PRESS RELEASE
RESERVE BANK ASKED TO CLEAR UP THE CONFUSION SURROUNDING HOW OUR MONEY IS CREATED.

Positive Money New Zealand has written to the Directors of the Reserve Bank, asking the Bank to clear up the confusion surrounding how our money is created.

Recent opinion pieces in The Herald have provided readers with two opposing views.

Don Brash, on the 19th April and 5 May, appears to adhere to the money multiplier model of money creation and to the view that the banks act simply as intermediaries.

In contrast, on the 13 April and 28 April, Bryan Gould cites the Bank of England in support of his view that money is created by individual commercial banks in the act of issuing loans.

The Reserve Bank’s own website has a Reserve Bank paper published in 2008 that follows the money multiplier model but also has a clip from the Bank of England that states that money is created by commercial banks in the act of issuing loans.

These conflicting explanations are offered by the Bank’s External Communications Team simultaneously as an explanation for how our money is created.

Positive Money New Zealand considers that the Reserve Bank is adding to the confusion and asks the Bank to provide the public of New Zealand with a clear definitive statement on how our money supply is created.

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