



Transcript of IMF podcast:

## [Women in Economics: Laura Carvalho on Popularizing Brazilian Economics](#)

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Laura Carvalho:

So Brazil has gone through very difficult times. I grew up in the '90s, and in the '90s we were still before the end of hyperinflation.

Bruce Edwards:

Welcome to this IMF podcast series about the work of some exceptional women in the field of economics. In this episode, how one such woman in Brazil helps people better deal with economic crises by helping them better understand them.

Laura Carvalho:

The currency would change names and units. And we had to really understand what this was about. I mean, I would buy magazines and the price would change every day and you had to really take advantage of the moment right before they would readjust prices. And that's when it was really cheap and then you could buy everything you wanted. Every Brazilian had to know some economics at that point.

Laura Carvalho:

I am Laura Carvalho, I am an economics professor at the Department of Economics at the University of Sao Paulo and I'm also the Director of the Research Center in Macroeconomics of Inequality.

Bruce Edwards:

Journalist Rhoda Metcalfe sat down with Laura Carvalho to talk about her work.

Rhoda Metcalfe:

In the world of Brazilian economics you're kind of a superstar, right? You're a university professor. You're also a newspaper columnist. You have written many articles in major publications, and you've written this book on economics that was a bestseller. And you're still in your 30s. With your intelligence and energy, you could have done anything, so why did you become an economist?

Laura Carvalho:

become an economist?

Laura Carvalho:

Yeah, that's a very tough question. It is hard to tell when I got interested in economics, I think it was at a very early age. So Brazil has gone through very difficult times. I grew up in the '90s, so I lived through in the end of the '80s and in the '90s, years of very fastly growing prices. And this led to difficulties such as my parents would get their wages and we would run to the grocery store and we had to buy all the food for the entire month very quickly, otherwise the next day, the salary wouldn't be worth anything.

Rhoda Metcalfe:

Right. Because there was so much inflation.

Laura Carvalho:

Yeah, there was so much inflation that there's no way we could keep savings even, like you'd spend all the money you need the first day of the month, you get all the food and then, if there is something left, which wasn't usually the case, then you buy US dollars, right. And you keep your US dollars somewhere and my dad would keep it inside the pockets of an old coat in the closet where all the dollars would be. There was several attempts by the government to stabilize inflation and they would be announced on television and the currency would change names and units. And we had to really understand what this was about. So it was really interesting times and people would say that every Brazilian had to know some economics at that point and it's true.

Rhoda Metcalfe:

I had read that there was a question that you asked at some point in your youth, and that really was a question you carried with you into your future. Do you know what I'm talking about?

Laura Carvalho:

Yeah, yeah. The question of why are these people living in the streets? I think that dealing with inequality has also been something very present to me in my childhood. I mean, my parents were progressives and so it's also not the case that I had to figure out everything by myself, but-

Rhoda Metcalfe:

So they would talk to you about things?

Laura Carvalho:

They would talk to me about things, yes. And so we would face situations. I mean, there is a lot of street violence. We have huge problems with homelessness and other things that are very visible to a kid who is growing up in that environment. And these are issues that I was concerned about I think at a very early age.

Rhoda Metcalfe:

Tell me a little bit about your book. It was surprisingly popular. I've looked for it. It's not really available in English that I can see.

Laura Carvalho:

No.

Rhoda Metcalfe:

So what interested you about writing this book and why do you think it was picked up as well as it?

Laura Carvalho:

Yeah, that's a question and I don't necessarily have an answer to, I mean, it was very surprising. I

Laura Carvalho:

Yeah, that's a question and I don't necessarily have an answer to, I mean, it was very surprising. I became a weekly columnist for the Brazilian largest new newspaper Folha de Sao Paulo between 2015 and '19, which was already something that happened a little bit out of the blue. I mean, I was an economics professor. I was doing my academic research and then at some point I got invited to write something for the newspaper and then they liked it and I wrote something else. And I always liked to write, but I never had really any practice. I started to do that at a weekly basis and of course, once you start to do that, you start to learn how to communicate with the readers and readers that are not economists and who do not have any technical or any expertise in economics.

Rhoda Metcalfe:

So you have to really learn how to boil it down, boil the ideas down?

Laura Carvalho:

Exactly. Exactly. And this is something that even for an academic type of writing is very useful. I remember talking to friends, I mean, friends who were engineers or I'm not even talking about someone who is not educated, and I would write a column and they would read that and they would say, "Yeah, I grasped like 50% of what you wrote." And I'm like, How? How come? I was writing like so very simple way I mean, how come you didn't get it?" "Oh yeah, no, but I got half of it. I mean, before I would get like 20%."

Laura Carvalho:

And at some point you start realizing that things that seem very easy for us economists in our language are not. And the way economies really speak their own language is part of the problem even in terms of how economics has-

Rhoda Metcalfe:

Is perceived.

