Left Behind Voters, Anti-Elitism and Popular Will

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Abstract

Populists are often anti-elitist and advocate for popular will over expertise. We show that these two populist characteristics are responses to mainstream parties leaving behind the majority of voters, the common people. Our model highlights two forces behind electoral success: numbers, which favor the common people, and knowledge, which favors the elite. Electoral competition may lead parties to cater to the elite. We identify conditions under which an elite bias encourages entry with an anti-elite platform. Finally, we identify conditions under which parties follow the common people's opinion when that group would benefit from parties relying on experts.

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In the last decades, populism has been on the rise in several countries. Rodrik (2018) **?** uses the label "populist" for a variety of politicians, ranging from Hugo Chavez in Venezuela to Donald Trump and Bernie Sanders in the U.S., to Marine le Pen in France. Though these politicians have different positions on a left-right political spectrum, they have two traits in common (Mudde, 2004).[1] First, they claim to defend the interests of the common people against the elite (see also Acemoglu et al., 2013**?**). Second, populist politicians often emphasize that policies must be based on popular will. They tend to ignore expert advice, resulting in, for example, climate change skepticism or policies that disregard basic economic reasoning (Dornbush and Edwards, 1991)**?**.[2] The following quote by Trump (2016) illustrates these two traits:[3]

> "*The only antidote to decades of ruinous rule by a small handful of elites is a bold infusion of popular will. On every major issue affecting this country, the people are right and the governing elites are wrong*"

Voters have grown increasingly disappointed with traditional politicians and parties in the last decades (Stiglitz 2002**?**, Acemoglu et al. 2013**?**, Algan et al. 2017**?**, Rodrik 2018**?**). An often invoked reason for this decline in contentment and trust is the perception among the electorate that traditional politicians do not cater enough to their interests, and prefer to put forward policies that benefit especially the elite, that is, the more educated, informed, and wealthy voters. Acemoglu (2020) sums up nicely this view[4]:

> "[...] *Democrats (and all other interested parties) need to find a better way to*

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[1]Mudde (2004) defines populism as "... an ideology that considers society to be ultimately separated into two homogeneous and antagonistic groups, 'the pure people' versus 'the corrupt elite', and which argues that politics should be an expression of the volonté générale (general will) of the people."

[2]In Latin America, this has led to overly expansionary policies.

[3]https://www.wsj.com/articles/let-me-ask-america-a-question-1460675882

[4]https://www.project-syndicate.org/commentary/trump-fascist-parallels-unhelpful-by-daron-acemoglu-2020-01

communicate with the millions who voted for Trump because they felt – and, in many cases, truly were – left behind economically and ignored politically."

The main objective of this paper is twofold. The first objective is to explain the above observation that millions of citizens are ignored politically. To this end, we develop a simple model of electoral competition between two parties in a society consisting of two groups, the better informed (the elite) and the less informed (the common people). The key feature of the model is that the consequences of policies are uncertain. The consequences can benefit both groups, can hurt both groups, or can have distributional consequences, that is, be favorable to one group but unfavorable to the other. In our model better informed, that is belonging to the elite, means being more able to assess policy consequences. The model reveals a fundamental bias towards the better informed. We identify a condition showing that electoral competition leads parties to cater to the elite's interest even though the elite forms the minority group. When the preferences of both groups are likely to be aligned, this does not hurt the common people much. On the other hand, when preference disagreement is likely, the implemented policy often hurts the common people. Our model thus uncovers one potential explanation why so many voters have lost faith in established parties.

Our second objective is to explain the two characteristics of populist policies that are central to Mudde's definition of populism: anti-elitism and favoring popular will over expert opinion. To this end, we extend the basic model in two directions and present two benchmark models that address each characteristic in turn. First, we allow for entry of a third party after the two established parties have chosen their platforms. We show that if the policy is sufficiently likely to be distributional, a bias towards the elite of the established parties may lead to entry of a third party with an anti-elite platform that receives the support of all the common people. Importantly, the anti-elite platform is not based on any investigation of the policy consequences for the common people. It is merely the opposite of what the established parties offer. Remark that anti-elite platforms are not the result of ill-informed established parties. Anti-elite platforms derive their credibility from the information contained

in elite-platforms. Yet, by offering a platform that is not based on an investigation of the policy consequences for the common people, the entrant does not fully cater to their interests. Thus, the common people are better off when the traditional parties cater to their interests than when a populist party enters with an anti-elite platform. One contribution of our paper is to explain why entry with a platform based on the interests of the common people is not credible.

