

## The EU doesn't like democracy

The news from Italy takes my breath away. The President has vetoed one of the appointments to Ministerial office because he has expressed some Eurosceptic views, in line with the views of the winning parties in the election. He wishes to impose a government of unelected officials instead, which is unlikely to command the confidence of the Italian Parliament. He is challenging the winning parties to vote his government down and go for another election, when the results of the last one were clear and produced a potential coalition government with an agreed programme.

As the leader of the Lega has said, this is a direct assault on democracy and threatens a constitutional crisis. I am not an Italian voter and do not agree with some of the things Lega and 5 Star say, but I do see why their coalition programme wishes to cut taxes and boost the incomes of the poorest, and how the voters expect some change of approach. For the last decade the Italian economy has languished with little growth and high unemployment. The Euro scheme offers more of the same.

Their problem is simple. To do what they want they either need substantial reform of the Euro system, or they need to take their country out of the currency. The EU is determined to block either of these courses, and has allies deep within the Italian establishment to prevent change. It was this feeling by electors that the scheme did not work and the traditional parties were not prepared to challenge it that led to the election results. Now the establishment intend to make it worse by seeking to thwart the will of the voters. The Euro scheme needs to have better ways to route money from rich to poor and from surplus to deficit countries. Its refusal to provide the grants and loans on the scale needed is leading to the demolition of traditional parties in the zone, and to a clash between those who want reform and those who defend every detail of the Treaties and Euro architecture.

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## New homes near Clayhill Road Burghfield

I attended the consultation and presentation of plans for a development of around 100 new homes in Burghfield Common.

I encouraged them to increase the proportion of affordable homes for sale with the affordable section of the plans, and favoured styles and finishes for the houses that blend with local styles.

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## Social care and the NHS

During the election the Conservatives launched some proposals for paying for social care in the future. These were very unpopular and were rightly withdrawn before people voted. In the correspondence which they generated it was clear some people did not understand the current system, and were surprised to learn that today under a policy approved by all 3 main national parties in office a persons house is sold to pay the bills if they go into a care home unless they are rich enough to pay the bills from other money.

This applied to my parents who sold their home and I saw nothing wrong with the principle. They did not need their home when they went into care. I had no right to inherit the value of their previous home.

The crucial distinction in UK policy is between health care, which is free, and living costs which individuals remain responsible for all the time they have income and or capital to pay the bills. In most cases the distinction is obvious. The elderly person needs a meal or a roof over their heads . That is a living cost. They need medicine or hospital treatment. That is free on the NHS. The distinction is more difficult with assisted living or social care.

If someone carries on living in their own home they have to pay for various types of social care help, just as the person living in a care home does. They do not, however, have to sell or remortgage their home to do so, nor should they. I am going to be writing more about this topic and welcome thoughts for reform. Good quality social care is crucial to provide support for elderly patients who need help but do not need hospital treatment.

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## Wokingham Fun Day Saturday 26 June

I joined the Mayor and various Town Councillors at the Fun Day. It was well attended in good sunshine. I am grateful to the Council for putting it on to provide family entertainment.

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# Italy to challenge Euro austerity

The new 5 Star/Lega government agrees about more than its critics thought it would. The two parties both think Italy has faced too much austerity from the EU and needs to spend more and tax less. They both think there are too many migrants entering their country, and want to see tougher controls over migration. They both think the Italian state debt is too high and some of it should be cancelled. Both want to put Italy first. Both challenge the German view of the Euro scheme, which refuses to transfer money from the rich parts of the zone including Germany to the poor parts of the zone. As a result we have had a series of Euro crises in stressed countries.

The worst of these crises so far were in Cyprus and Greece. In each case the commercial banks were unable to honour requests to withdraw Euro deposits, because the Central Bank refused them the cash they needed. In the case of Cyprus the Euro there was slashed in value if you held a deposit over a certain size. The Euro has been more stable and its value stronger more recently thanks to the Target 2 balances. Germany and the other surplus countries now deposit their surpluses at the Central Bank for zero interest with no repayment date. The ECB lends the money on to the stretched banking systems of the deficit countries for zero interest. The ECB also helps countries like Italy by buying up large quantities of their state debts to keep their costs of borrowing down.

Italy has now hinted that the ECB should write off the state debt Italy now owes it. The ECB disagrees. Italy thinks there should be some sharing system around the zone, allowing her to spend more and tax less. Germany disagrees.

It is likely Italy will set a budget which challenges the rules of the zone. The row may then lead on to doubts about the Target 2 system and the sustainability of this borrowing based model. Within the UK currency zone the rich parts send large amounts of money to the poorer parts. They pay more taxes, and the lower income areas get more in benefits, Council grants and general public spending per head. The Eurozone has no such mechanisms. Italy may be about to wobble the consensus which is based on extend and pretend. The ECB lends on surpluses from rich countries to poor countries, claiming it is temporary and will be repaid. It is best not to probe this too much.