Dan Seed ([00:00](https://www.rev.com/transcript-editor/shared/sqlqCnnOagUgHpAl8YDCH9Ojpjt-i5u4c-HDjdao0f9JaxcZzqX9YTE5_fkyh2t-zz33nFuenRpqH8OpimveJywZJkM?loadFrom=DocumentDeeplink&ts=0.57)):

Hello and welcome to Big Ideas, a podcast from Texas State University. I'm your host, Dan Seed from the School of Journalism and Mass Communication. On this month's episode, we are joined by Dr. Andrew Ojeda, an associate professor from the Department of Finance and Economics in the McCoy College of Business. Dr. Ojeda teaching and research interests are in macroeconomics and international economics among other fields. He is joining us on this episode to discuss the impact of the sanctions put on Russia by western nations, including the United States following that country's invasion of Ukraine. Dr. Ojeda, thank you so much for being here.

Andrew Ojede ([00:38](https://www.rev.com/transcript-editor/shared/xyMvWjkWOIQEgE0A1B8OPq3rtiLWyfHp6MyXX3CAYXdDbN6d5tlMTDVwbq5FO6FuvXG9JxL7lbFKB4cDV7urSAnvTg8?loadFrom=DocumentDeeplink&ts=38.49)):

Thank you. Good to be here.

Dan Seed ([00:39](https://www.rev.com/transcript-editor/shared/4cUz4mir2fnt1Ehx5fqMVI0N3Q92PtAZ--IL6qsoR2hnihWbF00zmKln6BijguLo5wJIEeR4Zd-2-SaR6ACXNOvR0IA?loadFrom=DocumentDeeplink&ts=39.75)):

So tell us a little bit about yourself, your background and how you ended up in this field and studying these topics that you do.

Andrew Ojede ([00:48](https://www.rev.com/transcript-editor/shared/TD1Omj4O9DF_7TVtdh2PGQ8hRzYeoCmtEQuY4b_U_O5ZhVGqmKsGJEF9-3ke3m5g1TMUwO6cTPEXqEiFTvqrqSpNkBs?loadFrom=DocumentDeeplink&ts=48.57)):

I come from a developing nation. So I started measuring in economics when I was a little kid from high school through my entire university education that is undergraduate. And then when I came to the United States for Graduate Programs, master's and PhD, I continued with my economics program. I'm kind of interested in studying development issues coming from a developing country myself. I want to see how countries evolve over time in terms of how they grow and the political aspects of it and the international aspect of it, how countries relate to each other through international trade. These are topics, the topics that always fascinate me because we live in a world which is highly globalized now. So if you're talking about development in a country, you can't talk about a country in isolation with other economies. So that those are some of the things that interest me to study some of the issues, particularly what I do in my research.

([01:48](https://www.rev.com/transcript-editor/shared/QZhkt-f5xiLPS6jqASHiFmMAT77U81LXuDyUSVqG1potJTvWdSIBFVaRvnbai97OWNzNYtSU0datg_hN3BOi8LGWxWQ?loadFrom=DocumentDeeplink&ts=108.57)):

I normally study factors that drive multinational investments to developing nations on the one hand. And then on the other hand, I look at how those foreign direct investment flows to developing nation impact economic growth of those host nations. Especially when you look at it over the last 40 years, so many American companies have relocated investment to foreign countries, and it is really interesting to see how those foreign capital contribute to the development of those economies. But some of my research also, I do some of my research macroeconomic core research. I do regional economic growth and analysis. I've studied a lot the impact of fiscal policy at the US state level and how that impact economic growth at the US state level, like the decisions that the state legislators make on changing tax policies and government spending policies and how that drives state economic growth in just that subnational level. So I'm also fascinated in doing stuff like that.

