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Performativity of Economics and the New Consensus Macroeconomics: the Case of the Inflation Targeting Regime in Brazil

A Performatividade da Economia e o Novo Consenso Macroeconômico: o caso do Regime de Metas de Inflação no Brasil

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Abstract

The notion of performativity suggests that scientific theories contribute to shaping what they describe, through sociotechnical agencements and their devices. In this paper, we aim to find out whether monetary policy in Brazil under the Inflation Targeting Regime, oriented by the New Consensus Macroeconomics, constitutes a case of performativity of economics. The hypothesis is that monetary authorities, as sociotechnical agencies, have the capability to affect agents' expectations through their devices, including the belief in the model that describes the appropriate economic behavior for things to be as they are. We found out that the theory's recommendations were put into practice and made a difference in the Brazilian economy. However, the resulting process of coordination of expectations perpetuates high interest rates, and this conventional regime ends up blocking the results that should be achieved with the appropriate policy. This constitutes a case of counterperformativity of economics.

Keywords

Inflation Targeting, New Consensus Macroeconomics, Performativity, Monetary Policy, Brazilian Economy.

JEL Codes: B22, B59, E02, E65.

Resumo

A noção de performatividade indica que as teorias científicas, por meio de agenciamentos sociotécnicos, contribuem para fazer existir o que descrevem. O objetivo deste artigo é descobrir se o Regime de Metas de Inflação brasileiro, orientado pelo Novo Consenso Macroeconômico, constitui um caso de performatividade da Economia. A hipótese é de que agências sociotécnicas – Conselho Monetário Nacional e Banco Central – têm a capacidade de afetar as expectativas dos agentes por meio dos seus dispositivos, entre os quais a crença no modelo que descreve o comportamento econômico adequado para as coisas funcionarem como funcionam. A constatação é que as recomendações da teoria foram postas em prática e fizeram a diferença na economia brasileira, ainda que o processo resultante de coordenação de expectativas tenha perpetuado altas taxas de juros, bloqueando os resultados que deveriam ser alcançados com a política considerada adequada – o que caracteriza um caso de contraperformatividade da Economia.

Palavras-chave

Regime de Metas de Inflação, Novo Consenso Macroeconômico, Performatividade, Política Monetária, Economia Brasileira.

Códigos JEL: *B22, B59, E02, E65*.

1 Introduction

The distinction between positive and normative economics has been discussed since the early days of the discipline. Traditionally, the former is considered scientific by conventional economists, while the latter is understood as a set of value judgments. In the 19th century, positivism marked the difference between true science, which describes how the world is, and statements that say how the world should be.

In philosophy of science, however, the claim that judgments of facts and values can be separated has become quite questionable, especially because there is no positive statement that is purely empirical, descriptive and taken as true that does not rely on a well-defined consensus of what should be accepted as such. McCallum (2002) highlights the difficulty in defining the weight that pure economic theory and empirical evidence (positive science) play in economic policy (normative), mainly because some behavioral dynamics inherent to a market economy are well known for causing chain reactions and unintended results. There is also the case of self-fulfilling prophecies, when cause and consequence are part of the same reflexive dynamics (Guala, 2016).

The thesis of *performativity* can help to clarify the relationship between economic theory and its object, the real economy. This approach suggests that science not only describes the world but influences its object and can effectively contribute to the constitution of the reality it claims to observe (Callon, 2007b). We believe that this relationship can be verified in the Inflation Targeting Regime (ITR) in Brazil.

Inflation targeting is recommended as the optimal monetary policy choice by The New Consensus Macroeconomics (NCM). This regime has a built-in expectations management mechanism that, according to our hypothesis, has taken a performative form in Brazil through a series of sociotechnical *agencements*. Thus, the main objective of this paper is to find out whether the Brazilian ITR constitutes a case of performativity of economics.

The text contains three sections, in addition to this introduction. In section 2 we present the performativity agenda, its applications and some criticisms and the actor-network-theory, its theoretical background and our methodological orientation. In section 3 we apply the presented framework to analyze the implementation, stabilization and operation of the ITR in Brazil, while linking it with the constitutive elements of the NCM regarding monetary policy. The fourth section contains our concluding remarks.

2 Performativity and economics

We present the performativity program by reviewing its main works on economic issues. Callon's (1998) *The Laws of Markets* served as an initial guide for the selection of references. We also searched papers on repositories such as Scielo, Web of Science and Google Academics with the keywords "performativity" and "economics", in Portuguese and English.

The thesis of performativity[1] of economics[2] has its roots in the cross-disciplinary studies in science, technology and society (STS). Assuming that "science *intervenes* in nature and politics" (Asdal; Brenna; Moser, 2007, p. 9), i.e., it is not a merely descriptive practice, leads to a better understanding of what scientific activity really is. The approach was radicalized by the actor-network-theory (ANT). With the concept of actor-network, it is possible to conduct studies of society in which people, technology and natural phenomena can be actors in materially heterogeneous networks – as long as they have agency in the process of technological development (Latour, 2005; Callon, 2007a).

