

## Money creation policy

Congratulations to Thomas Coughlan (*How Covid has driven house prices higher*, Sept 2) for getting almost there in crystallising two problems with current policy on money creation and the fiscal deficit.

He says “the independence of the [Reserve] Bank has provided a useful figleaf for politicians to avoid responsibility for the mess it has created”. Replacing “it has” with “they have” would improve that sentence.

And Coughlan says of the stimulus package, “the haves have got richer and the have-nots have been left behind”. Maybe replace “left behind” with “driven further into poverty”?

Tens of billions are to be directed to the “shovel-ready” Think Big projects that corporate lobbyists always push. Beneficiary parents are “shovel ready” to give their kids a decent meal tonight. They just don’t have powerful lobbyists in their corner.

The “independent central bank” figleaf comes from an increasingly barren tree. It’s Treasury spending that creates the monetary injection – not the Reserve Bank. The bank is just mopping up a mountain of newly issued government bonds being poured out by Treasury to sustain the fiction that it is “fully funding” the deficit – effectively, Treasury hijacking monetary policy under the “independent central bank” cover story.

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