Dan Seed ([02:53](https://www.rev.com/transcript-editor/shared/ylQGH7iaXpLKkFbk89US7ov5-tFPXave6KlWbwO1Pt3nuRa9gRRMOHMtJEYyoDhfvHlQ1m4SQjyoeF4A_na2aTHDnJw?loadFrom=DocumentDeeplink&ts=173.4)):

And so you're the perfect expert for what we're going to talk about today about the sanctions in Russia or on Russia and the effects that that's having on our economy along with other internal issues in our country that may be affecting our economy. But let's start with the Russia, Ukraine issue as we know the United States, Canada, the EU, among others that have hit Russia with these multitude of economic sanctions in the last month or so following their invasion of Ukraine. So before we get into the specifics of this, tell our audience how these kind of economic sanctions can be used in a tense geopolitical situation to perhaps diffuse the situation.

Andrew Ojede ([03:40](https://www.rev.com/transcript-editor/shared/bnwpRAMnAArOKZfMxNuc2WDbHvbRlWRQP9bgB4DnZeNbPg24tyyGxxrZxvCEW4E0R9hWkuNG1pitBpq-Hyb3I1MkLVY?loadFrom=DocumentDeeplink&ts=220.66)):

Okay. I think broadly, I just want to kind of talk about perhaps maybe because some people might be non-economist now, we could have some non-cost audience, just snapshot. Economic sanctions are typically free and financial penalties that are applied by one or more countries against a targeted self-government state group of individuals in an economy. And they're not necessarily imposed because of some economic circumstances because we have seen countries import and impose a trading embargo, trading sanction if one country is cheating in a national trade. You know what I mean? Sanctions could be imposed due to political media and social issues, especially what we're talking about here in terms of the Russia Ukrainian conflict that has prompted the United States and its allies to impose a series of sanctions. It really depends on what type of economy you're talking about here, because we have a lot of rock regimes around the world, including countries that are run by dictators.

([04:44](https://www.rev.com/transcript-editor/shared/6IxWMctG8eTzsbZCdST3U76a47JtpaD614xn39KXRa114H3XNKg4CXZ5XDZ24KxV6LvV_s4917tMEsiyIl780HM1p4U?loadFrom=DocumentDeeplink&ts=284.8)):

So typically when there's a political turmoil in a economy in a country, like what we are witnessing now, Russia invaded Ukraine. And when you go back to history too, like other sanctions, I remember in the nineties, early nineties when Iraq went and attack Kuwait, right? So that prompted Western Nation, including the United Nations to impose sanctions on Iraq. But it really depends on the trajectory of leadership of the country because sometimes DPOs or dictators around the world, they always look at balancing. They remain in power versus how a sanction would impact the economy. But you would hope that if a dictator is highly then over and where they care a lot about the welfare of their citizens, perhaps maybe sanctions could actually deter a lot of their activities. But sometimes that's not the case. And that's what we are seeing here in Russia to strong men. As strong men, they want to show their strength that they can fight. But in a normal circumstance where you're applying some kind of rationality, you would expect someone to know the impact of that sanction on the welfare of their domestic residents.

Dan Seed ([06:01](https://www.rev.com/transcript-editor/shared/yR_n_Umb5_iXhwe-YY3tVtO5rI89QMISn23ujHT00gn6ulIm5AxqI3UkyztoXkNdPxYIqivxUF_QPJWKX-lsgCdiMpI?loadFrom=DocumentDeeplink&ts=361.49)):

And that's definitely an area that I want to explore more about how Putin has responded to this, and we can get to that in a minute here. But so far we've seen this major effect on the Russian economy. Almost immediately after the sanctions were imposed, we saw the crash of the ruble, the Russian banking sector became a mess. Overall, what's been the financial impact in Russia? How devastating overall have the sanctions been and what's the outlook for their economy? Even though this has only happened over the last month, I'm sure that this will have a longer term effect.

Andrew Ojede ([06:38](https://www.rev.com/transcript-editor/shared/M6yWbrVZlwsSF6_hmLQwmsQKwjNORxrO_rHt2zyN7o_3OgCsK3vcOU9t5LLbVw1wddxCZe10FY2TCtdH4eeP_Z3tB9c?loadFrom=DocumentDeeplink&ts=398.21)):

That's a wonderful observation. So we have seen so far a lot of debilitating effects of this sanction already. When you compare to the previous sanction that we imposed on Russia, like in going back to 2014 when they next Crimea, this has been one of the most function that we have seen so far. We have seen, as you have said, the ruble has already crashed the Russian Central Bank and the government itself, they have started to limit, do some capital controls. They're trying to prevent people from moving capital out of Russia, Russians moving money out of Russia. So when you look at what they have done so far, they have actually tried to stabilize the value of the Robles last week. When you look the Rob was on a free fall, but sometime it is value stabilized by Friday of last week. I've not seen the numbers for this week.