Callon applies these ideas in his recovery of Austin's performativity to study markets. He argues that economics "performs, shapes and formats the economy, rather than observing how it functions" (Callon, 1998, p. 2). Economics is understood "as a material practice, a form of technology, and not as a theory standing in a distant or weak relationship to its object of study. Thus, the challenge is to find ways to study economics as a set of technical, material events and locations" (Asdal; Brenna; Moser, 2007, p. 43).

The authors highlight that the ability to calculate (a premise of utilitarian rationality) is a complex collective practice that involves much more than the capabilities attributed to individual agents (Latour, 2005). Callon and MacKenzie (2006) explore the conditions and material arrangements that enable these agencies in different arenas.

According to Callon (2007b), the relationship between theories and discourses and the pre-existing world occurs through what he calls "sociotechnical *agencements*", a combination of elements (human and non-human) that are carefully adjusted among themselves. The object "disentangles" itself from its previous connections

1 In his language studies, Austin (2018[1962]) originally defines a performative statement as one that does not describe nor report something and cannot be classified as true or false. However, uttering it is, at the same time, performing an action. Saying "I am sorry" is the typical example, as it consists of the act itself. However, it might be more useful to think of the expression "I do" said at a wedding: uttering it implies accepting the marriage, given that a series of "felicity conditions" are met.

2 "Economics" can be defined as the theoretical and applied practices of actors dealing with the real economy. We refer mainly to academic economics, or economic theory.

and "reentangles" in new market associations and this dynamic process defines the success or failure of the *performation* of a theory[3].

MacKenzie (2006) classifies the performativity of economics into three classes, from the weakest to the strongest:

a) *generic performativity*: an aspect of economics (theory, model, concept, procedure or data set) is used in real economic processes;
b) *effective performativity*: the practical use of an aspect of economics has an effect on economic processes;
c) *"Barnesian" performativity*[4]: the use of an aspect of economics makes an economic process similar to what the theory describes; or, on the contrary, makes an economic process less like its depiction in theory. In this case, the relationship is called counterperformativity.

In a classic empirical study, MacKenzie (2006) discusses how economics helped transform the derivatives market in the 1970s through the introduction of the Black-Scholes-Merton model. The equations were applied to help agents with their estimations of asset prices. However, in the end it did not matter if the model provided good approximations of "real" prices: as agents began to guide themselves by the model, prices started to converge to the levels predicted by theory.

2.1 **Criticisms and refinements**

Boldyrev and Svetlova (2016) consider that there has been a turning point in social sciences towards the acceptance of the notion of performativity, although there is no consensus. Mäki (2013) criticizes the use of the concept outside linguistics. He considers that it has been distorted and removed from its original meaning: Austin referred only to the constitution of realities through discursive practices. By encompassing any causal relations between theory and reality, performativity loses its explanatory power and obscures the study of these relationships.

Brisset (2016) establishes some limits to performativity to strengthen the concept. He asks what makes a specific theory capable of affecting reality and ends up redefining performativity as a conventional process[5]. Guala (2016) also seeks to

3 He proposes *performation* instead of performativity to emphasize that the process refers to material and collective activities in addition to discourse.

4 Svetlova (2016) points out that MacKenzie uses the term "Barnesian" (in reference to Barry Barnes) imprecisely: it is not clear whether performativity can constitute social facts or can only influence reality. We will address this issue later.

5 Convention meaning a "behavioral regularity which leads to the general coordination between agents" (Brisset, 2016, p. 161).

reduce the scope of the program by arguing that it should evolve from Austin to recognize that economic theories can function as correlation devices in coordination games – again, conventions. However, these approaches tend to disregard the main problem highlighted by Mäki – the one of constitution of economic phenomena.

Svetlova (2016) argues that performativity can contribute precisely to the study of the emergence of these phenomena through a process of persuasion, conviction and "making believe". Peled (2020) recognizes that we cannot translate performativity directly from linguistics to social sciences: constitution is not total identity between a theory and its object[6]. However, with the addition of a temporal quality[7], performativity gains a definition as "a causal process that sets the stage for constitution to take place" (p. 54). That is, performativity occurs when the (economic) model influences the phenomenon in a way that it cannot continue to exist in the same way if we remove the model afterwards.

Another challenge to the performativity thesis comes from Miller (2002). His competing "virtualism" program conceives the economists' market as an ideologically imposed unrealistic abstraction: real markets are characterized by innumerous complex sociocultural relationships, wrapped in personalism and morality. He argues that Callon involuntarily adheres to the dominant view in economics by assuming that its models can come to life under certain conditions.

What Callon (2007a) does is state that it is necessary to take the framing that the market produces seriously in order to understand it. Miller, on the other hand, highlights the "overflow" of relations that the market cannot contain as the reason for its functioning.

> *[Callon's] argument is that elements in market models (calculating agencies, property rights, preferences) are constructed [...]. The more institutionalized, naturalized, technological, material, and 'thinglike' they become, the better they will work in dis-embedding agents and objects from their social, cultural, and technological contexts, setting them free to realize – put into reality – the market model invented by the economist (Holm, 2007, p. 234).*

Considering that economics can contribute to the constitution of its object means also acknowledging that there is no single best way to shape the economy that naturally imposes itself (Callon, 2010). From this perspective, performativity is not depoliticizing.

6 As Braun (2016, p. 260) states: "the performativity programme was *not* about the economy being 'created entirely by economics', but about the 'interventions' that allow knowledge to become effective".

