

These findings should be read with several caveats in mind. The vote-counting procedure adopted here, following current guidance for synthesis without meta-analysis (Campbell et al., 2020), classifies studies by the direction of their reported findings rather than by their statistical significance, sample size, data quality, or the magnitude of the estimated effect; it is accordingly indicative of the balance of the evidence within each thesis rather than a formal quantitative synthesis. Categories with few observations namely, multiple equilibria and jurisdictional uncertainty, warrant particular caution since a single additional study could materially shift the reported shares. The corpus itself, while assembled from three major databases and triangulated with Scielo to mitigate regional coverage bias, remains bounded by the search terms and time window (2000-2025) adopted here, and by the restriction to the Economics, Econometrics and Finance subject categories; it is possible that relevant contributions published in adjacent fields, in institutional working-paper series, or in

Portuguese-language outlets not indexed by these databases were not captured. A related limitation concerns the classification scheme itself. Because articles were retained only if they could be assigned to one of Modenesi and Modenesi's (2012) five theses, some work framed in other terms was screened out rather than reclassified (Section 3).

Future research could extend this exercise in at least four directions: updating the corpus as the post-2022 tightening cycle generates new scholarship, given that the fiscalist view has already shown renewed growth since 2018; broadening the corpus to incorporate the adjacent literatures deliberately excluded from the present screening, namely studies centered on exchange-rate dynamics, central-bank behavior more generally, and term-structure/neutral-rate estimation, which bear directly on several of the five theses even though they were not framed as explanations of the interest-rate level per se; applying citation-based methods that were deliberately excluded from the present study to identify the literature's most influential contributions within each thesis; and, as the underlying empirical estimates accumulate and become more homogeneous in method and specification, moving from vote-counting toward a formal meta-regression synthesis of the kind proposed by Stanley and Doucouliagos (2012). More broadly, that the literature remains centered on the Central Bank's own conduct three decades into the inflation-targeting regime is consistent with the reading developed in Section 2, and we hope this mapping offers a useful foundation for further work on it.

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