([07:30](https://www.rev.com/transcript-editor/shared/e-RbB-1gh2pWsl30qnViMW95dCz_2Y1SOIXsfkfkQbiXJhCCDvTYmxPbq6PDfaPyq0qELlDRf3GCvU0vzQ3reV2VsSc?loadFrom=DocumentDeeplink&ts=450.38)):

But the most important thing that you've got to know is that Russia imports a lot of products from western nations. In fact, the top five Russian exports, so imports from other countries include things like clients, electronic. They import a lot of transportation material, computers and chips, semiconductors and stuff like that. So those have already been shut down by sanction because you realize that it's not only the US and the EU was in the sanction. Taiwan has joined. Taiwan is one of the largest semiconductor produced in the world, by the way, and they have announced sanction against Russia that they're going to restrict exports of those chips compared chips to Russia. So the goal here is basically we want the impact to be felt in the Russian military build up equipment and stuff like that because they need these semiconductors for their production and hardware. But the other thing that we have seen so far is that inflation has started spiking up in Russia because they cannot get raw material goods very well.

([08:37](https://www.rev.com/transcript-editor/shared/MaWyT4r3wt6_1-vlB6z46vk_wXBvoEIqF9pQ5xXcI-DlwjB7mea9gl74YZtRC2Q1H5XwLzAZtfCF1--cTYHmcrnCxE4?loadFrom=DocumentDeeplink&ts=517.31)):

So that means the inflation is spiking. So the ordinary citizens, the ordinary Russians, they're already feeling the pain from this. You don't stop there too. Russia also plays a significant role. They also export some key material to the rest of the world, mostly oil and gas, but they're also able involved in the export of some commodities like wheat metals, like a aluminum and nickel. So those are some of the key commodities that could actually impact the world as a whole. You know what I mean? I was reading a Wall Street Journal article two days ago. They're saying that the price of wheat in Indonesia has gone up 1000% from me. Can you believe that just over this last month when Russia attack Ukraine. So you would expect the impact of this sanction not only affect Russia, but it could also affect us the imposing countries. So it is not a one-way traffic.

Dan Seed ([09:33](https://www.rev.com/transcript-editor/shared/0fdfvhzsun_1Z_ykeQOhfvV_ndjOIlJBVE_JIHMFOgCI_411i6MXrRDbSroS7ju-G8k0srg1zWXsyr_k4tJtOBAMIlg?loadFrom=DocumentDeeplink&ts=573.54)):

Right? And we've seen that with the price of nickel in the last few weeks. Some really large jumps in the price of nickel, which is one of those key components that you're talking about. And you mentioned oil, and again, we can get into this a little bit now if you want, in terms of how this is affecting us here. We've seen that in the last few weeks with gas prices here going up. But the United States and Great Britain, they've already targeted Russian oil for sanctions, but it's really become a hot button issue in the EU for the simple fact that the EU receives a large portion of their oil and gas from Russia. So what's the challenge for the EU as they stare down the possibility of additional sanctions on Russian oil and gas for their countries going forward? Yeah,

Andrew Ojede ([10:25](https://www.rev.com/transcript-editor/shared/kAg0fh0junobNwZ7RP511P3NaX0ezmu7B7QKkljlNW7KnHAGKxuO92LK6fsEY8dJDDE1oNbXn6tSBtFmPW6vx0NqLLQ?loadFrom=DocumentDeeplink&ts=625.02)):

I think that's a major challenge in the short run is not going to be possible for the EU to start turning to other alternative sources of energy or maybe getting news, maybe start to import oil and gas from other countries. I've heard some people are talking about the eu, some of the EU countries are trying to approach some of the African countries that have recently discovered oil to see how they can collaborate with some of those African countries to import oil from them. In the short term, it's going to be a challenge because some countries have heavy reliance on Russian oil and gas up to like a hundred percent. And this is a challenge. Think about if Vladimir has been, no, it looks like he has his back on the wall. He could do something crazy if he turns off the gas supply, for instance, to those European country in the middle of winter.