7 Time is also important to Svetlova (2016, p. 192): "Words can be actions also if there is a time lag between them". Callon (2010) addresses this topic when, using Austin's terms, he says that we must broaden the timeframe between illocution (causality) and perlocution (constitution).

2.2 **Beyond markets: ANT as a methodological guide**

But what does the performativity program consist of? According to Peled (2020, p. 51), the long answer is the "research of economists' power of governance, socio-technical tools that construct the economy, economists' rhetoric and prestige". Brisset (2016, p. 163) stresses the focus "on agencements and above all on technical links to explain how economics builds the world". Braun (2016, p. 260) presents some straightforward goals: "identify economic agencements, study the processes through which they are assembled and examine their effects".

The next logical step is asking how to carry out this type of analysis. The method in performativity studies is somewhat elusive. Dealing primarily with markets, scholars in economics and sociology essentially use an empirical approach, studying their cases closely with historical and ethnographic tools when possible. Both Brisset (2016) and Peled (2020) end up establishing specific conditions to define if a theory is performative[8]. We consider their choices to be overly restrictive to deal with objects that, due to their complexity and variety, allow themselves to be analyzed from several frames of reference. At the same time, we do not see performativity is an all-encompassing phenomenon, as Callon sometimes suggests. As we will deal with macroeconomic policy, let us see how some authors have used performativity to venture into this arena.

Pahl and Sparsam (2016) analyze the impact of Keynesianism on economic policy in West Germany in the 1960s. They use a historical approach to trace the reasons for the success of the IS-LM model and its diffusion among the country's policymakers. Regulations and statements by authorities are compiled and the authors detect distinctly "hydraulic" Keynesian measures, until in the 1970s the country begun to adopt supply-side policies. Their conclusion is modest: the theory was certainly put into practice (characterizing MacKenzie's generic performativity), but with so many factors acting between policy and economic performance, they cannot stress whether the theory made any difference in the country's economic recovery (effective performativity). Barnesian performativity is considered outside the scope of their object.

Almeida (2021) applies performativity to econometrics. He argues that models need to propagate beyond Dequech's (2018) channels of influence to be performative: they depend on the felicity conditions, or suitable environmental circumstances, to

8 Brisset argues that a theory is performative if it is empirical, self-fulfilling and coherent with existing conventions. Peled takes a more formal approach, defining separate phases of the performativity process in temporal steps, groups and sets, analyzed separately.

be successful. The author follows cases of famous econometrists dealing with policy and the history of main econometric models and its uses. The description is linked with the rise and fall of the neoclassical synthesis and the emergency of rational expectations. The conclusion is that performativity must focus on case studies, not on entire disciplines. In this way, it can aid our comprehension of the "transient nature of the models" (Almeida, 2021, p. 333), when theory succeeds, but also when it fails.

Wansleben (2018) addresses the performative power of central banks. He argues that the explanation of how they manage to control expectations remains incomplete without "independent analysis of the broader institutional ecologies in which central banking is performed" (p. 777) – that is, exposing felicity conditions. Studying the cases of the UK and Switzerland in detail, he collected documents from archives and interviewed people involved in policy debates during the 1970s to reconstruct the trajectories of monetary policy in both countries and their divergent outcomes.

These accounts mobilize, in different degrees, elements from performativity's theoretical background, the actor-network-theory. Brisset (2016) argues that ANT "willingness to remove society from the social landscape" (p. 166) means breaking with Austin's felicity conditions, which prevents a satisfactory answer about the limits of performativity. We believe, on the contrary, that ANT should be placed at the forefront as a methodological guide to achieve a more accurate account. First, some felicity conditions can be built in the process of sociotechnical agencements. Second, "the social conditions for performativity" must be exposed by the study (Wansleben, 2018), and this is a main contribution of ANT.

A "generic" social domain is not an explanatory starting point, but an end point that can be revealed when the researcher decides to "follow the actors" in their controversies to build and stabilize the "collective"[9] (Latour, 2005). The goal is to discover specific associations (economic, in this case) that can provide some explanation to social aggregates. Latour explains his method as dealing with five sources of uncertainties about the social world: about group formation, the nature of actions, the type of agency that participates in interactions, the nature of things and the nature of the study itself. To grasp them it is necessary to detect "mediators", elements that transport meanings or forces between agents while also "transform, translate, distort and modify the meaning" (p. 39) of these elements.

Three steps can be used to explore these controversies and follow the ways by which they are stabilized: relocating the global, redistributing the local and connecting

9 Collective action brings together different types of intertwined forces, human and non-human. Hence the author's choice to use "collective" instead of "society".

the new revealed sites, with emphasis on the vehicles that compose the associations between them. "An actor-network is traced whenever, in the course of a study, the decision is made to replace actors of whatever size by local and connected sites instead of ranking them into micro and macro" (Latour, 2005, p. 179).

We adopt this perspective in our subsequent analysis, exploring Latour's (2005) and Callon's (2007a; 2007b) concepts when necessary as we go along. We use MacKenzie's (2006) classification of on the levels of performativity and rely on the argument that it takes time for a theory to perform reality and become a constitutive part of it (Peled, 2020). The notion that in this process a model can assume the form of a convention (Guala, 2016; Brisset, 2016) is related to our conclusions, although we arrive there by different paths.

