New Zealand House of Representatives
Te Whare Māngai o Aotearoa

Finance and Expenditure Committee
Komiti Whiriwhiri Take Pūtea, Take Whakapaunga Pūtea

54th Parliament
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Petition of Positive Money New Zealand: Inquire into the Reserve Bank helping to finance infrastructure projects

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Presented to the House of Representatives
by Ryan Hamilton, Chairperson

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Petition of Positive Money New Zealand

Recommendation

The Finance and Expenditure Committee has considered the petition of Positive Money New Zealand—Inquire into the Reserve Bank helping to finance infrastructure projects—and recommends that the House take note of its report.

Request for an inquiry

This petition was signed by 1,604 people. It was presented to the House by Dr David Wilson on 22 October 2025 and transferred to us on 11 December 2025. It requests:

> That the House of Representatives inquire into the Reserve Bank providing financing towards significant infrastructure projects at zero or near to zero interest rates.

We received written submissions from the petitioner, Positive Money New Zealand, and the Reserve Bank of New Zealand on this petition.

Comments from the petitioner

The petitioner requests that Parliament initiate an inquiry into the use of direct monetary financing in New Zealand. Direct monetary financing is a mechanism in which a central bank purchases government bonds directly.[1] In effect, it is a way to finance a government's fiscal spending through increasing the monetary base, rather than through interest-bearing debt.[2] The petitioner describes this as having the Reserve Bank create "new electronic money which is spent into the economy" by the Government. The Reserve Bank would create new settlement cash to purchase newly created, non-interest bearing government bonds directly from the Treasury, specifically to finance government spending.[3]

Direct monetary financing

The petitioner observed that New Zealand has a pressing need for investment in public infrastructure. It noted that in 2022, the New Zealand Infrastructure Commission estimated that it would cost $31 billion per year to address the infrastructure deficit.[4] To illustrate its point, the petitioner stated that if the Government borrowed $31 billion at a 10-year bond coupon rate of 4.5 percent, it would accrue interest of $41 billion over 30 years. The petitioner advocated that direct monetary financing should be used as a way to finance public infrastructure at zero or low interest rates. It described this approach as "asking the Reserve Bank to create the money directly" so that it does not have the same "burden of interest." Overall, the petitioner suggested that direct monetary financing could enable

1 Government bonds are a long-term debt instrument used by the Crown to finance its borrowing.

2 The monetary base refers to money created directly by the Reserve Bank.

3 Settlement cash is money held by registered commercial banks in the Reserve Bank's Exchange Settlement Account System. For more information, see: Money creation in New Zealand | Reserve Bank of New Zealand.

4 Key recommendations | Infrastructure Commission.

investment in infrastructure without borrowing from foreign sources or private markets, and in a way that saves on interest costs.

How it could work

In the petitioner's vision, direct monetary financing would exist alongside current public financing mechanisms, not replace them. It maintains that with the "right institutional framework, direct monetary financing can be a disciplined, transparent, and effective way to finance public investments." It recommends that a robust institutional framework be adopted, with independent oversight and clear rules to govern when and how direct monetary financing can be used. The petitioner described potential parameters:

- use of central bank capacity to finance infrastructure would be limited, within set rules
- direct monetary financing would be ring-fenced and only used to contribute finance to projects developed and delivered by independent entities
- the limits of its use would be set and regularly reviewed by Parliament.

The petitioner noted that no new legislation would be needed to enable the Government to use direct monetary financing. It drew our attention to examples of similar mechanisms that have been used in New Zealand and internationally. For example, it stated that between 1935 and 1979, the Reserve Bank of New Zealand funded state housing, industry development, and infrastructure through controlled credit issuance.

Next steps and responses to potential concerns

The petitioner requests that Parliament conduct an inquiry to start a national conversation about how New Zealand finances its economy and invests in infrastructure. It calls for Parliament to investigate how using direct monetary financing, within an established set of rules and a transparent framework, could create low-cost opportunities for financing of public assets and infrastructure.

The petitioner set out its responses to common objections to direct monetary financing, and its responses to views that the Reserve Bank raised directly with the petitioner in correspondence. For example, the petitioner explained that a common concern about direct monetary financing is that injecting money into the economy could fuel inflation. It responded that inflationary pressures depend on "*where* and *how*" money is spent, not the source of money and its creation. It maintains that spending on underutilised capacity such as infrastructure, housing, and climate adaptation is less inflationary than consumption.

The petitioner noted that the Reserve Bank had expressed concern that using direct monetary financing could present risks to the integrity and independence of monetary policy. The petitioner responded that this risk could be mitigated by having a robust institutional framework. It expressed a general view that although operational independence should remain, changes should be made to better align monetary and fiscal policy. The petitioner also suggested that implementing an institutional framework and rules could reduce risks that direct monetary financing would undermine investor confidence, reduce demand for government bonds, or trigger credit rating downgrades.