([11:14](https://www.rev.com/transcript-editor/shared/zmXBVwdn6vo4vMev5y3xthrXuO_4rqQoNIekkZVx7-8NpoRf3UwC5JRBN6ID2rMJy3IE39c8U5N8F8jHa0T9d3nEsXg?loadFrom=DocumentDeeplink&ts=674.16)):

This can be something very serious here. The United States, we now produce a lot of oil, maybe more than any other country. I've heard the Biden administration, president Biden just traveled there to meet with Nero and other allied countries. They're talking about ways of finding new sources of the oil and gas for the EU countries. Even. Even the United States can export some of these gas to Europe and maybe finding sources from some other Eastern European countries, including even Ukraine, because Ukraine has got a large deposit of natural gas and oil itself. Some of them still untapped, but in the short run, it's not going to be easy because when you talk about oil and gas, these are things that take time for you to find, start finding new sources of those and maybe finding new market where you can import them from. So in the short run is going to be a challenge. And I don't know how much Europe will have to endure from rising gasoline pricess because of this sanction, because it depends on how their residents are getting impacted too. They may start putting pressure on their government to start relaxing some of those sanctions in a medium term here.

Dan Seed ([12:29](https://www.rev.com/transcript-editor/shared/tJiqIVMj4KoOplr0mpFeBFKbQgGKVJ61kZsYiuYGZXEDOgCAZKVfT3yzZapujsy3xt_flvAQEEd4g-MTeX4n2bfbWxA?loadFrom=DocumentDeeplink&ts=749.35)):

It's something that you touched on in your answer there and that you touched on earlier, and that I think is important here is the idea that it seems like Putin's back is against the wall observing this, right? But yet he continues to stare down the west. They've put sanctions on him personally. They've put sanctions on Russian oligarchs. We saw Roman Abramovich having to sell the Chelsea Football Club as a result of this. They're going after their money, they're going after yachts, they're going after all of this stuff. Yet on the day that we're recording this, the Russian foreign minister, Sergei Lavrov took aim at these sanctions, the ones on the economy, the personal ones that have been placed on Russian leaders. And he said, and I'm quoting here, he declared quote that the West has declared total war end quote on Russia. So I guess my question is, where does this go? If we're putting these economic sanctions on them personally and on their country, and the Russians just keep looking at us and saying, your move, this is total war. What's the next step here? Logically, economically, before maybe the next worst step?

Andrew Ojede ([13:44](https://www.rev.com/transcript-editor/shared/EY1gxAbj3ermFI_oCNYFnTIGS80agbpYcj9_TayGNLQx7akA7WL8Lk8MqZJZTEZc0PeutfTMN3HMXK86nnZeFQUe2Is?loadFrom=DocumentDeeplink&ts=824.71)):

The way I feel about this, I'm thinking we have studied the issue of a major economic, financial crisis around the world, including recent, the Mexican peso crisis of 1994, the East Asian crisis of 19 97, 98. This particular crisis in Russia, the accent to which these sanctions have been imposed on Russia, to me, all forms of financial crisis are evolving almost simultaneously, something that we have never seen before as economists. Typically when a financial crisis crops up in a country like here in the United States, we have all forms of financial crisis in America have been some kind of banking crisis where banks fail. We have never had a currency crisis where the dollar crash or neither. We had a debt crisis where our government defaults on this debt. Even though our debt is quite high, I'm actually beginning to see that not only do we see the Russian rob crashing, we are also seeing that banks in Russia cannot make international payments and their balance sheets are going to get wiped out over time with inflation, all that kind of stuff.