The analysis is presented in two parts: first, we deal with the emergence and maintenance of the ITR in Brazil in an ANT way. The last part focuses on the elements that we consider special about our case, one where macroeconomic theory brings the financial sector into policy decisions with performative repercussions.

3 Is the New Consensus Macroeconomics performative? The case of the Brazilian Inflation Targeting Regime

We assume that the NCM is *potentially* performative in the sense that it has an optimal monetary policy recommendation, inflation targeting. This regime contains an expectation management mechanism that, applied in Brazil, has taken on a form that enables it to guarantee its own continuity, independently of its results, as long as the felicity conditions are met.

To demonstrate this, it is necessary to draw some parallel lines. We reviewed the main works of proponents of the NCM and its standard models, with the aid of undergraduate-level macroeconomics textbooks – this material is useful to investigate the dissemination of knowledge and guide the selection of additional references. We found out that Goodfriend and King (1997) coined the term "New Neoclassical Synthesis", signalizing the arrival of a common "core" (Taylor, 1997) in business cycle studies reached by mainstream[10] macroeconomists during the 1990s[11] (Duarte, 2015).

10 Colander, Holt and Rosser Jr. (2004) define mainstream as a sociological category consisting of ideas considered acceptable and defended by the "elite" of economists. This is the meaning we adopt.

11 This paradigm receives contributions from monetarists (Snowdon; Vane, 2005), real business cycle analysis, and both new classical (McCallum, 2002) and new Keynesian economics (Taylor, 2000). Duarte (2012) shows how mainstream macroeconomists reached a common ground and argues that the idea of a consensus projects credibility and is used to draw a line between who is considered a macroeconomist (or scientist) and who is not.

We also searched and selected papers with the keywords "New Consensus Macroeconomics" and variants in English and Portuguese. Arestis and Sawyer (2002) probably used the expression "new consensus in macroeconomics" for the first time to criticize a simplified version of the model presented by Meyer (2001). Post-Keynesian literature is integrated into our analysis on the grounds that, as a competing paradigm, it provides an external perspective on the NCM's conclusions and interpretations[12].

There is no mandatory relationship between something being real and being unique and indisputable (Latour, 2005). This difference becomes clear in debates about economic policy. We must see our objects not as matters of fact, but as matters of concern, recognizing that scientific objects can be approached from multiple points of view before being unified later – depending on the collective's abilities to do so.

The implementation and conduct of the ITR in Brazil were analyzed through the lens of performativity using the following resources: bibliographical research; content and discourse analysis of papers contemporary to the institutionalization of the regime; analysis of legislation and speeches by public agents ranging from 1999 to 2023; research of publications from main media outlets about the ITR; and, finally, central bank communication through the period. Actors provide controversial accounts about their actions and actions of others and "every single interview, narrative, and commentary […] will provide the analyst with a bewildering array of entities to account for the hows and whys of any course of action" (Latour, 2005, p. 47). The decision to start in 1999 was made to capture the discussions that were occurring in the moment of the implementation of the ITR. We then jump to 2023 to use this moment of public opposition to the regime to expose some of its stabilization mechanisms.

3.1 **Implementing and stabilizing the ITR**

The controversies raised by ANT, in practice, must be tackled simultaneously. Also, it is a relevant insight that action is always "overtaken", that is, framed and dislocated by other agencies. Agencies, as attempts to make a difference in a state of affairs, cannot be detected and have no effect without trials and records.

We start our account with Decree No. 3088, of June 21st, 1999 (Brasil, 1999), considering this piece of legislation as a link between sites. The decree establishes the "system of inflation targets" as a guideline for monetary policy in Brazil. Its

12 The framing of the problem always matters. Callon (2010) exemplifies that a very different market structure will emerge from a neoclassical or an evolutionary frame of reference.

validity presupposes the existence of elements of technical and political order. On the latter, we observe that the document is signed by the then President of the Republic, Fernando Henrique Cardoso, and Amaury Guilherme Bier, interim Minister of Finance at the time. Bier's (2023) interview, compiled by Fernandes (2023), reveal a similar trajectory of those involved with Brazilian economic policy since the country's redemocratization. In general, they have worked in banking or finance, have attended academic institutions in the United States (US) and have some connection with the Pontifical Catholic University of Rio de Janeiro (PUC-Rio) (Bacha, 2023b; Fraga, 2023a).

The convergence of these economists around the Brazilian Social Democracy Party (PSDB) and their proximity to the state bureaucracy can be interpreted as the formation of a group, defined as the result of a series of contradictory interventions through which actors gain an identity (Latour, 2005). This arrangement was crucial to the success of the Real Plan (Bacha, 2023a), which we consider the institutional predecessor of the ITR in Brazil. It was during the implementation of this plan that the capacities gradually built by policymakers during earlier stabilization programs came together. Bacha (2023a) highlights the experience that economists acquired in dealing with the legal system and the legislative houses under the 1988 Constitution. Prior announcement of the measures to be implemented and a careful exposition of the plan to selected journalists are cited as other reasons for the plan's success.