In the second benchmark model, parties can learn the consequences of the policy by investigating them, as in the basic model, or by conducting a poll among the common people. We identify the conditions under which parties pander to the desires of the common people, while the common people would benefit from parties investigating policy consequences through experts. In situations consistent with an elite bias in the basic model, the higher the probability is that the election revolves around a distributional policy, the more parties rely on the opinion of the common people instead of that of experts.

In our model, uncertainty about the policy consequences for the common people is a necessary condition for our results. Using survey data, Guiso et al. (2019)? and Dal Bó et al. (2019)? report that citizens who feel more insecure are more likely to vote for populist parties. In recent surveys of the literature on populism, Guriev and Papaioannou (2020)? and Noury and Roland (2020)? discuss globalization, automation, and the recession due to the financial crisis as drivers of populism. These three phenomena have all contributed to economic insecurity for large groups of voters. Panunzi et al. (2020)? have taken economic insecurity as the starting point of a theoretical explanation for populism. They argue that insecurity, in combination with loss aversion, has increased the demand for risky policies. Their paper explains nicely the existence of coalitions of rich and disappointed citizens. However, it is less able to explain anti-elitism and populists' emphasis on popular will.

We show that uncertainty by itself is not sufficient for populist emergence. The common people must be sufficiently pessimistic about the degree of preference alignment with the elite. We think of trade liberalization as a good example of a policy that fits our model. Politicians have portrayed globalization as progress that should

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be accepted. They paid less attention to the potential adverse consequences for workers in many industries. Once these distributional consequences became more visible opposition to globalization and to supranational institutions, one form of anti-elitism, increased (Stiglitz, 2002**?**, Rodrik, 2018**?** and Guriev and Papaioannou, 2020**?**). Policies against climate change are another example. Established parties portray such policies as a necessity for all. Yet, little attention is paid to their potential distributional consequences. In fact, climate change mitigation policies often have regressive effects (Büchs et al., 2011**?**) and thus need to be accompanied by redistributive measures. In practice, the extent to which policy creates insecurity varies over time. In the decades after the Second World War, policies that led to the welfare state clearly fostered security for the common people. It is not surprising that those policies did not lead to anti-elitism.

Literature

A large empirical literature tries to identify causes for the rise of populist parties.[5] On the demand for populist policies, two strands in this literature can be distinguished. The first strand consists of studies that test the cultural backlash hypothesis, stating that large groups of citizens reject the cultural shift of the last five decades towards more post-materialist values. This cultural shift has been accompanied by a declining emphasis on redistribution, the left versus right conflict, and by more polarization about social values (Guiso et al. 2019**?**). Inglehart and Norris (2017)**?** use data from the European Social Survey to identify which individual characteristics are good predictors for voting for populist parties. They find that older generations and the less educated have less trust in national and international institutions, have stronger anti-immigrant attitudes, and vote more for populist parties. They view their results as supportive of the cultural backlash hypothesis. The second strand emphasizes economic inequality and economic insecurity as the main drivers of the rise of populism. For example, Guiso et al. (2019)**?** find that support for populist parties is correlated with economic insecurity. Autor et al. (2016)**?**

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[5]For excellent surveys, see Guriev and Papaioannou (2020)**?** and Noury and Roland (2020)**?**.

and Colantone and Stanig (2018a, 2018b)**??** report correlations between populist support and adverse trade shocks. Clearly, the cultural and economic approach to populism do not exclude each other. Trust in institutions and economic insecurity are likely to be mutually dependent and be affected by past, current, and expected policy (Algan et al., 2017**?**, Dal Bó et al., 2019**?**, Bonomi et al., 2019**?**, and Guiso et al. 2019**?**).[6]

Most empirical studies on populism are at most loosely based on economic theory. For example, Guiso et al. (2019)**?** assume that citizens' disappointment with established parties is a positive function of how much insecurity they experience. This disappointment either induces citizens to abstain from voting or to vote for populist parties. Though plausible, an important puzzle remains. Why did established parties not protect citizens better against insecurity? Rodrik (2018) **?** hints to a possible answer to this question by arguing that politicians (and their advisors) have long ignored the distributional consequences of globalization. Special interests were leading, not the common interest. We build on some of these arguments to offer a theory of populism driven by citizens' disappointment with the policies put forward by traditional parties.

Turning to other theoretical contributions on populism, Acemoglu et al. (2013)**?** explain why the common people lost trust in established parties in countries with high levels of inequality and weak political institutions. In those countries, many politicians engage in corruption and political betrayal. They pay lip service to the needs of the common people, but actually serve the interests of an elite. This practice creates room for populist politicians to signal to voters that they do not cater to the interests of the elite. To this end, they choose platforms that are biased away from that preferred by the median voter. The theory of populism proposed by Acemoglu et al. (2013)**?** offers several insights into populism in Latin America, where corruption is commonplace. It is less able to explain the rise in populism in EU countries. Moreover, the model of populism employed by Acemoglu et al. (2013)**?** is less suitable to explain populists' emphasis on popular will.