([14:52](https://www.rev.com/transcript-editor/shared/fp0QCgHCnl1pBo7lwvbPp2H7cxQBpSY9jtFy-LMFfLj5MGZApGMTqhJbuoVzdhDiKRIl_v0U2Yr0iiWN0qm8mKcv49U?loadFrom=DocumentDeeplink&ts=892.94)):

So they may experience banking crisis, currency crisis, and the government may default because the United States has frozen all their dollar denominated reserves. They cannot make payments in dollars over the next, over the near term. So the Russian government may default, and that can trigger a serious debt crisis. So when you have three forms of financial crisis evolving simultaneously, that's a much more dangerous situation. Here we have seen in the past, in other countries, they tend to evolve sequentially than you started in especially developing county. You can start with a banking crisis that might lead to a currency crisis or it could lead to a debt crisis. But for Russia, these things actually happening simultaneously before our own eyes. So the challenge facing Vladimir put in this government, even what love Rob is talking about, the Russian foreign minister, they need to have, because eventually I feel like Russia will fight two wars if they come to fight in the Ukraine, and this crisis continues.

([15:54](https://www.rev.com/transcript-editor/shared/8s3YnyZIm7VLPLeBRg_n0Jegyc8opLB9wOXr7V5my68T0iP-E5aNScZMeHGzLtBtUAd6z2s6oXjLatbudvMLzlVzW3g?loadFrom=DocumentDeeplink&ts=954.02)):

They have to fight another war at home because as more and more Russian citizens start to feel the pain from this crisis, like in terms of higher food prices, higher price of everything, and they cannot buy so many goods because we are basically put a freeze on that, they can't trade with many of the other European nations or other countries that have join in. I think then you're going to see a lot of massive protests that you have never seen before if this thing continues. So the government in Russia has to now fight towards, they need to turn down on domestic protests versus international crisis that they have self created. Yeah,

Dan Seed ([16:35](https://www.rev.com/transcript-editor/shared/2P9Vz3OHDR-J81Oce80OvEf9O0QQirPgmuCkPqIkaWVbrTAGkbEn1WTzqmm4mvHjp9PSogtcqQi3ycwfQ3COxnvDYwM?loadFrom=DocumentDeeplink&ts=995.3)):

Yeah. And I suppose just as an outside observer looking at this, that's what the scar thing is to see what Putin's next move is in relation to what it is that you're talking about, fighting a two front battle, one on the battlefield in Ukraine, and then at home, because we've seen the Russian government throughout this, there have been massive protests in Moscow, St. Petersburg where they're just going out and cracking down on the protesters and arresting these folks. We saw that there was a news producer who showed up on state television with a sign protesting against the war, and she was removed. And Russian newspaper in Moscow today printed a satirical sarcastic headline saying, nothing is happening. Walk on by a special operation is underway. No one is growing poor. The economy is growing, right? So it's like the Russian people, as you've said, are feeling this, but yet Putin, the folks in the Duma just blinders on, and they are going to ignore this, which makes this a really dangerous global situation.

Andrew Ojede ([17:39](https://www.rev.com/transcript-editor/shared/3Vrno0dOAVXE_B0pt1-JnhQxvlLalnu76nSy1I3BMqxciePdRK2hBzEgvT59jTUQbYXdLrd1NhchMkD3UaqIZVMGWzQ?loadFrom=DocumentDeeplink&ts=1059.98)):

It's going to be, and going back to what Avro was talking about, we have never seen the scale of sanction imposed on the oligarchs before. Keep in mind that when the Soviet Union, the USSR collapsed in 1991, Russia tried to liberalize its economy. So most of the Russian, the state owned banks, natural resources and factories that were run by government were basically patches using corrupt deals by some of the few connected individuals in the Russian government. We call them the word the oligarch. The word oligarch in Russia basically means extremely wealthy individuals who are tied to Vladimir Putin. But we know from Oli oligarch is basically the idea that a government, which is going to be run by very few wealthy individuals through the purpose of corruption. So by targeting these oligarchs, I think the West, these people have, I think, significant influence over Vladimir Puddin, even putting himself, nobody knows where he hides his wealth. Some people have speculated that maybe some of his wealth, he hides some of his wealth through these oligarchs and these billionaire. So by targeting their wealth, freezing their assets, that could actually impact putting directly, and at some point it's going to start hurting.