A later development was the creation of the Monetary Policy Committee (Copom) as a separated forum for discussions over the exchange rate, in 1996. Thus, when the exchange rate no longer could remain fixed under the weight of multiple international crises, some of the felicity conditions that allowed a quick change to the ITR were already in place. However, other agencements had to be constructed.

Fraga (2023a) classifies the entrance into the ITR as an "emergency operation set up with a new anchor [...]", with simultaneous fiscal adjustment and negotiation with private foreign creditors. These negotiations were mediated by representatives of multilateral institutions such as the International Monetary Fund (IMF) and the governments of the US and Brazil. The main participants knew each other and, in some cases, maintained personal relationships.

> *The negotiations only did not fail because Malan [the Minister of Finance] was highly respected at the IMF and the Treasury. He had been chief economist at the World Bank. The dispute remained with the IMF defending the increase in interest rates and Chico Lopes [president of the Central Bank] resisting, until he was replaced by Armínio Fraga in February and things moved on (Portugal, 2023).*

Fraga (2023a), who until then had been working with investor George Soros, raised interest rates and toured abroad to show Brazil's positive figures, discourage speculative attacks and anchor the exchange rate. Fraga believed that inflation targeting was possible given that fiscal reforms were underway, especially the Fiscal Responsibility Law. The exchange rate began floating in early 1999 and inflation targets were introduced in the second half of the year.

The working papers published for internal discussion at the Central Bank of Brazil (CBB) make up a parallel time series on the emergence of the ITR. The first publication deals with the theory behind the regime (Bogdanski; Tombini; Werlang, 2000). It begins emphasizing that price stability is the primary objective of the central bank; that in a floating exchange rate regime, fiscal and monetary austerity support price stability; and that the interest rate must be used to control inflationary pressures. Basically, that the ITR is "the most suited framework to achieve economic stabilization under a flexible exchange rate regime, with the target itself playing the role of the nominal anchor" (p. 9).

These are all recommendations of the NCM. Following Latour (2005), we can track two theoretical elements that make what appear to be global features influence local relations. First, when the new neoclassic synthesis is described as the arrival point of all macroeconomic theory, it also becomes a *panorama*, a grand encompassing narrative without holes – if one does not look too closely, at least. During the building of a consensus, theory begins to provide context, a frame of reference to agents. This is possible through *oligoptica*, a myriad of resources that physically transport theories and enable them to be put to use in different places, where structural effects are really being produced.

Bernanke and Mishkin (1997) recall that inflation targeting was first implemented in New Zealand and then by a group of developed countries in the 1990s. The authors see the approach as the result of years of central banking practices, and only subsidiarily link its popularity to developments in macroeconomic theory. McCallum (2002) and Taylor (2010), on the other hand, attest that contemporary advances in monetary policy are the result of the growing proximity between central banks and the progress of macroeconomics.

Indeed, New Consensus models point out that monetary policy is relevant to economic activity, with "positive and normative implications" (Goodfriend; King, 1997, p. 255). In this framework, monetary policy subjects all policies to the objectives of stabilizing product and (mainly) inflation rates (Carvalho *et al.*, 2015 [2001]). Goodfriend and King (1997) assume that the credibility of the policy seems to "intuitively" require a simple, transparent and stable rule over time, which leads to the recommendation of the ITR.

Bogdanski, Tombini and Werlang (2000) recall that in early 1999 inflation targeting was publicly discussed by the Copom, but once the regime was defined, it was necessary to build internal capacities to carry out the change. A research department was created at the CBB, with a division focused on studying the literature on IT. The authors claim that it was the bank that convinced the political authorities to adopt the new regime. The proposal was also well received by the IMF, which until recently still advocated for monetary growth targets.

The structure and the modeling of the monetary policy mechanism began to be designed in the first half of 1999. In May, there was a seminar in Rio de Janeiro organized with the support of the IMF, in which "a general consensus" emerged (Bogdanski; Tombini; Werlang, 2000, p. 10). It was very similar to the defense of the ITR by NCM proponents: that many of the costs of inflation arise from variability and lack of predictability, which complicate savings and investment decisions, exacerbate price volatility and increase the risk of nominal contracts. A low and stable inflation rate would reduce present and future uncertainty, making the decisions of agents and the entire system more efficient. This idea is currently published as a description of the ITR on the CBB website (BCB, 2023c).

The regime was adopted on July 1st, ten days after the publication of the decree that defined its basic characteristics: targets must be presented through changes in price indexes, defined by the National Monetary Council (CMN) upon proposal by the Ministry of Finance; must be fixed by the CMN, upon determination of the Ministry and executed by the central bank; if the target is not achieved, the president of the CBB has to disclose the reasons for non-compliance and plans to return to the target in an open letter to the Minister of Finance; and finally, the CBB is obliged to publish quarterly inflation reports about the regime's performance and prospective assessment of inflation. This structure had minor differences in relation to the standard description of an ITR by Bernanke and Mishkin (1997): targets were decreasing for the following years and the full inflation index was used. There was also no escape clause that would justify failing to meet the target. However, the tolerance band of two percentage points was relatively wide.

