Hi Licurgo,

Your post on causal inference perfectly connects recent interest-rate moves in the United States and Brazil to the course concepts. The example shows why country-level randomized trials are impossible and how a difference-in-differences lens can still reveal meaningful insights from policy shifts. Using commodity-price shocks as an instrument also grounds the concept of instrumental variables in real data (Deaton & Cartwright, 2017).

One question concerns the exclusion condition for that instrument. Commodity prices can influence exchange rates or trigger fiscal responses, and those channels might affect investment directly. How could that possibility be tested to ensure the instrument acts only through the policy rate? The paragraph is packed with strong ideas; perhaps a small table pairing each causal tool, such as difference-in-differences, instrumental variables, and conditional treatment effects, with a concrete policy metric could make the flow clearer (Fougère & Jacquemet, n.d.).

Another valuable insight is the inclusion of welfare spending as a mediator between the policy rate and inflation, a channel that often gets overlooked. Given Brazil's frequent policy changes, it would be helpful to know which public data set would be used first, for example, IBGE or IMF, and how the pre-treatment period would be chosen (El-Jahel, MacCulloch, & Shafiee, 2020).

Your insights on welfare spending as a mediator gave me a new way to think about the link between interest rates and inflation, and I plan to explore that angle in my own work.

Thanks for bringing a fresh macroeconomic perspective to the discussion on causal inference.

All The Best,

Avinash

**References**

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