

## The Real Gilets Jaunes

**Charles Gave**  
cgave@gavekal.com

This movement is different from a typical French protest as it is not left-wing driven

Another year, another French U-turn in the face of familiar street protests? President Emmanuel Macron yesterday oversaw what looked like a typical climbdown after the *gilet jaune* “yellow vest” protesters successfully opposed a planned fuel tax hike. Yet in important ways, these demonstrations differ from those which in recent decades have blighted France. At the vanguard of nationwide protests were not the usual-suspect, big-city agitators, but lower middle class folk from unfashionable areas of the provinces who had a non-ideological beef with their rulers. Women, in particular, came out in droves.

Going back to the overthrow of the *ancien regime* in 1789, French protest movements have been driven by “leftist” forces such as the communist or socialist parties, trade unions (especially those representing civil servants and nationalized companies), or the people of Paris. This time is different, as for maybe the first time in French history, a national street movement has formed which has nothing to do with the political left.

A friend of mine put it pithily: “This is the first time those who get up early to go to work are protesting”. Its amorphous nature means the movement lacks formal organization, and that makes it hard to negotiate with.

There has been a violent dimension to the protests, but that has tended to come from immigrant groups living on the fringes of big cities. The split nature of the protest has made it hard for the government to respond, as it must counter rioting being undertaken by young men of the *banlieue*, while also addressing the grievances raised by middle-France (squaring this circle is especially tough if you have an ideological objection to treating these two population cohorts as quite different in nature).

### Three circles of French hell

In seeking to understand shifts in the political geography of France, I have previously cited the work of an out-of-the-box thinker, Christophe Guilluy (see [An Alternative Explanation For The French Split](#)). To recap, his thesis is that France is splitting into three “circular” zones that contain most of the population in and around the main metropolitan areas:

- At the center are the winners of globalization who work in finance, media, knowledge-based companies, universities and the government. In order to cleanse the area from fellows working in other sectors, policies are adopted that help make real estate unaffordable. This scheme has been especially aided by the central bank maintaining very low interest rates as property prices have tended to go through the roof.
- Next sits a “collar” on the outer region of the city where immigrants live in subsidized dwellings and act as effective indentured labor pool for those of the inner circle, working as babysitters, cooks, domestic helpers, waiters and Uber drivers. State subsidies for housing, education, public transport and schools are heavily deployed in this second circle.

French society can be thought of as living in three distinct groups that have limited contact with each other

- Further out is the third circle which contains the rump of the French population, who, having missed the knowledge-based revolution, reside in hollowed-out smaller towns where shops are boarded up, hospitals and schools are closing and property values are falling. This is home to about half of the French population, and it is this group that has dominated protests in recent weeks.

The basic problem is that the French state has run out of money

So why has the movement emerged at this moment? An obvious point is that the French state is running out of money. Having risen relentlessly since 1981, government-directed expenditure stands at 57% of GDP; France last ran a budget surplus in 1973, and even now the government is running a deficit on a primary (pre-interest payment) basis. For political reasons, successive governments have proven incapable of reducing—or even stabilizing—spending, but it now faces hard European constraints. France's national debt is nearing 100% of GDP (versus 60% allowed) and the deficit is running at about 2.8% of GDP, compared to a maximum permitted 3%.

Should France suffer a new recession in the next two years, its economic outlook will quickly look worse than that of Italy. So far, the only solution has been to raise taxes that especially hit the outer circle group, while lowering taxes paid by the core group who can easily move to Belgium, Switzerland, Hong Kong or even London. The second circle cannot be taxed more as they tend to be subsidy recipients who pay little tax in the first place.

Hitting the third circle with a fuel tax was the easiest option, as this group has nowhere else to go; they must use their cars to travel to work as public transport is usually not an option. Most have individual homes that must be heated in the winter. Since his election, Macron has raised more than eleven new taxes that have mostly fallen on this vulnerable population cohort.

### **The home economics of protest**

Fuel tax hikes have effectively wiped out the discretionary income of many in the forgotten small towns of France

Let's assume that the average fellow in the third circle earns a net €1,400 a month and that 90% of this income goes on obligatory outgoings like food, mortgage interest, school fees, gasoline for the car and home heating. Let's further assume that of this non-discretionary spending, 20% goes on various types of energy. Hence, the average fellow is left with about €140 a month to have fun with, yet if the government increases the prices of energy by 50% over a few years the effect is to snub out that discretionary spending.

This erosion of discretionary spending power is bad news for the male part of the population—which may be denied a drink after work or a visit to the local rugby game—but it is arguably a bigger drama for the female cohort, which tends to have greater responsibilities for child care, helping out elderly relatives or organizing community activities. A woman earning €1,400 a month who sees her discretionary spending power wiped out unsurprisingly goes ballistic as she has no options for undertaking critical services to her family and community. Simply put, she can no longer take care of the people who rely upon her. Hence, this increase in energy prices is a tax on individual charity. Macron and his government may have temporarily backed off this latest tax hike, but where is the country left?

According to the 19th century philosopher and historian Ernest Renan, a nation is based upon “a willingness to live together” using a common history. Today, however, France is splitting into three parts:

France is splitting into three groups with not much in common

- 1) Bourgeois bohemians who look like their counterparts in London, Berlin and New York. They share an economic dependency with the second circle group even if they have nothing in common. They have even less in common with those in the third circle and little reason to interact.
- 2) The new immigrants, who share no history whatsoever with either the first or the third group.
- 3) The “old” French, who got left on the wayside while the rest of the world was moving onward.

Alas, there is not enough money in the system to deal with the problems of the second or third group at the same time. It goes without saying that the same analysis can be conducted for countries like the US, UK, Germany, Spain and Italy. The fellows at the center believe that nations must disappear. They are doing all they can to achieve that result but some cheer can be found that in recent weeks opposition has been stated by the *gilets jaunes*.