A set of tools were created to support policy decisions, such as structural models of monetary policy transmission mechanisms and surveys of market expectations on economic variables. The CBB sought international examples and advice from the Bank of England to build its structural models. According to Chernavsky (2007), the structural macroeconomic model used by the CBB closely follows the new consensus formulation[13], with a fourth equation added to explicitly integrate the exchange rate.

So far, we have showed that a theory positioned as a consensus has been transported to policy through a series of localized relations. There, felicity conditions, in the form of constrains and connections – academic institutions, political agents and external economic interests – were in place to allow its settlement. These conditions cannot be entirely controlled by the theory and its developments. Thus, they can change and affect its performance (Almeida, 2021)[14].

It is also important that we see what we call local interactions as "the assemblage of all the other local interactions distributed elsewhere in time and space, which have been brought to bear on the scene through the relays of various non-human actors" (Latour, 2005, p.194). This idea is related to how sociotechnical agencements are built, as previously implemented material techniques and intellectual technologies were put in place.

The work, however, is never done. After its implementation, it seems that the ITR did not face serious institutional opposition[15]. However, this does not mean that stabilizing mechanisms were not acting. Even if the diffusion of a model can lead to a process of irreversibility and lock-in (Neris Jr.; Fucidji, 2016), it is necessary to put at the forefront the practical means that maintain existing links and enable them to expand in time and space. Latour (2005) defends that social skills alone do not have the strength to stabilize relations, since they are limited to transient and short-lived interactions. Asymmetries, power and domination must be produced, invented, composed. On the other hand, successful stabilizing mechanisms soon become invisible, until they are called to action again. This can happen when the paradigm is disturbed. We jump to 2023 to study such a moment[16].

In early 2023, newly elected President Luis Inacio Lula da Silva (Lula) criticized the recent conduct of monetary policy, the ITR and the autonomy of the CBB

13 Formally, the NCM converges to a dynamic three-equation model (McCallum, 2002; Arestis; Sawyer, 2008; Teixeira; Missio, 2011; Carvalho *et al.*, 2015), with a forward-looking IS function, a forward-looking Phillips curve or aggregate supply function, and a function that describes the monetary policy (Taylor rule).

14 This view is also related to the interactive approach to performativity proposed by Neris Jr., Fucidji and Almeida (2021).

15 There was concern before the first government transition within the regime (Portugal, 2023; Fraga, 2023a), but an informal deviation from the ITR occurred only during Dilma Rousseff's first presidential term, in 2011-13 (Mello; Rossi, 2018). A closer look into this process should be interesting, but we prioritize more recent developments to continue our exposition.

16 We are not referring to academic criticism. It has been recurring, as we can see in some of the works cited thus far, but without major repercussions.

(Costa, 2023), the most recent institutional innovation within the regime, which defined fixed and stable terms of office for the president and board of the institution, in periods that do not coincide with the electoral term of the federal government (Brasil, 2021). He also accused Roberto Campos Neto, then president of the CBB, of political bias due to his proximity to former president Jair Bolsonaro.

This was the beginning of a series of public reactions from different entities to the maintenance of a high interest rate policy (UNE, 2023; CNI, 2023; PT, 2023). However, the overall structure of the ITR was unshaken. President Lula's insinuation that the Executive could increase the inflation target provoked an immediate institutional reaction from the Congress and from sectors of the government itself, who assured that the regime would remain untouched (Costa, 2023).

In addition to the institutional communication of the CBB, the work of spokespeople in defense of the ITR took place through the media channel. Participants of the process of implementation of the regime and former members of the CBB were brought to the public debate, appealing to arguments of authority and credibility, although they now represented the financial sector. Fraga (2023b) considered that changing the target would be "suicidal". Fábio Kanczuk (2023), former director of Economic Policy at the Central Bank and current chief economist at an investment firm, stated bluntly that he would "keep interest rates high until the economy sinks and can re-anchor expectations". The president of the CBB considered that the technical language used by the institution was being politicized (Campos Neto, 2023b) and had ample space to defend his thesis when he appeared on the traditional talk show Roda Viva (Campos Neto, 2023a)[17].

Here resurges the notion of groups. A group is visible if is being performed: there must be efforts to define (and delegitimize) "antigroups", the quest for resources to make the group's boundaries more durable and the mobilization of scientists, statisticians and journalists with their "specialized paraphernalia" (Latour, 2005, p. 31). In their permanent work to justify the existence of their own group, actors are mapping the social context for the observer.

These mechanisms appeared when needed, but they are a part of a larger perennial (but shifting) structure. A network can be as long and complex as we make it, but we will just pull out a few strands for illustration purposes. Puliti (2013) shows that from 1990 onwards the economy sections of the largest newspapers in Brazil were dominated by financial market sources, amounting to 70% of all of them

17 Campos Neto was the second sitting president of the CBB to be interviewed in Roda Viva (Wikipedia, 2023). The only other was Armínio Fraga, in 1999.

in 1999. Another side of the communication effort of this sector is presented by Godoy (2023), in a report that shows that among the ten largest websites exclusively dedicated to economic news in the country, six belong to financial institutions, and they amount to 79% of the public's audience. These elements can be framed into a more general dynamic of economic concentration. Using social network analysis, Rodrigues (2023) reveals the a few large companies, notably banks, maintain a considerable part of the shareholding control in the country. The author concludes that the control of financial flows, communication and energy appears as a central vector of the exercise of financial, political and media power.