Dan Seed ([19:02](https://www.rev.com/transcript-editor/shared/2f3l1lYEwZVJbExvV0O_FFiBLHZYnUUuJzSZZMTjSWxiDXPUsoqiCslVkw5YxhJNI7TOdZHzTzwEk161-kHTLJbmIyM?loadFrom=DocumentDeeplink&ts=1142.01)):

And before we move into the US economy and how this is affecting things here, I want to remind our listeners that we are talking with Dr. Andrew Ojeda from Texas State University from the McCoy College of Business, discussing economic sanctions on Ukraine. Obviously a big issue now, I hate to use this term because Putin or his government have thrown this around a nuclear option, but economically, what is the nuclear option for the West, considering all they've done to this point hasn't moved the dial for what Putin is continuing to do? Is it kicking them out of the G 20? Is it something beyond that? What's the next step, do you think?

Andrew Ojede ([19:45](https://www.rev.com/transcript-editor/shared/bRH4700tq3joT5JcBsgQv1F285LR7Fx_U_fIQh6_JfRLPmd4iX9mEY80FpMufZ4JsPRzzt2nahGGpgPSrd9jWvIsggE?loadFrom=DocumentDeeplink&ts=1185.33)):

I don't think we have a lot of options left now. You know what I mean? We have done a lot already in terms of these sanctions are a lot when you think about it. I was trying to go through a list of what we have done so far, the list of sanctions that have been imposed on Russia. Maybe I can for one of them include things that we have sanctioned. The Russian Central Bank that is significant. The Russian Central Bank has about 640 billion in work in International Reserve. So we have done that. And then we have also sanctioned, we have removed major Russian banks from the SWIFT system, which is this international messaging system for executing international payments. It is a Belgian run system, so they cannot make, so that has slowed down the way Russian banks make payments, international payments. So that is hard.

([20:40](https://www.rev.com/transcript-editor/shared/um3g67H0Y9CR9SOE9SGpP_mgc4aghn7ozbioe4SwFKZij-RDOaIyXSSxAepJyvpcu_-x-0rgl77N4jjbS1_jb52T5kc?loadFrom=DocumentDeeplink&ts=1240.32)):

Don't forget that. That is hard. And then the other thing, which I think was also significant was the Biden administration trying to cut off supplies of computers, semiconductor chips to Russia and Taiwan and other countries joining in. So these sanctions are, we have not seen them impose before in any, I've not seen them in modern times such the scale of such sanctions imposed on any country. And I think going forward, the only thing that remains now is targeting the Russian oil and gas. But as we say before, that might not be very good for countries in Europe because in the short run they cannot, because that's now the only lifeline I think, meaning for Russia, they're still getting a lot of money through oil exports, oil and gas exports to, if you cut off that lifeline for them, then you're also carrying the lifeline for many European countries.

([21:35](https://www.rev.com/transcript-editor/shared/EGU_0rNGEmTia-FtPwE4bCMPotAOwjeqpIhbBsr5rjMVlffyVQBlwfxGqYkVK9JMw4sJQOE1Qfc1KmZMps5znHLekcM?loadFrom=DocumentDeeplink&ts=1295.77)):

So I don't think we are going to do that for now. The only thing that might happen is that in the long term, this might influence affect Russia significantly because many countries in Europe have now realize that they need to develop their alternative sources of energy. They need to move away from being solely dependent on Russian oil and gas. They have seen the dangers that David dependent Germany just announced that by the end of this year going to 2023, they're going to be able to cut their imports of Russian oil and gas by up to 67%. So a lot of countries are joining now trying to believe that they can actually do this. So in the short term, it can be bad for them because of high inflationary pressures due to higher gasoline prices in Europe. But long term, this could actually significantly debilitate the Russian economy if they can't export their oil and gas to a lot of them to Europe as they develop their own sources of energy.

