

From Brexit to Yellow Vests, a common thread of economic hardship

Monday 17 December 2018, by [SABGA Patricia](#) (Date first published: 15 December 2018).

Economists say many issues currently plaguing Europe are rooted in policies that pushed citizens to the financial brink.

Angry. Fractured. Fed up. [Europe](#) is storming into winter on a wave of discontent.

The [United Kingdom](#) slipped further into [Brexit](#) chaos this week after Prime Minister [Theresa May](#) narrowly survived a leadership challenge by her own party. [France](#) is facing the fifth weekend of “gilet jaunes” (yellow vests) [protests by citizens struggling](#) to make ends meet. And in [Hungary](#), thousands are up in arms over changes to overtime rules critics decry as “slave laws”.

The lightning rods of revolt differ from country to country. But the tinder they feed on, economists say, is rooted in policies that have pushed a vast and growing swath of European citizens to the financial brink.

“This has been building for a while,” Thomas Ferguson, professor emeritus at the University of Massachusetts, Boston, told Al Jazeera. “If you squeeze people forever, they revolt.”

University of Texas progressive economist James Galbraith, who recently returned from [France](#), also links the current unrest to policies that have created a dual economy of haves and have-nots.

“The status quo in Europe is just not sustainable,” Galbraith told Al Jazeera. “What we are seeing is a revolt of people who have been stressed for years and years by a series of austerity policies which have diminished their livelihoods and which have undermined their employment base.”

Austerity & Brexit

Anti-globalisation and anti-immigration sentiment are often cited as the driving forces of Britain’s decision to leave the [European Union](#). But research suggests that austerity policies likely tipped the scales towards Brexit by activating existing economic grievances born of increased competition from free trade and the free movement of labour.

University of Warwick economist Thiemo Fetzer set out to quantify how cuts to social welfare programmes designed to help those left behind by globalisation influenced voter attitudes in Britain’s 2016 Brexit referendum.

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JAMES GALBRAITH, UNIVERSITY OF TEXAS

His research suggests that had it not been for austerity policies passed in 2010, support for leaving the [European Union](#) could have been up to 9.51 percentage points lower - enough to have swung the vote in favour of remaining.

“Up until 2010, the UK’s welfare state evened outgrowing income differences,” Fetzer writes. “This pattern markedly stops from 2010 onwards as austerity started to bite.”

Tax policy & the yellow vests

Policies that exacerbate economic dissatisfaction are also evident in the yellow vests protests.

Galbraith said flyers distributed in support of the movement carried demands to restore the balance between France’s urban wealthy and its struggling rural working classes.

“The ones I’ve seen were a straight-forward defence of a France that used to exist for a large part of this population,” he told Al Jazeera. “One that provided high-quality public services, that provided an effective transportation system, that provided the quality of schools people wanted to have and things of that nature and that taxed in a much more even and fair way.”

The yellow vests protests started as a backlash against a planned fuel tax hike and widened into a broader revolt against President [Emmanuel Macron](#) and his pro-business agenda.

Last year, Macron abolished a decades-old wealth tax on households that own assets, including stocks and bonds, worth more than \$1.5m and replaced it with one more narrowly focused on real estate.

Supporters argued the move would stimulate the French economy by encouraging the well-off to invest in French firms.

But such justifications ring hollow with critics, including the yellow vests who refer to Macron as “president of the rich”.

“It’s very much a movement of social justice,” Celia Belin, visiting fellow at the Brookings Institution told Al Jazeera. “Who should pay for things, who should be taxed and who should contribute to the collective effort.”

Macron attempted to assuage the protesters by dropping the fuel tax hike and adopting policies to help the working classes, such as a state-funded supplement to the minimum wage and eliminating taxes on overtime pay.

But the measures have failed to mollify many of the yellow vests.

“They wanted to see a symbolic gesture,” said Brookings Belin. “One of them could have been reinstating the wealth tax, which is something he’s completely unwilling to do.”

A ‘de-facto’ alignment

Macron’s concessions to the yellow vests could blow a sizeable hole in France’s budget, putting it on course to breach the EU’s strict budget deficit ceiling.

That has potential ramifications for [Italy](#) where the populist, Eurosceptic coalition government has

been in a standoff with the EU over a rule-breaking budget designed to offer relief to the country's poor and working classes.

"The Italians are chortling," said Galbraith. "You're seeing a de facto alignment of French policy with Italian policy."

Whether that alignment is temporary depends on many factors. But the European elections in 2019 could prove a decisive moment for an economic status quo which is increasingly under assault.

"The European elections of next year will be really meaningful," said Brookings Institution's Belin. "It will tell us a lot of the direction that the EU will take."

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