We argue that these mechanisms contribute to the stabilization of the ITR, among many others that remain unexplored – and not all of them come from the theory. In any case, is possible to state that the establishment of the ITR is a case of generic performativity, in which economic theory was used in real economic processes (MacKenzie, 2006). If we stop here, however, we risk limiting ourselves to a sociotechnical description of the history of the Brazilian ITR. The analysis of the formation of expectations in the regime will define whether it is possible to go further.

3.2 **Managing expectations**

When Goodfriend and King (1997, p. 256) say that the new neoclassical synthesis "creates an urgent demand for monetary policy advice" and "also supplies that advice", the claim is related to Taylor's (1993, p. 200) argument that the model endogenizes "expectations using the rational expectations assumption". Expectations are not only determined in the model, but they are also "critical to the inflation process" and "amenable to management by a monetary policy rule" (Goodfriend; King, 1997, p. 279). This is accomplished through the announcement of inflation targets, as long as the announcements have *credibility* (Bernanke; Mishkin, 1997).

Adopting this view, it is enough for the central bank to act with credibility and predictability and provide information to rational agents. They will follow the concepts of economic theory and inflation will begin moving towards the established target. Another way to see this process is by detaching ourselves from the notion of mainstream economics as the uncontested owner of a single truth – that is, abandoning the very notion of rational expectations[18] (Wansleben, 2018). Adherence to *true* economic theory is no longer automatic, as demonstrated by all the work of

18 The method of the NCM "involves the systematic application of intertemporal optimization and rational expectations" (Goodfriend; King, 1997, p. 232). Taylor (2010) says that the defining characteristic of the model is the combination of rational expectations and a staggered price setting.

implementing and maintaining the ITR discussed so far.

Wansleben (2018, p. 779) argues that "key for central bank power is actors' belief in central banks' ability to govern monetary relations". In this process, central banks seek means to render expectations governable. To do this they "need to connect to the dominant forces in institutional configurations in order to make sure that their interventions are legitimate and generate economy-wide performative effects" (p. 792). That is why he defines inflation targeting as a "financialized" expectation management regime.

Let us recall how inflation targeting works: the use of inflation targets as a nominal anchor involves comparing the announced target with expected inflation as a basis for policy decisions (Snowdon; Vane, 2005). Thus, the inflation target denotes a target for inflation *expectations* and long-term interest rates (Bogdanski; Tombini; Werlang, 2000; Saraiva; Paula; Modenesi, 2019). The short-term interest rate and central bank *communication* are the operational targets, seen as capable of altering the intermediate targets and, thus, aggregate demand and, consequently, inflation. Since targeting inflation directly requires the central bank to make forecasts of the likely price trajectory, it is necessary to focus on indicators with predictive power.

The CBB sets the target for the basic interest rate (Selic) based on deviations of the expected inflation rate in relation to the inflation target, the output gap and exchange rate variations (Carvalho *et al.*, 2015). Two main sources are used to estimate inflation expectations: the institution's own inflation forecast, presented in a quarterly report (which assumes a constant interest rate equal to the one previously decided); and a daily survey carried out among financial institutions and consultancies. The responses are grouped in the Boletim Focus and published weekly.

By limiting the collection of expectations to a small group of financial institutions with economic departments that have economic incentives to get their macroeconomic forecasts right – or, at least, to get what other key players think are right – the CBB is effectively *framing* the expectations in an attempt to make them manageable, according to the framework set out by Callon (2007a).

In addition to the justification that the financial sector matters due to the monetary policy transmission mechanisms (BCB, 2023b), policymakers can bet that this segment will act according to "rational expectations", by adhering to the same framework and sharing views with the monetary authority. Thus, a coordination process between the parties becomes feasible. This mechanism, of course, depends on the functioning of previously determined rules and certain consensuses (socio-technical agencies and felicity conditions), as well of what Callon (2007a) describes as an "overflow" of external relations to the expectation management mechanism itself[19]. In this case, it certainly does not hurt that monetary authority staff regularly swap places with their counterparts in the financial sector, or that the characteristics of the Brazilian securities market makes holders of public debt beneficiaries of high interest rates[20].

Delving deeper into the topic of coordination between the CBB and the financial sector – as the "bearer" of the determinant expectations for monetary policy – Chernavsky (2007) points out that without adhering to the notion of rational expectations, it is not possible to determine that agents' expectations are derived from the fundamentals of the economy. Although inflation targets appear to have worked as an anchor for expectations, as predicted by theory, there are no elements that define exactly what the level of the interest rate set by the monetary authority should be. At this point, the author resorts to the *self-referential* character of the regime, when the interest rate is only referenced to its own past values. This state of affairs can continue indefinitely as long as expectations are maintained, "whether they are based on some economic foundation or not; in this case, they are characterized as a purely conventional phenomenon" (Chernavsky, 2007 p. 103)[21].

From this perspective, the ITR functions exactly as a stabilizing paradigm should. According to Erber (2012), it is part of a convention of "sound fundamentals", with short-term focus and essentially conservative. Chernavsky (2007) argues that once the convention is established, the agents can follow it without having to guess the choices of others in the decision-making process. Likewise, performative effects make it so that the agent does not need to follow the theory consciously.

