Fed Halts Party

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Increases in the "federal funds" interest rate—that is, the rate at which banks lend each other money held at the Federal Reserve—tend to trigger rises in commercial interest rates. Since 2006, when it began a slow decline from a high of 5.25 percent, the Fed has kept that rate either stable or sinking. But in December, the central bank finally announced its intention to raise the targeted interest rate from zero to 0.25 percent and then on to 0.5 percent over the next few months, assuming inflation rates continue below their 2 percent target and employment remains satisfactory.

Sectors of the economy that came to rely on the past decade's extraordinarily low interest rates by racking up huge debt loads may face trouble. One of the biggest institutions dependent on super-low rates continuing is the highly indebted U.S. government itself.

Many analysts think the Fed's decade of cheap money has goosed the stock market in the last few years. In the five weeks following the rate-hike announcement, the Dow Jones Industrial Average sank 10 percent, after mostly rallying for five months.

The Fed also announced in December that it intends to raise the rate it pays banks on excess reserves to 0.5 percent. Cato Institute economist Gerald O'Driscoll notes that that move will increase the "fiscal transfer from taxpayers to bankers," by upping the already $6 billion the Fed shells out in interest to banks for not loaning their money to customers.