Dan Seed ([22:34](https://www.rev.com/transcript-editor/shared/rwOEFvK7HWfIb1hQbaN5_40pN-JA5fLn9ClZmazNsQB6y8D6ji8v9Xbzouti6j1opWXjTF6GrFeG_gJtiAnSc05MG1s?loadFrom=DocumentDeeplink&ts=1354.66)):

And of course, here in our own country, we've already been dealing with economic issues. We're talking about inflation marks not seen in 40 years. The Fed raising interest rates, price of gas, price of food, all of that stuff is going up the things that the average person deals with on a daily basis. But one thing that the average person may not know about, and I want to get your thoughts on this, is something that can point to a future recession. And that's something called the yield curve. What is that and what has happened to it?

Andrew Ojede ([23:08](https://www.rev.com/transcript-editor/shared/NYnTnbO0zW2LF7oh1Rz-K4m-Yr9srx4k5xXzhcKbGQ2B1UlE8el-X5OCIZao8-kCjZqbO2DUMdK5EXx17QilmJ7p8IE?loadFrom=DocumentDeeplink&ts=1388.29)):

The yield curve basically is a relationship between bonds of different maturities, right? And the time remaining and their maturity dates. So basically the way we relate short-term born interest rates to long-term born interest rates, right? So the idea here is that when there's higher inflation expectations that we already been seeing even from the close of last year, the Federal Reserve always tries to tam that inflation expectations down by raising the federal funds rate, which is the short term interest rate that the Federal Reserve targets. And when that happens, it drives up the short-term bond interest rate to a very high level, the short-term bond interest rates could actually rise above the long-term rates that could make the yield curve better. That's a clear sign that the recession is probably in plain sight. But going back to what I'm talking about, on March 10th, 2022, the Bureau of Labor Statistics release its febrile report on the consumer price index for all urban consumers in the United States.

([24:09](https://www.rev.com/transcript-editor/shared/FMfMsLU6a1CtyOkK4E5oop_W5LJ6mIRyaYa83pmAGw1mmYdDONvtbLkzBJqCy45HPoCWexCvSj4NP8ITVlYLhvv4PAQ?loadFrom=DocumentDeeplink&ts=1449.92)):

So this widely followed measure of inflation rose by 0.8% of February, which is equivalent to a compound rate of 10%. When you think about it, annual rate of 10%, but over the past 12 months, the consumer price index rose by 7.9%. That's a lot up from a figure of 7.5% recorded in January. This is the largest yearly surge in prices since that January of 1982. Most of it is being driven by rising gasoline prices. In fact, for the month of February, even before Russia attacked Ukraine, gasoline price in the United States went up by 6.6%, and that accounted for nearly one third of the rising consumer prices in the United States alone. And then when Russia went in as of March 14, which are nearly about a week and a half ago, the average price of regular gasoline in the United States was up 24% just between February 24th when Russia first invaded Ukraine and March 14.

([25:12](https://www.rev.com/transcript-editor/shared/WdL7BMtvSERUhE5P2Kln_YngQA0iX2wwwqHBKbXnzcKchvbG3wUqsT6dOCNzxjinEkesRwjxbR6B2wOX8Ml3qbO1rQc?loadFrom=DocumentDeeplink&ts=1512.8)):

And you believe that. So this is going to have a lot of impact on Americans too. The University of Michigan Consumer Sentiment Index, they basically send these surveys to Americans to find how their cost of living is. They reported their index was the lowest since March of 2020. They're the lowest in the last 10 years. And a kid driver was falling real income. Most Americans are now feeling the pain. They're saying that they see their real income going down because of higher gasoline prices and food prices going up. Everything is going up. As we know, America is still very strong economy. The fundamentals for economic growth are still quite strong. But what I fear as an economist is that most of these problems we're facing are more coming from commodity rises going up. The supply side effect that might be a lot difficult even for the Fed to deal with because typically when inflation is driven by the demand side of the economy, by Americans spending too much money, that is a lot easier to term with policy when that inflationary expectation is being driven from supply side of the economy, what we call stagflation, that where you could end up with a situation where prices are rising and then output would be falling because a Fed would thrive very hard to raise interest rate that could lead to a recession as well.