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[6]See also the closely related literature on social identity concerns and electoral competition (e.g., Shayo, 2009**?** or Grossman and Helpman, 2018**?**).

In Prato and Wolton (2018)**?** populist policies are blotched reforms implemented by incompetent politicians who try to mimic competent politicians. Rationally ignorant voters choose how much attention to devote to the parties' campaigns. Parties choose whether to implement costly reforms. If demand for reform is high, rational populism may emerge in equilibrium where voters vote for reform aware that it may be implemented by an incompetent politician. In our model, populists are not trying to mimic traditional parties, but gain the support of the common people by opposing them.

Bernhardt et al. (2019)**?** consider a repeated, electoral game between a far-sighted, welfare maximizing politician and a short sighted, office-seeking candidate when voters also have a bias towards the short term. The key electoral issue at each election is how to allocate resources between investment and consumption. They show how the presence of the office-seeking candidate pushes the farsighted politician to offer a per-period platform that is not the welfare-maximising one, promising to spend a too high share of resources on consumption. Our mechanism behind the suboptimality of the electoral equilibrium is very different, as we focus on the trade off between numbers and information to explain why politicians may sometimes propose policies that hurt the majority of the population.

Levy et al. (2020)**?** and Morelli et al. (2020)**?** develop theories that are centered around information, like us.[7] As in our paper, the explanation for populist policies in Levy et al. (2020)**?** builds on two voter groups that differ in the quality of information about policy consequences. Their model differs from ours along two important dimensions. First, they have a repeated game whereas we focus on a one-shot game. Second and more importantly, whereas in our model all actors are fully rational and thus aware of the quality of information they possess, in their model one group sees the world through a simplistic, incorrect lense, wrongly believing to possess the correct view. Their model generates political cycles with either type of politician taking turns in office. When the politician who holds the correct view of the world is in office, he implements the right policies but his support among voters

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[7]With a slightly different focus, Agranov et al. (2020)**?** study a model in which the median voter loses faith in the announcements of the elite because of increased misalignment of preferences.

with simplistic views gradually dies out, as these voters favour simple solutions to what are actually complex problems. Once in office, the politician with simplistic views also eventually generates his own electoral defeat through his continuous use of simplistic policies which become increasingly inappropriate for the policy problem at hand.

In Morelli et al. (2020)**?**, the electorate is facing a common value problem, such as climate change. Ideological voters decide whether to vote at the election while parties decide whether to commit to a policy that is ex-ante optimal or to stay flexible and adjust policy in the next period according to new information. While adjusting policy to new information is beneficial to voters, it also leaves parties open to capture by lobbyists. When lobby capture is likely and thus voter trust is low, an equilibrium may exist where the party whose partisans have a lower preference intensity for the public good commits to an ex-ante optimal policy while the other party stays uncommitted. There are three main differences with our work. While Morelli et al. (2020)**?**, as Acemoglu et al. (2013)**?** put the elite outside of the electorate in the form of special interests, our paper, as Levy et al. (2020)**?** model the elite as part of the electorate that differs in their superior knowledge. Second, while Morelli et al. (2020)**?** explain the emergence of populism in a two-party system, we focus on populist entry. Third, while we focus on exogenous knowledge differences, e.g., through educational differences, Morelli et al. (2020)**?** focus on differences in preference intensity for the public good which in turn cause differences in the incentives to gather information about the optimal policy.

More generally, the probabilistic voting literature shows that electoral concerns lead parties to favor groups whose members are most electorally mobile (see Lindbeck and Weibull, 1987**?**, Dixit and Londregan, 1996**?**). In probabilistic voting models, the mobility of groups, that is the density of swing voters of a group, is exogenous. Like us, Strömberg (2004b)**?** considers heterogeneity in how well informed voters are – caused by differences in radio penetration rates – as a source of electoral mobility. In contrast to his work, in our model, what people know is endogenous, as platforms contain information about policy consequences. Thus, in principle, information contained in the platforms may alleviate the ex-ante difference in in-

formedness. We show that in a two-party system this may fail, and instead electoral competition may provide indirect information to the worse-informed majority that offers scope for populist entry.

