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Fix income inequality with \$10 million loans for everyone!

By Sheila Bair, Published: April 13 2012

Are you concerned about growing income inequality in America? Are you resentful of all that wealth concentrated in the 1 percent? I've got the perfect solution, a modest proposal that involves just a small adjustment in the Federal Reserve's easy monetary policy. Best of all, it will mean that none of us have to work for a living anymore.

For several years now, the Fed has been making money available to the financial sector at near-zero interest rates. Big banks and hedge funds, among others, have taken this cheap money and invested it in securities with high yields. This type of profit-making, called the "carry trade," has been enormously profitable for them.

So why not let everyone participate?

Under my plan, each American household could borrow \$10 million from the Fed at zero interest. The more conservative among us can take that money and buy 10-year Treasury bonds. At the current 2 percent annual interest rate, we can pocket a nice \$200,000 a year to live on. The more adventuresome can buy 10-year Greek debt at 21 percent, for an annual income of \$2.1 million. Or if Greece is a little too risky for you, go with Portugal, at about 12 percent, or \$1.2 million dollars a year. (No sense in getting greedy.)

Think of what we can do with all that money. We can pay off our underwater mortgages and replenish our retirement accounts without spending one day schlepping into the office. With a few quick keystrokes, we'll be golden for the next 10 years.

Of course, we will have to persuade Congress to pass a law authorizing all this Fed lending, but that shouldn't be hard. Congress is really good at spending money, so long as lawmakers don't have to come up with a way to pay for it. Just look at the way the Democrats agreed to extend the Bush tax cuts if the Republicans agreed to cut Social Security taxes and extend unemployment benefits. Who says bipartisanship is dead?

And while that deal blew bigger holes in the deficit, my proposal won't cost taxpayers anything because the Fed is just going to print the money. All we need is about \$1,200 trillion, or \$10 million for 120 million households. We will all cross our hearts and promise to pay the money back in full after 10 years so the Fed won't lose any dough. It can hold our Portuguese debt as collateral just to make sure.

Because we will be making money in basically the same way as hedge fund managers, we should have to pay only 15 percent in taxes, just like they do. And since we will be earning money through investments, not work, we won't have to pay Social Security taxes or Medicare premiums. That means no more money will go into these programs, but so what? No one will need them anymore, with all the cash we'll be raking in thanks to our cheap loans from the Fed.

Come to think of it, by getting rid of work, we can eliminate a lot of government programs. For instance, who needs unemployment benefits and job retraining when everyone has joined the investor class? And forget the trade deficit. Heck, we want those foreign workers to keep providing us with goods and services.

We can stop worrying about education, too. Who needs to understand the value of pi or the history of civilization when all you have to do to make a living is order up a few trades? Let the kids stay home with us. They can play video games while we pop bonbons and watch the soaps and talk shows. The liberals will love this plan because it reduces income inequality; the conservatives will love it because it promotes family time.

I'm really excited! This is the best American financial innovation since liar loans and pick-a-payment mortgages. I can't wait to get my super PAC started to help candidates who support this important cause. I think I will call my proposal the "Get Rid of Employment and Education Directive."

Some may worry about inflation and long-term stability under my proposal. I say they lack faith in our country. So what if it cost 50 billion marks to mail a letter when the German central bank tried printing money to pay idle workers in 1923?

That couldn't happen here. This is America. Why should hedge funds and big financial institutions get all the goodies?

Look out 1 percent, here we come.

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