Comments from the Reserve Bank of New Zealand

We received a written submission from the Reserve Bank. It told us that direct monetary financing is “unlikely to provide a robust or durable basis for financing sustained increases in public infrastructure investment.” Overall, it indicated that using direct monetary financing could weaken safeguards for central bank independence, monetary policy credibility and effectiveness, and price stability. It stated that this approach would represent a “significant departure” from New Zealand’s established monetary framework.

Financial and macroeconomic considerations

The Reserve Bank submitted that although direct monetary financing is often characterised as a zero- or low-cost financing option, the costs are “ultimately borne within the economy.” Direct monetary financing reallocates costs, benefits, and risks across the economy, shifting costs either to the Crown or the private sector.

Under the petitioner’s proposal, the Reserve Bank would create new settlement cash to purchase government bonds. The Crown would then make payments for infrastructure projects into recipients’ bank accounts. Effectively, the settlement cash would move through the financial system, first paid to the Crown to purchase government bonds, then paid through to household and business bank accounts. This would lead to a corresponding increase in the level of settlement balances held by commercial banks at the Reserve Bank.[5] The Reserve Bank pays interest on settlement balances. It would not receive interest on the government bonds it purchased. In this situation, that means that the Reserve Bank would incur losses. The Reserve Bank noted that it could potentially limit its losses by adjusting how interest is earned on settlement balances. However, if the interest commercial banks receive on settlement balances is reduced, that could result in costs being passed on to households and businesses.

The Reserve Bank stated that direct monetary financing injects new purchasing power into the economy which can increase aggregate demand. Excess demand would be absorbed by higher prices. To respond to these inflationary pressures, monetary policy settings would likely need to tighten. This would result in higher borrowing costs and tighter financial conditions, dampening demand.

Credibility of monetary policy

The Reserve Bank asserted that direct monetary financing could erode monetary policy credibility. It reasoned that this approach could increase the risk that monetary policy is perceived to be influenced by fiscal financing needs, rather than the objective of achieving price stability. This may weaken confidence in the Reserve Bank’s ability to maintain low and stable inflation. In contrast, the current monetary framework maintains a clear separation between fiscal and monetary responsibilities. The Reserve Bank expressed concern that introducing direct monetary financing could blur these boundaries, creating risks to institutional safeguards.

[5] For more information about this process, see Money creation in New Zealand | Reserve Bank of New Zealand pp 3–4.

Large Scale Asset Purchases

The Reserve Bank also compared direct monetary financing to Large Scale Asset Purchases (LSAP), an approach used by the Reserve Bank during the COVID-19 pandemic.[6] Under LSAP, the Reserve Bank purchased government bonds from existing bond holders, like banks, on the secondary market. This approach can be unwound over time. In contrast, the Reserve Bank pointed out that direct monetary financing would result in a permanent increase to the monetary base, representing a “standing monetary financing arrangement rather than a temporary monetary policy operation.” The Reserve Bank also said that direct monetary financing has different implications for balance sheet costs and the institutional separation between fiscal and monetary responsibilities than the LSAP approach.

Our response to the petition

We thank the petitioner for bringing this matter to our attention. We acknowledge the time and effort the petitioner has taken to provide written submissions and articulate its position advocating an inquiry into the use of direct monetary financing. We also thank the Reserve Bank for providing a written submission and engaging on this issue. We have appreciated the opportunity to consider and examine this issue from multiple angles.

We have decided not to proceed with the petitioner’s request to initiate an inquiry. We acknowledge that there is a need to finance investment sustainably in public infrastructure in New Zealand. However, on balance, we agree with the Reserve Bank’s assessment that direct monetary financing is unlikely to provide a durable basis to finance public infrastructure.

6 This type of policy is sometimes referred to as “quantitative easing”. For more information on the Large Scale Asset Purchase programme, see: Large Scale Asset Purchase | Reserve Bank of New Zealand.

Appendix

Committee procedure

The petition was signed by 1,604 people on the Parliament website and on paper. It was presented to the House by Dr David Wilson on 22 October 2025 and referred to us on 11 December 2025. We met between 17 December 2025 and 24 June 2026 to consider it. We received written submissions from the petitioner and the Reserve Bank of New Zealand.

Committee members

Ryan Hamilton (Chairperson from 13 May 2026)
Hon Cameron Brewer (Chairperson and member until 13 May 2026)
Dan Bidois
Hon Barbara Edmonds
Francisco Hernandez (from 11 February 2026)
Nancy Lu
Hon Dr Deborah Russell
Tom Rutherford (from 13 May 2026)
Todd Stephenson
Chlöe Swarbrick (until 11 February 2026)
Rawiri Waititi
Dr David Wilson
Hon Dr Megan Woods

Related resources

The documents we received as evidence in relation to this petition are available on the Parliament website.