Finally, three theoretical papers are important to mention. First, while we offer a theory of a third-party populist challenger, such a populist challenge may also come from within a party, as for example in the case of Donald Trump. Buisseret and van Weelden (2020)? present a model that offers one rationalization of Trump's ascent to power through the Republican party. They study in which situations a challenger enters electoral competition as a third party versus through the primaries of established parties. In contrast to our model their policy space is two-dimensional (voters care about ideology and globalization), voters do not face uncertainty about their preferred policy and traditional parties' main candidates are aligned on the globalization issue. The outsider can thus garner support amongst the voters who oppose globalization from both sides of the partisan divide. In our model, we do not deal with the question of how the "outsider" enters political competition but focus on why anti-elite platforms that are not (directly) based on information about the common people's interest turn out to enable populist entry.

Related to our finding of an elite bias of electoral competition is Strömberg (2004a)?. He shows, in a setting where electoral competition is unbiased, that traditional media may generate a bias towards the elite. This bias arises because traditional media have an incentive to report news for groups that are more profitable for them, and thus these groups become better informed about their political preferences. This, in turn, causes parties to cater more to their needs. We show that such a media bias is not necessary to create an elite bias. As long as there is a difference in knowledgeability between the two groups, the elite bias may persist. Furthermore, since the bias is due to traditional media and not parties, Strömberg's setting is not directly suitable to analyze anti-elitism and popular will. On the other hand, introducing (social) media to such a model of media bias may explain a third feature of modern populists our model is silent about: their use of new forms of media to share simple messages directly with their followers.[8]

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[8]See also Trombetta (2020)? on the use of social media by populists.

Our finding that the common people support anti-elite platforms because they are given credibility by the platforms of the traditional parties is related to Ali et al. (2018)**?**. They study a setting where some voters are better informed than others and there is a negative correlation of interests. Uninformed voters infer in equilibrium that their pivotality is bad news: they are likely to lose from the implementation of a policy. They show that this leads to efficient policies not being implemented in equilibrium. While in Ali et al. (2018)**?** voters draw inferences from the equilibrium behavior of other voters, in our setting voters draw inferences from the equilibrium behavior of parties. Given that traditional parties cater to the interests of the elite and interests of the elite and common people are negatively correlated, voting for a populist becomes optimal.

The Basic Model

The electorate is represented by a continuum of voters with mass 1. It consists of two groups, the Elite and the Common people; $j \in \{E, C\}$. The size of group E is $\sigma < \frac{1}{2}$, and that of group C is $1 - \sigma$.

The election revolves around policy $x \in \{0, 1\}$. We denote by $x = 1$ implementation, and by $x = 0$ maintaining status quo. The contribution of the policy to the payoff of citizen i of group j equals:

$$u_{i,j} = w_j x \tag{1}$$

where $w_j \in \{-1, 1\}$ is group j's state of the world. We assume that for both groups each state of the world is equally likely, i.e. $w_E = 1$ and $w_C = 1$ with probability $\frac{1}{2}$. Furthermore, w_E and w_C are correlated. With probability α, the two group-specific states of the world coincide: $w_E = w_C$; with probability $1 - \alpha$ they conflict: $w_E \neq w_C$. This implies that for $\alpha < \frac{1}{2}$ group-specific states are negatively correlated and for $\alpha > \frac{1}{2}$ positively correlated, while for $\alpha = \frac{1}{2}$ they are uncorrelated. Table **??** presents the probabilities of the states, and how the states affect the payoffs of citizens of the two groups.

$w_C \setminus w_E$	-1	1
-1	$\frac{1}{2}\alpha$	$\frac{1}{2}(1-\alpha)$
1	$\frac{1}{2}(1-\alpha)$	$\frac{1}{2}\alpha$

Table 1: Probabilities of the states

We interpret α as the probability with which the policy is about a public good. $1 - \alpha$ is the probability that the policy is distributive. α is common knowledge and can thus be interpreted as a common prior belief about the type of policy the election is likely about. In practice, it is often the case that the consequences of policies are more uncertain for some groups than for other groups. We deliberately choose a neutral setting in which the consequences of the policy are equally uncertain for both groups. As a result, any possible bias in parties' platforms choices towards one of the states is not the result of different probabilities of the two states. At the end of the analysis section, we discuss the consequences of switching to non-neutral settings for our main result.

At the beginning of the game, each member i of group j receives a signal about state w_j, $s_{i,j} \in \{-1,1\}$. Citizen i's signal reveals the state of the world with probability $p_j = \Pr(w_j = s_{i,j}|s_{i,j}) \geq 1/2$. With probability $(1 - p_j)$, i's signal conflicts with the state of the world. We assume that $p_E > p_C$, capturing the idea that members of group C are less able to assess whether implementation of the policy is in their interests than members of group E. One reason might be that members of group C are less educated than members of group E. An alternative reason is that members of group C are relatively alienated from politics.

