Congratulations! You snagged a great job writing for one of the country’s best newspapers. Your first feature story is about the expected increase in interest rates that almost everyone expects the Fed to announce on December 16. Because you are new to the paper, you want to impress your bosses with the breadth and depth of your economic knowledge and with your ability to write a clear and compelling article. Your readers are educated people who have only a rudimentary knowledge of economics.

You’ve sketched out your outline (below), which you’ll use to guide your writing. You’ve decided you might include visual representations of data where appropriate (a figure can be worth a thousand words), but the newspaper you write for doesn’t allow graphs that illustrate economic concepts. Clarity is what matters most to your readers (and thus to your bosses).

Outline

• Intro paragraph. It’s not a mystery novel; I need an intro paragraph that does a good job of letting readers know what I’ll discuss in the article

• Set the stage by discussing Federal Reserve monetary policy in general terms. What are the Fed’s goals as they set monetary policy? What economic data does the Fed consider when setting interest rates? Why does the Fed want to return the federal funds rate to its neutral rate before the next recession begins?

• Now add some context. Why and when did the Fed lower rates as far as they did, and why have they kept them low for so long? Put the Great Recession in historical context: In what ways was the 2007-2009 downturn different from most other downturns since the 1970s? How has the recovery been different from recoveries following previous recessions?

• The Fed will probably raise rates after its December 15/16 meeting. Why now? Why not earlier this year? Why not wait another year?

• The Fed’s inflation target is 2 percent. Why aren’t they waiting until inflation approaches 2% before raising rates? Start by noting what’s actually been happening to inflation rates (best to distinguish here between the all-items CPI inflation and inflation for some of the expenditure sub-categories). Then I can draw on micro principles to explain why increased global competition limits the ability of firms to increase prices in response to changes in demand or in costs of production.

• Now comes the really important part of the article: Explain the expected effects of a rate increase on aggregate demand and real GDP. Will the Fed’s actions slow growth, or trigger recession? I need to be sure to consider confounding factors: is anything raising expected rates of return on investment projects? What is happening to interest rates set by central banks in Europe and Asia?

• Since the Occupy Movement of 2011, distributional issues have been of interest to a lot of people. I better take time to consider whether increased interest rates have differential impacts on different groups in the economy.

• Conclusion paragraph: I need a concluding paragraph that wraps up the article and lets readers know what to expect in coming months