

## If housing inequality is to be tackled the savings glut...

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The [FT has an article](#) this morning that has the headline:

Opinion New Zealand

### By targeting house prices, New Zealand shows the way

Just as it led on inflation, the country has launched a novel attack on rising asset prices

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The argument is that New Zealand was the first in the world to task its central bank with meeting a consumer price inflation target. Now it is planning to be the first to task that bank with tackling house price inflation .

I applaud New Zealand for doing so. This is really radical. And there is good reason for that. Succeeding with this aim is going to require some serious rethinking of structuring of New Zealand's financial markets. Others will be forced to follow in due course if they succeed.

The article gives no hint as to the author's thinking on how this issue might be addressed. It simply notes that there is a problem to solve, saying:

*Policies need to keep up with changes in the global economy. A rethink is overdue, particularly among Ardern's fellow progressives worldwide. They have come to embrace easy money as a way to finance social programmes, but need to recognise its negative impact on financial stability, wealth inequality and housing affordability.*

I have been tackling that issue here. [I have argued](#) that changing tax law to ensure that the savings glut created by money creation is redirected towards capital formation is an essential part of achieving this goal. After all, one of the stated goals of the Green New

Deal is the delivery of more social housing. I am quite sure that this solution will be adopted in due course.

But the first challenge is the more basic one. It is in securing the understanding that whilst government deficits are essential (and they are) it is also essential that we now realise that the inevitable consequence is this increases private wealth, and that the distribution of that gain is decidedly uneven.

This truth is not accepted. It has not been tackled within modern monetary theory (MMT), for example. And it cannot be dismissed within MMT by saying this is the consequence of quantitative easing, because that is not true. QE might exaggerate the issue, but it is only an asset swap. It is the deficits that create the inequality, and that inequality is growing, rapidly.

New Zealand is right to raise this issue. It is real. But without a willingness to change tax reliefs to force money away from speculation and into productive use as capital (the existence and nature of which is almost forgotten about in our modern, debt driven, economy) then nothing is going to change.

New Zealand needs a savings revolution that re-establishes the link between that activity and investment. Then it can solve its problem. Until it does that I very much doubt it will succeed.