There are two parties, $p \in \{1,2\}$. Each party p receives a signal about w_E, $s_{p,E} \in \{-1,1\}$, and a signal about w_C, $s_{p,C} \in \{-1,1\}$. Each signal of party j is correct with probability $q \geq p_E$. Party signals are conditionally independent.

After having received their signals, parties simultaneously choose platforms. Party p's platform, $x_p \in \{0,1\}$, shows its decision about x, if elected. The main purpose of the basic model is to show that in a two-party system, electoral competition leads to a bias in party platforms towards the elite's interests. We identify a condition under which the unique equilibrium of the basic model is one in which

both parties set platforms in line with w_E and thus ignore w_C. Our result that parties consistently ignore $s_{p,C}$ is most forceful when signals are for free. For this reason, we assume in the basic setting that signals are for free.

Parties receive utility from holding office. Party p's payoff is $u_p = 1$ if it wins the election, and $u_p = 0$ if it is defeated.

At the election, citizens vote simultaneously. We assume that no one abstains. Each citizen either votes for party 1 or for party 2. We denote by $v_{i,j} \in \{v^1, v^2\}$, the vote decision of member i of group j, where v^p is a vote for party p. When voting, each citizen knows her own signal, the common prior α, observes parties' platforms and forms beliefs about which signal(s) each party used to set its platform and how each party used such signal(s), namely let its platform match or conflict with the signal(s).

To solve the model, we identify Perfect Bayesian Equilibria (PBE), in which parties follow pure strategies and citizens follow symmetric vote strategies. By symmetric vote strategies, we mean that members of the same group follow identical vote strategies. Party p's strategy consists of a platform decision, x_p, conditional on $s_{p,E}$ and $s_{p,C}$. We denote parties' equilibrium strategies by $\mathbf{x} = (x_1^* (s_{1,E}, s_{1,C}), x_2^* (s_{2,E}, s_{2,C}))$. On the basis of her signal, $s_{i,j}$, and parties' platforms, x_1 and x_2, each citizen i of group j decides whether to vote for party 1, $v_{i,j} = v^1$ or for party 2, $v_{i,j} = v^2$. The voting strategy of citizen i of group j is denoted by $\nu_{i,j} (x_1, x_2, s_{i,j})$, giving the probability with which citizen i of group j chooses $v_{i,j} = v^1$, conditional on parties' platforms and her signal. We assume that if a voter is indifferent between v^1 and v^2, she chooses v^1 with probability $\frac{1}{2}$.[9] When voting, each citizen i of group j has formed a belief about the probability that $w_j = 1$. We denote the equilibrium belief of citizen i of group j about the probability that $w_j = 1$, conditional on parties' observed platforms x_1, x_2 and equilibrium strategies $\mathbf{x}$ as well as her own signal $s_{i,j}$

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[9]This assumption rules out equilibria where, e.g., party 1 always proposes $x_1 = 1$ and party 2 proposes $x_2 = 0$ and voters punish deviant parties by never voting for them. Such equilibria de facto reduce the election game to a referendum - parties play no active role in information aggregation. While we believe studying the advantages and disadvantages of referenda relative to electoral competition is an interesting question, we do not address it in the current paper.

by $\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{x})$.

In equilibrium:

1. Given equilibrium voters' strategies, $\nu^*_{i,j}(x_1, x_2, s_{i,j})$, given equilibrium beliefs, $\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{x})$, and given $x^*_1(s_{1,E}, s_{1,C})$, x_2 is a best reply, conditional on $s_{2,E}$ and $s_{2,C}$. An analogous requirement holds for x_1.

2. Given equilibrium strategies of parties, $\mathbf{x}$, $\nu_{i,j}(x_1, x_2, s_{i,j}) = 1\ (0)$ if x_1 yields a higher (lower) expected payoff to voter i of group j than x_2. $\nu_{i,j}(x_1, x_2, s_{i,j}) = \frac{1}{2}$ if $x_1 = x_2$.

3. All equilibrium beliefs about probabilities, $\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{x})$, result from Bayes' rule.

In games like ours, often uninteresting PBE exist that owe their existence to a specific assumption about out-of-equilibrium beliefs. In our game, an example of such an equilibrium is one in which (i) each party p chooses $x_p = 1$ irrespective of the signals it receives, (ii) $v_{i,j}(1, 1, s_{i,j}) = \frac{1}{2}$, and (iii) equilibrium beliefs are $\pi_{i,j}(1, 1, s_{i,j}|\mathbf{x}) = \frac{1}{2}$ and out-of-equilibrium beliefs are $\pi_{i,j}(1, 0, s_{i,j}|\mathbf{x}) = \pi_{i,j}(0, 1, s_{i,j}|\mathbf{x}) < \frac{1}{2}$. Throughout, we ignore these kind of equilibria and focus on equilibria, in which at least one party bases x_p on either $s_{P,E}$ or $s_{P,C}$.