([26:37](https://www.rev.com/transcript-editor/shared/SNZ_JeE7GCkPRG8BleqwI0zL7ES-_a0c0-yvAJXzB89WYoxmm69_INToUVRfO8TV9BVcH7bexpguQ2MPg5G-Rz7rNz0?loadFrom=DocumentDeeplink&ts=1597.34)):

So that could be very dangerous. And yet policy may not actually slow that inflation as it would we would do when the pre inflation was demand driven. In fact, something happened during the last quarter of 2021. Something interesting that because Americans received all those COVID money, but we were in lockdown, we did not spend all the COVID bailout funds that the government gave us. So the last quarter of 2021 last holiday season is like we let everybody out, right?

Dan Seed ([27:07](https://www.rev.com/transcript-editor/shared/SoCx6UOKWZpM2K26-Ph8ed9ZGejUtDkfcXMLDdG81KXcfZjrxmib41-Kn3oqKPVEKoAsIdHjU9LEwIApGIKLt4qRHS4?loadFrom=DocumentDeeplink&ts=1627.41)):

Everybody wanted to get out to

Andrew Ojede ([27:09](https://www.rev.com/transcript-editor/shared/S4MiTw_eMQStXDcXSpvdAK1cegab3Fwsy-kJJCj7w9sN36HNd0ccnyAL2oQdDB3Z3_bWDknlWvM1SLGQy22ZLCiliW0?loadFrom=DocumentDeeplink&ts=1629.41)):

Travel. So people went and spent a lot of those COVID money. In fact, when you look at it, durable goods, the demand for durable goods went up 30%. And this is something that we have never seen during any typical oil season. Most of the times people demand services and other types of goods. And this has also affected the businesses in America to recalibrate their production, to appeal to the rise in demand for those goods and services. And yet we were having this supply constraints. They're not getting raw material goods on time, and that has been contributing to this rising inflation.

([27:46](https://www.rev.com/transcript-editor/shared/2JfSDPNjsb2qX4MsA1jwS1BkZsAOvM_XP25Vm-TZZNxnPhaJIMtvD2deSTqyDwaLKXSsnUjcdXOYuw_G4uC6qYuoHeM?loadFrom=DocumentDeeplink&ts=1666.44)):

Russia has poured basically gasoline on fire. We already had inflation expectation going up. Now this is adding to the mess that we have we're having here. So this is a risk for the United States going forward, for sure. It's like we are back in the 1970s during Jimmy Carter era, when we had organizational petroleum exporting countries basically raise the price of gasoline by about 65%. They cut the global supply of oil, and oil prices went up like 65%. And they believe that in the mid seventies going to the late seventies, inflation in America got out of control. So we had a lot of that stuck inflationary depression in America, both falling output and rising prices happening at the same time. That might be a lot difficult to deal with using policy

Dan Seed ([28:30](https://www.rev.com/transcript-editor/shared/OZTmY4OWrKp7ylroFYL4LimOGyF5dIShApThp_7bD4MXHKvIwcKKiIWREvzT6w4CxaaZSt83u1_068KixaVCgol4DyQ?loadFrom=DocumentDeeplink&ts=1710.18)):

President even warned of that the other day, food shortages, buckle down, get ready. Because as you mentioned, right, we already have this situation and now Russia appears ready to throw gasoline, as you said on the situation. So we'll have to see how that plays out. But Dr. Andrew Ojeda, thank you so much for joining us today on our episode. This has been a fascinating discussion.

Andrew Ojede ([28:53](https://www.rev.com/transcript-editor/shared/t25JU4Z-cpQWMWbtBgZC73AePQXR126nhZNBgEUgZ9VkxtdzThutuvUklGP9gEg9J3wUrXtnQ_ciRF6DBkUAR5cfXts?loadFrom=DocumentDeeplink&ts=1733.55)):

Oh, thank you. I appreciate it. I appreciate it to be here. Thank you very much

Dan Seed ([28:56](https://www.rev.com/transcript-editor/shared/4UL6wkypSgPJnW0I9BFfhnkl42PzGNA4T-1s044AqyOyeSLWR9eiMy7rERPPEUadwrpLzUMljXe40c_gS5Mov3uHmzI?loadFrom=DocumentDeeplink&ts=1736.91)):

And thank you all for listening to big ideas. We'll be back next month, and until then, stay well, stay informed and we'll talk to you then.