Economics of Social Unrest in Europe

Mains: *GS III – Economy*

Why in News?

A wave of protests across France, Albania, Belgium, Italy and Portugal has highlighted growing public dissatisfaction over the cost of living, economic pressures and governance.

What are the Major Economic Factors Behind Social Unrest?

- **Rising cost of living** – Increasing food and fuel prices reduce purchasing power and intensify public dissatisfaction.
- **Income inequality** – A widening income gap between the richest and poorest sections can create perceptions of economic injustice.
- **Economic insecurity** – Concerns over employment, wages, public services and living standards can trigger mass protests.
- **Fiscal pressures** – Government efforts to reduce public debt through spending cuts or welfare reforms may generate opposition.
- **Political dissatisfaction** – Economic grievances often combine with dissatisfaction over government policies, especially before elections.

Why Can Economic Inequality Alone Not Explain Social Unrest?

- **Mixed inequality trends – According to the World Inequality Report 2026, France and Italy experienced an increase in the income gap between 2014 and 2024.**
    - While the gap declined in countries such as the UK, Germany and Spain.
- **Historical precedents** – Past unrest within a country and in neighbouring countries is a stronger predictor of future unrest than individual economic or social indicators.
- **Social media and digital access** – Digital platforms facilitate rapid communication, mobilisation and coordination among protesters.
- **Collective behaviour** – Visible protests can encourage others to participate by signalling that widespread opposition already exists.
- **Multiple causes** – Social unrest often results from the interaction of economic hardship, political dissatisfaction and social grievances.

What are the Key Predictors of Social Unrest?

- **Past turmoil** – IMF researchers found that unrest in the past, both domestically and

in neighbouring countries, was about 10 times as informative for predicting future unrest as the most revealing economic or social factors.
- **Food and fuel prices** – Sharp increases in essential commodity prices can intensify public discontent.
- **Digital connectivity** – Greater access to social media enables large-scale mobilisation and the rapid spread of information.
- **Political and social conditions** – Public trust, perceived injustice and dissatisfaction with government policies can influence the likelihood of protests.

What are the Economic Consequences of Social Unrest?

- **Decline in GDP** – Major unrest events are followed, on average, by a reduction of approximately one percentage point in GDP six quarters after the event.
- **Disruption of economic activity** – Protests can affect transport, trade, tourism, industrial production and business operations.
- **Lower investment** – Political and social uncertainty can discourage domestic and foreign investment.
- **Employment and income losses** – Business disruptions can reduce working hours, employment opportunities and household earnings.
- **Fiscal pressure** – Governments may face additional expenditure on security, relief and economic recovery.

What Measures Can Governments Adopt to Prevent Social Unrest?

- **Strengthen social protection** – Provide targeted support to vulnerable households affected by food and fuel price increases.
- **Promote inclusive growth** – Expand employment opportunities, improve wages and reduce structural inequalities.
- **Ensure accessible public services** – Improve the quality of education, healthcare, housing and transport.
- **Adopt responsive fiscal policies** – Balance debt sustainability with the protection of essential welfare expenditure.
- **Strengthen public engagement** – Use dialogue, transparent policymaking and effective grievance-redressal mechanisms to address public dissatisfaction.
- **Improve economic resilience** – Develop early-warning systems to identify price shocks, economic distress and emerging social tensions.

What lies ahead?

- Social unrest is a multidimensional phenomenon that cannot be explained by economic inequality alone.
- Historical patterns, essential commodity prices, digital connectivity and political grievances also influence protests.
- Governments must combine inclusive economic growth, effective social protection and responsive governance to reduce unrest and minimise its economic consequences.

References

1. The Indian Express| Understanding the Economics of Social Unrest
2. The Hindu| From France to Albania, social unrest is setting Europe’s streets ablaze