Analysis

Voting decisions and belief formation

We first consider the voting decision of a citizen given her beliefs $\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{x})$. Next, we discuss how these beliefs are formed. Finally, we derive parties' platform choices.

In the last stage of the game, each citizen votes for the party whose platform she believes maximizes her expected utility. If parties offer the same platforms, $x_1 = x_2$, then beliefs are irrelevant and, by assumption, voters base their vote on a fair coin toss, $\nu^*_{i,j}(s_{i,j}, x_2, x_2) = \frac{1}{2}$. If parties offer different platforms, the vote decision of

citizen i of group j is determined by her belief about the probability that $w_j = 1$. If the voter believes that $w_j = 1$ is more likely than $w_j = -1$, which implies that $2\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{k}, \mathbf{x}) - 1 > 0$, she votes for the party offering $x_p = 1$, which is party 1 if $x_1 - x_2 > 0$ and party 2 if $x_1 - x_2 < 0$. Thus, the strategy of citizen i of group j satisfies, for all $(x_1, x_2, s_{i,j})$:

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\nu_{i,j}^*(s_{i,j}, x_1, x_2) = \begin{cases} 1 & \text{if } (2\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{x}) - 1)(x_1 - x_2) > 0 \\ \frac{1}{2} & \text{if } (2\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{x}) - 1)(x_1 - x_2) = 0 \\ 0 & \text{if } (2\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{x}) - 1)(x_1 - x_2) < 0. \end{cases}
$$

Since beliefs are irrelevant if $x_1 = x_2$, we focus on belief formation if $x_1 \neq x_2$. In order to characterize *aggregate* voting behavior in group j, we only need to know whether the sign of $2\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{x}) - 1$ depends on the realization $s_{i,j}$. Suppose this is the case. Then, if $x_1 \neq x_2$, votes of members of group j are divided over both platforms as members follow the realization of their signals. If the sign of $2\pi_{i,j}(x_1, x_2, s_{i,j}|\mathbf{x}) - 1$ does not depend on the realization of $s_{i,j}$, group j votes with a united front. In the latter case the evidence about w_j provided through the platform choices of the parties is so strong that the private signal $s_{i,j}$ is dominated. The following Lemma identifies which scenarios lead group j to vote with a united front in situations in which each party p bases its platform on either $s_{p,E}$ or $s_{p,C}$.[10][11]

Lemma 1 *Consider equilibria where each party p bases its platform on either $s_{p,E}$ or $s_{p,C}$. Citizens of group j vote with a united front iff one party based its platform on $s_{p,E}$ and the other party based its platform on $s_{p,C}$, and $\alpha < \widehat{\alpha}(p_j)$ with $\widehat{\alpha}(p_j) = \frac{(2p_j-1)q^2-(2q-1)p_j}{(2q-1)(p_j+q-2p_jq)} > \frac{1}{2}$.*

If parties offer different platforms, $x_1 \neq x_2$, and base them on their signals about the same state, citizens that anticipate parties' strategies infer that one party received a correct signal and one party received an incorrect signal. As a result,

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[10]The proof of this lemma and all other claims that are not proven in the main text can be found in Appendix A.

[11]We say that a party p bases its platform on a signal $s_{p,j}$ if that party proposes $x_p = 1$ whenever $s_{p,j} = 1$ and $x_p = 0$ whenever $s_{p,j} = -1$. We show in the proof of Proposition **??** that a party finds it always optimal to base its platform on a signal in this way.

platforms do not contain information about the states, and it is optimal for citizens to vote in line with their private signals. If one party caters to the interests of the elite and the other party caters to the interests of the common people, platforms generally do contain information about the states. Yet, the higher is α, the lower are voters' beliefs about the probability that parties received correct signals if $x_1 \neq x_2$. Thus, if $\alpha > \hat{\alpha}(p_j) > \frac{1}{2}$ and $x_1 \neq x_2$, each voter follows her signal even though one of the parties caters to her interests.

Platforms

Now we turn to the platform choices of parties. We say that party p caters to the interest of group j if it bases x_p on s_{pj}. Note that whether party p caters to the interests of group E or group C is only relevant if $s_{p,C} \neq s_{p,E}$. If $s_{p,C} = s_{p,E}$, the party also serves the interests of the other group, but unintentionally. Proposition ?? presents the unique equilibrium of the basic model.