Laura Carvalho:

Yeah, exactly and is perceived and also in a way, I think economists many times want things to appear very technical and not to be understood so as to somehow separate economics from politics. And to avoid having the entire society taking part in economic decisions and to understand that those decisions are sometimes political choices. And so I think it's very useful for economists not to speak the language of the general public and to keep their authority.

Rhoda Metcalfe:

But you had to learn, in your columns, you had to learn how to talk to the regular person.

Laura Carvalho:

Of course, I had to learn and I had to write about Brazil, which was not necessarily my topic of research at that point. I was working on US data. I was working in my research in other countries and theory and things that had not to do with current issues in Brazil. But then having to write for the newspaper also obliged me to have an interpretation of why we were in such a bad economic situation and why things happened, what the mistakes were in terms of economic policy. What's the political part of it? And writing about this and learning to write about this led me to decide to write a book. And I wrote a book about exactly why did Brazil go from the economic boom of the 2000s where we were in the cover of The Economist with the Christ, the Redeemer taking off. And then all of a sudden we're in a very deep economic crisis that really put an end to all our hopes of becoming a high income country in the near future, right? And the reasons for that, this is what I wrote about. And I think the book was a success, both because it provided an interpretation that was not necessarily in the common sense. Both in the political left and in the political right, the interpretations were either it's all about economic policy mistakes, or it's all about political boycotts. And I tried to give a more comprehensive approach to it.

political right, the interpretations were either it's all about economic policy mistakes, or it's all about political boycotts. And I tried to give a more comprehensive approach to it.

Rhoda Metcalfe:

To the intersections between all of these pieces?

Laura Carvalho:

Yes. And I think there was an interest in that interpretation. And at the same time, the easy language, many people tell me, readers of the book, they tell me that it's the first economics book they have read. And it's the first time they actually learned economic concepts. And I think the book had this role of an introductory to economics as well, to people who would never buy a textbook or anything like that. And so, yeah, it sold very well. For an economics book, yeah, that's the most well sold economics book in Brazil. And so of course it's on Brazil, so that's why it wasn't translated. I mean, there wasn't that much interest in like the story of one particular developing economy outside of the domestic book market. But then the book actually ended up also having an academic importance that wasn't necessarily the goal when I decided to write.

Rhoda Metcalfe:

I think a lot of economists avoid bringing politics into their economic research, but you have not. In a lot of your work, you look for the interconnections between the politics and the economics. And I wanted to ask you more about that. Why has it been important for you to bring politics into your research?

Laura Carvalho:

Yeah, I think some of the issues that have taken over the economic debates in the past decade or so, inequality being a major one, but also let's say the climate crisis and other issues that actually became important to economists. As this happened, I think it was impossible not to see and not to have clear that some of the obstacles to solve these issues are in the political sphere. And even the reproduction of inequalities have to do with how inequality transforms itself into political power and political power actually influences economic power.

Laura Carvalho:

And I think the democratic crisis that the world has been going through in the past years, the emergence of far right movements and anti-democratic platforms around the world. This, I think was something that economists in general have paid a lot of attention to, and related to some of the ways and the wrong ways the profession has dealt with these issues, that we tend to consider all the choices as technical choices and understand the role of economic policy as something that was somehow separate from political aspects. And that has helped us lead into these chaos, right, into this mess. And I think to understand the political effects and also the political causes of our economic phenomena is something that we need to do more. And I have been trying to do some of that and the political economy has been part of the way I think about macro as well.

Rhoda Metcalfe:

Of all the work that you've done up to this point, what do you think has felt the most important to you?

Laura Carvalho:

Yeah, so I mean this very big move which was to become a public intellectual. Someone who was trying to intervene in the economic debate, the book, and so on actually made me have a very hard time. I mean, to combine the strictly academic research and all the goals that we have in terms of publications and scientific journals with this other role, this was very challenging at first and I think-

Rhoda Metcalfe:

Being sort of a populist explainer of economics.

Being sort of a populist explainer of economics.

Laura Carvalho:

Exactly. And I didn't want to be only doing this type of work. I also wanted to produce research and original research and to actually have both at the same time was difficult. And I think what I liked the most, right now, is that I somehow managed to put the two together. I co-founded a research center that is also a think tank within the University of Sao Paulo, which is the Research Center on Macroeconomics of Inequality. And the fact that we managed to build that, we managed to get enough funding. So now I have 15 graduate and undergraduate students as research assistants in the center. So we have a lot of people working. We have different international foundations that are backing us. And so we're doing work that is in that frontier between macroeconomics and inequality, and in that intersection, which I think is an intersection that we need to develop a lot more in the economic research. And there we're doing a lot of empirical work and work with a lot of policy implications that we manage to get into the media, that we manage to basically get into the political debates, and even-

Rhoda Metcalfe:

Can you give me an example of a policy debate that you've been involved?

