

France protests blow up: What exactly is wrong with its economy?

France widening protests, social unrest: The tough measures needed to sort out France's economic problems keep running into political problems. We explain.

By: **Explained Desk**

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France Protests Explained: A protester wraps a French flag around them in front of the burning tourism office in Lyon, on Oct. 17.(AP Photo)

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France protests: France is witnessing some of its worst unrest in years, as a month-long **student protest movement widens** into nationwide demonstrations against the rising cost of living and deteriorating public services.

More than half a million people have joined marches across the country, while violent groups have clashed with police, looted shops and set public buildings on fire. Around 1,800 people across the country have been arrested.

The unrest has put President Emmanuel Macron's government under renewed pressure ahead of the 2027 presidential election. At the heart of the crisis are two interconnected problems: political fragmentation and economic strain.

The political problem in France

France is divided between the far right, which emphasises immigration clampdown, national identity, and stricter controls on welfare, and the left, which argues for stronger public services, redistribution and workers' rights.

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Questions of immigration, secularism and the place of minorities have deepened these divisions.

Macron's centrist camp has lost its parliamentary majority, leaving governments struggling to pass budgets and reforms. The result is a political stalemate over who should pay for the country's problems, and what should be protected or cut.

France's economic problem: Spending more than it earns

France has an extensive welfare state, which provides pensions, healthcare, education and other social benefits. These services are funded largely through taxes and social contributions. The problem is not simply that the government spends a lot: it is that expenditure persistently exceeds revenue, even without an exceptional emergency, like war for example, to justify the gap.

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According to the Organisation for Economic Co-operation and Development (OECD), France's budget deficit was 5.1% of gross domestic product (GDP) in 2025, while public debt stood at 115.5% of GDP. GDP measures the value of goods and services produced in a country; the deficit is the annual shortfall between government revenue and spending, while debt is the accumulated amount the government owes.

When a government runs a deficit, it borrows to cover the difference. Borrowing year after year adds to its debt, and the government must pay interest on that debt. France's economy has continued to grow, but modestly: the OECD says average growth has been around 1.4% since 2023. Slower growth makes it harder for tax revenues to rise quickly enough to ease the debt burden.

For France, multiple things are going wrong at once. Weak economic growth, high public debt and pressure on living standards are feeding political polarisation and social unrest already present. In turn, political instability is deepening economic uncertainty, making businesses more cautious about investment and complicating efforts to address the country's fiscal problems.

Why high pension costs are central to the problem in France

Pensions are one of the biggest pressures on public finances. France has an ageing population, and people are living longer. This means the state must fund retirement benefits for longer, while the proportion of working-age people contributing taxes and social contributions does not necessarily keep pace.