Proposition 1 *Consider the basic model. In the unique equilibrium of the game, both parties cater to the interests of the elite if $\sigma p_E + (1-\sigma)(1-p_C) > \frac{1}{2}$, and cater to the interests of the common people if $\sigma p_E + (1-\sigma)(1-p_C) < \frac{1}{2}$. Voters follow their private signals if $x_1 \neq x_2$. They toss a fair coin if $x_1 = x_2$.*

Proposition ?? identifies a bias of electoral competition towards more knowledgeable voters. Even though group C constitutes the majority, both parties cater to the elite minority if $\sigma p_E + (1-\sigma)(1-p_C) > \frac{1}{2}$ holds. Only if a) the majority is large enough, or b) the inequality in political knowledge, $p_E - p_C$, is not too large, the bias towards the elite is overcome.

To understand Proposition ??, assume parties offer different platforms $x_1 \neq x_2$, voters of both groups follow their signals, and the underlying states are such that $w_E \neq w_C$. First consider the extreme case where group C has a completely uninformative signal, $p_C = \frac{1}{2}$. Then this group will be divided evenly between the two parties. As long as group E voters receive informative signals, $p_E > \frac{1}{2}$, they will determine the winning platform. Thus, parties will find it optimal to cater to this group. More generally, $\sigma p_E + (1-\sigma)(1-p_C) = \frac{1}{2}$ delineates exactly the case where

the informational disadvantage of group C voters is compensated by their higher number. If $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$ holds, the election outcome is in the interest of group E, except when both parties' signals are wrong. Thus the electoral bias against group C goes beyond the elite being better able to choose what is in their interest. Parties reinforce the bias.[12]

How much group C suffers from both parties basing their platforms on $s_{p,E}$ and thus catering to group E in case of $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$ depends on how likely the interests of group C and E align, i.e. the value of α. If $\alpha = 1$, group-specific states are perfectly positively correlated and thus whether parties cater to group E or group C does not matter for expected payoffs - the optimal policy is implemented except if both parties receive a false signal (which happens with probability $(1 - q)^2$). Calculating expected payoffs for both groups for $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$ and general α we find

$$E\left[u_{i,E}\right] = \frac{1}{2} - (1 - q)^2, \tag{2}$$

$$E\left[u_{i,C}\right] = (2\alpha - 1)\left(\frac{1}{2} - (1 - q)^2\right). \tag{3}$$

If both parties based their platform on $s_{p,C}$ and thus catered to group C instead, group C's expected payoff would be[13]

$$E\left[u_{i,C}\right]' = q - \frac{1}{2} + q(1 - q)(2\alpha - 1).$$

The difference in expected utility for group C equals

$$E\left[u_{i,C}\right]' - E\left[u_{i,C}\right] = (1 - \alpha)(2q - 1)$$

which is larger than zero whenever $\alpha < 1$. This brings us to the following corollary.

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[12]One interpretation of Proposition ?? is that electoral competition does not always provide proper incentives to politicians to collect information about the effects of policy on the majority. If $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$, parties do no utilize their information about w_C. If signals about w_C were costly, parties would not acquire them. Kalla and Porter (2020)? provide empirical evidence in line with our result. Other studies, such as Gilens and Page (2014)?, provide direct evidence of an elite bias in terms of policy outcomes.

[13]Note that when only one party receives a false signal, which happens with probability $2q(1-q)$ still group E determines the election in their favor.

Corollary 1 *Suppose $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$. As long as the two groups' states are not perfectly positively correlated ($\alpha = 1$), group C suffers from the elite bias in expected terms (relative to both parties basing their platform on $s_{P,C}$). The lower is α, i.e., the less likely the group-specific states coincide, the more group C suffers from the bias in expected terms.*

To demonstrate the bias of electoral competition most clearly, we have assumed a neutral environment, in which *ex ante* the consequences of the reform are equally uncertain for the elite and the common people. In practice, however, the degree of uncertainty of a policy is rarely the same for the common people and the elite. Take the welfare programs implemented in many OECD countries in the second half of the previous century. *Ex ante*, the common people expected to benefit from these programs. It was less clear how the elite would fare under these programs. In our model this could be captured by assuming $\Pr(w_C = 1)$ close to one and $\Pr(w_E = 1)$ close to $\frac{1}{2}$. In such a world, no electoral bias against the common people arises. All members of group C would vote for implementation.