Laura Carvalho:

Yes. We built a database that allowed us to, for instance, measure the impact of the current public expenditures and taxes and inequality in Brazil. How expenditure's on say different transfers or different policies, social benefits, and so on, how is it distributed in the population? I mean, who is getting the money and at the same time who's paying for it? And this type of work allows us to simulate the impact of different tax reforms or different proposals for an expansion of social protection, both in inequality but also we have a model that allows us to estimate the impact on GDP.

Laura Carvalho:

This is one project and we have publications that come out of this that are more, let's say into the form of a policy note that is easy to understand. And so we had a lot of attention in the media when we launch those publications. And at the same time we aim at... I mean, this is a presidential election year in Brazil, and there, of course, we're going to evaluate the different proposals from the different candidates and estimate the impact on inequality and on GDP of the different proposals. So this is something we do, but at the same time we also do things for instance, in the COVID-19 pandemic. What was the role of fiscal policy?

Rhoda Metcalfe:

Yeah, I was going to about that. Didn't you produce an index around COVID and the vulnerabilities of the population?

Laura Carvalho:

Yeah, exactly. So, the pandemic definitely had an effect of increasing inequalities, not only income inequalities, but also racial, gender, every dimension you look at. But then Congress approved this cash relief program and it was the largest social program in Brazilian history. Big enough to compensate for the fall in income at the bottom half of the distribution. So you ended up neutralizing the effect of the pandemic on inequality in 2020 in Brazil, thanks to that program. But then in '21, the program was ended. So the inequality underneath actually showed up and now we are at very high and increasing levels of inequality and poverty and hunger, I mean, every measure have. That means that another type of shock and I don't only mean another pandemic, I mean, different types of shocks, including the climate crisis will hit even harder.

Laura Carvalho:

So that's a trap that we really need to address. And the way to address that I think is really through economic policy and that's the kind of work we've been doing. And that's both at a think tank type of level, but also that ended up leading to academic research. And the fact that we do

So that's a trap that we really need to address. And the way to address that I think is really through economic policy and that's the kind of work we've been doing. And that's both at a think tank type of level, but also that ended up leading to academic research. And the fact that we do things that can turn into, let's say they can have different layers. So things that are more to the general public that are aimed at affecting and intervening at the public policy debate and other things that actually become academic research that we submit to scientific journals. This is what I really like at the moment to be able to really cross that bridge with the same type of work, have an impact both to academic research and at a policy level.

Rhoda Metcalfe:

That's great. Right. So looking to the future, given the current economic and political trends, where do you think we're heading? Both globally and in your own South American backyard?

Laura Carvalho:

Yeah. That's a tough question. I try not to be very pessimistic because there is this line, which, I mean, if we are very pessimistic, then the kind of work that we're producing are not going anywhere, if we think that the political environment will not allow us to implement anything. And I mean, there are some reasons for optimism. I think the pandemic also taught societies and governments and policy makers many lessons. I mean the type of questions and the type of proposals for instance that have been discussed, even if they weren't necessarily approved in the Biden administration are a very clear example of how the economic thinking has changed a lot in the past years. I mean, some of these things were unimaginable 10 years ago.

Rhoda Metcalfe:

Such as?

Laura Carvalho:

Such as for instance, to understand that infrastructure has a human component to it. So the whole discussion about the care economy and how the state has to share its role with households in healthcare and the care for kids. Also the corporate taxation for instance, increasing corporate taxation and abandoning the framework that saw a reduction in taxes as beneficial for the entire population. I mean, these are ideas that have been, I think, increasing even in economics, in the economics profession, in research. And now we see them, even if we don't see them necessarily become a reality. We can see that they are in the debate and some of it will become a reality, right? And I think this is a reason for optimism. I think this has an impact around the world and in Brazil, I can see a shift, very clear shift in the way people are thinking about the role of the state and the role of democracy. So I do think that we're headed to a better place than what we saw in the past few years around the world. Yeah.

Rhoda Metcalfe:

Well, that's great. Laura Carvalho, it's been really interesting speaking with you. I think your work is really fascinating and thank you so much for taking the time to be on the podcast today.

Laura Carvalho:

Thank you, Rhoda. Thank you very much for inviting me.

Bruce Edwards:

Laura Carvalho is a professor of economics at the University of Sao Paulo and the Director of the Research Center in the Macroeconomics of Inequality. She was speaking with journalist Rhoda Metcalfe. Look for other podcasts in the Women in Economics series, including episodes with Dr. Lisa Cook, Jayati Ghosh and Diane Coyle. Wherever you listen to your podcasts, leave us a five star review if you like what you're hearing, it'll help others discover IMF podcasts. You can also follow us on Twitter at IMF\_podcast. I'm Bruce Edwards.

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