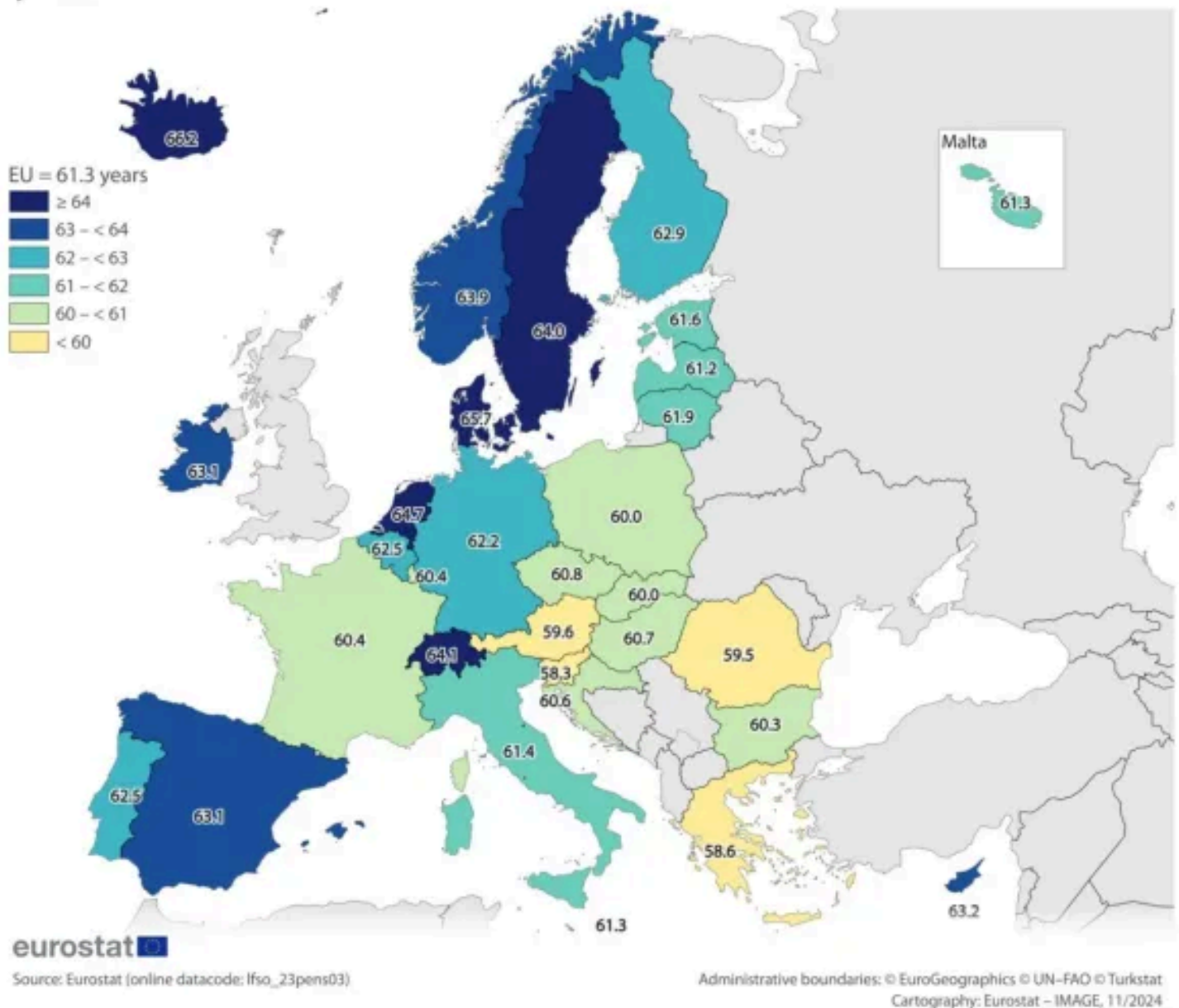


Firefighters extinguish a fire in Paris, Saturday, Oct. 17, 2026. (AP Photo)

The retirement age is politically contentious. Macron's government sought to raise it gradually from 62 to 64, but opposition from both the far right and far left stalled the reform. Nobel Prize-winning economist Paul Krugman, in a substack post from October 8 titled 'What's the Matter With France?', argues that the country's difficulty in confronting this issue is central to its fiscal troubles. He writes: "France does stand out, even among fiscally troubled nations, in one main way: its persistent inability to get realistic about retirement."

"...the fiscal pressure caused largely by France's very generous government pension plan has led to cutbacks in other spending, notably on education. France is effectively handing over large subsidies to older French at the expense of everyone else," Krugman writes.

Average age of the first old-age pension receipt, 2023 (years)



Europe's pension map. France starts paying pensions comparatively early. (Map: paulkrugman.substack.com/)

Students protesting over overcrowded classrooms, teacher shortages and dilapidated school buildings are therefore confronting the visible consequences of a wider budget squeeze. But cutting pensions or raising the retirement age affects people's livelihoods, making reform politically difficult.

Why can't France simply not borrow more?

Investors who lend money to governments expect to be repaid, with interest. If they become concerned that a government's debt is growing too quickly, they may demand higher interest rates to compensate

for the risk. This makes new borrowing more expensive and leaves less money available for public services.

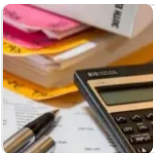
France's borrowing costs have risen amid concerns about its finances and political uncertainty, although this does not mean that a default is imminent. Krugman warns that France's membership of the euro adds a complication: France cannot independently create euros to meet its obligations, while a country with its own currency can print more of it.

The way out is political as much as economic

It is not like France's economy doesn't have strengths. The challenge is that tough measures needed to sort out the economic problems run into political problems. Raising taxes, cutting expenditure, reforming pensions or stimulating growth each comes with costs and opposition.

That is the central dilemma: citizens are demanding better services and protection from rising costs, while investors want credible plans to control the debt. With a fragmented Parliament and a presidential election approaching, reaching a compromise has become harder.

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