Latour's (2005) notion of plug-ins can help our understanding of how agents adhere to and partially internalize external competences, using it to make their predictions. We have a structure framed for generic actors in place. This framing does not determine the actions of agents, but it allows certain things to happen. To interact properly with this structure, agents acquire external competencies that do not come ready and transport individuality, subjectivity, personality etc. In ANT's theory of action, the individual does not need to be freed from external bonds. He exists because of these bonds. The more connectors, the more complete and articulate

19 Garcia-Parpet (2007[1986]) shows that framing can only work with the overflow of connections that have not been internalized, through the mobilization of "boundary-objects" that provide "an opening onto other worlds" (Callon, 2007a, p. 279).

20 Ferrari-Filho and Milan (2018) argue that this arrangement constitutes a very effective way of transferring funds to rentiers.

21 For a broader discussion of the conventionality of the Selic rate, see Seabra and Dequech (2013).

he can be. In fact, attachments come first; the actors are second.

This means that with the management of expectations, the coordination mechanism in operation and the Boletim Focus published, even the participant who does not have the individual capacity to generate predictions can adhere to the general average and guide himself by the new expectations – and is encouraged to do so. However, "If you try to make a rational calculation away from such equipment […] you might have nothing more to make your 'macro-decision' with than rough estimates on the back of an envelope; you will no longer possess the competence to be rational at all" (Latour, 2005, p. 210).

Returning to Peled (2020), once the agencements have occurred and taken effect, this process cannot be maintained in the same way if we remove the theory (and its prescriptions). Removing elements such as the monetary authority statements and the consensus's own macroeconomic equations and models (and the equipment that enables calculations and simulations), would collapse the whole mechanism. The sociotechnical agencements would be broken.

It remains to be seen whether this regime has brought the real economy closer to that described by the NCM. This would characterize a case of Barnesian performativity, MacKenzie's (2006) classification that more closely resembles the original notion of Callon's (1998) performativity.

The question of whether the model works is in permanent dispute. The discussion about the price level achieved by the ITR irremediably divides the framework's supporters and detractors (Paula; Saraiva, 2015; BCB, 2023a). Furthermore, there are always too many elements in place influencing economic performance (Pahl; Sparsam, 2016). However, the main justification for adopting the ITR is the importance of low and stable inflation for economic prosperity. A predictable policy would reduce uncertainty, thus reducing volatility (Taylor, 2010).

In the Brazilian case, however, we argue that the ITR culminated in a process of coordination of expectations that keeps the economy's basic interest rate at high levels. Consequently, the real interest rate in Brazil is consistently among the highest in the world (Ferrari-Filho; Milan, 2018). There is also little dispute that high interest rates have negative effects on macroeconomic performance. We argue that this state of affairs inhibits growth and is maintained by the regime itself in its conventional form. In other words, the level of interest rates perpetuated by the framework ends up blocking the positive results that, according to theory, would be achieved with the price stability that comes from the application of the appropriate policy.

Therefore, monetary policy ends up leaving the real economy not more, but *less* similar to the economy that the NCM envisions as resulting from the ITR. This type of relationship is called *counterperformativity* by MacKenzie (2006) and is within the classification used by the author to describe Barnesian performativity, which is the strongest case of performativity within economic theory[22].

4 Concluding remarks

This paper introduced the concept of performativity to interpret Brazilian monetary policy under the Inflation Targeting Regime. Initially, we presented the thesis of performativity in economics underlining the actor-network-theory as its foundation. We then applied this framework to analyze the implementation, stabilization and functioning of the ITR in Brazil.

Throughout the study, we observed the complexity and variety of agencies and mediators mobilized so that theory can impact reality. Numerous actors, material resources and social technologies spread across time and space and in constant renewal act while the equations and recommendations of the New Consensus Macroeconomics leave a university computer to shape public policy.

We conclude that the Brazilian ITR constitutes a case of economic performativity, which corroborates the initial hypothesis: the NCM recommendations were put into practice and made a difference in the Brazilian economy via monetary policy. However, the resulting process of coordination of expectations between monetary authorities and the financial sector, through sociotechnical agencements, has resulted in a conventional regime that perpetuates high interest rates, making reality less like its theoretical depiction. This relationship, characterized as counterperformativity, constitutes a strong case of performativity according to the theoretical framework employed. Therefore, the objective of the study was achieved.

Finally, the use of a relatively little explored research program paves the way for new empirical and theoretical possibilities for future studies, particularly on the present object. Overall, we believe that the perspective adopted here has much to contribute to understanding the relationship between economic theory and real

22 We do not see Barnesian performativity and counterperformativity as subsequent moments. Peled (2020) implies this when he analyzes MacKenzie's derivatives case. This is true for that specific case, but MacKenzie (2006) clearly describe both as two categories of strong (Barnesian) performativity. We also cannot consider counterperformativity as simple failure, as Brisset (2016) does. In this view, everything that is not performative becomes counterperformative. Counterperformativity means specifically that a model performs the economy in the opposite way that it intends to.

economic processes. Economics must interact with other disciplines but should not depend on them to test renewed approaches.

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Research Data Availability
The dataset supporting the results of this study is available within the body of the article

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