The consequences of other policies are less uncertain for the elite and more uncertain for the common people. Stiglitz (2002)**?** and Rodrik (2018)**?** argued that in the last decades especially the elite expected to benefit from all kinds of trade and international agreements, but that the consequences of these agreements were more uncertain for the common people. In terms of our model, this means $\Pr(w_C = 1)$ to be close to $\frac{1}{2}$ and $\Pr(w_E = 1)$ to be close to 1. In this environment, the electoral bias against the common people is even stronger than in the neutral case. The reason is that if uncertainty of a policy exclusively falls on group C, members of group E vote in block for the platform that favors them. As a result, to obtain a majority, group E needs relatively few "wrong" votes of members of group C.

So far, we have assumed that parties are purely office motivated. We now show to what extent our results still hold when parties are also policy motivated. To this end, we first assume that each party represents a different group in society. Party 1 represents group C members. Its payoff equals $u_1 = \lambda I_1 + w_C x$, where I_1 is a dummy variable taking the value one if party 1 is in office and taking the value zero

otherwise, and λ denotes the relative weight party 1 attributes to holding office. By contrast, party 2 cares about the interests of group E members. Its payoff equals $u_2 = \lambda \left(1 - I_I\right) + w_E x$.

In this model with policy motivated parties, two equilibria in pure strategies exist.[14] First, a partisan equilibrium exists where party 1 bases its platform on $s_{1,C}$ and party 2 bases its platform on $s_{2,E}$. Clearly, if $x_1 \neq x_2$, each group C (E) member ignores her signal and votes for party 1 (2) in this equilibrium. As group C is larger than group E, party 1 wins the election in case $x_1 \neq x_2$.[15] Note that in this setting, party 2 plays a minor role.

The second equilibrium is similar to the one presented in Proposition ??. Suppose that $\sigma p_E + \left(1 - \sigma\right)\left(1 - p_C\right) > \frac{1}{2}$, such that both parties cater to the interests of the elite. Does party 1 have an incentive to deviate by basing x_1 on $s_{1,C}$? Group C members benefit from party 1 basing x_1 on $s_{1,C}$. However, by deviating party 1 reduces its chances of winning the election. A deviation increases the probability that $x_1 \neq x_2$. If electoral concerns are strong enough, $\lambda > 2\left(1 - q\right)$, party 1 has no incentive to base x_1 on $s_{1,C}$.[16]

Now assume that both parties care about the interests of group C members:

[14]We focus on equilibria in pure strategies. In equilibria in mixed strategies, citizens should coordinate on a voting rule, such that one of the parties is indifferent between following two strategies. In reality, it is hard to imagine how citizens could achieve such coordination. Note that no equilibrium exists in which both parties base their platforms on their signals on w_C. By basing x_2 on its signal about w_E, party 2 would increase it chances of reelection and better promote the elite's interest.

[15]In this partisan setting, where parties follow different strategies in equilibrium, the assumption that if a voter is indifferent between parties' platforms, she votes with probability one-half for each party is not plausible. Clearly, the partisan equilibrium also exists under the assumption that a voter, who is indifferent between parties' platforms, votes for the party that represents her. Furthermore note that as party 1 wins the election with certainty if $x_1 \neq x_2$, electoral concerns give incentives to party 1 to increase the probability that $x_1 \neq x_2$, and give incentives to party 2 to increase the probability that $x_1 = x_2$. Consequently, if λ is high, party 1 has an incentive to deviate by choosing x_1 such that it conflicts with $s_{1,E}$, and party 2 has an incentive to base x_2 on $s_{2,C}$. Hence, this first equilibrium requires that λ is sufficiently small.

[16]In equilibrium, party 1's payoff equals $\left(2\alpha - 1\right)\left(\frac{1}{2} - \left(1 - q\right)^2\right) + \frac{1}{2}\lambda$. Deviating by basing x_1 on $s_{1,C}$ yields a payoff $q - \frac{1}{2} + q\alpha - q^2 + \left(1 - q\left(1 - \alpha\right) - \frac{1}{2}\alpha\right)\lambda$. Deviating pays if $\lambda < 2\left(1 - q\right)$.

$u_1 = \lambda I_1 + w_C x$ and $u_2 = \lambda(1 - I_1) + w_C x$. Suppose an equilibrium, in which each party bases its platform on w_C. Then, if $x_1 \neq x_2$, the elite determines the election outcome. This gives an incentive to a party to deviate when it received conflicting signals, $s_{p,C} \neq s_{p,E}$. By basing x_1 on $s_{1,E}$ rather than on $s_{1,C}$, party 1 increases its chances of winning the elections. Of course, this deviation hurts the common people. Hence, in a model with policy-motivated parties with both parties representing the common people, a bias towards the elite arises when electoral concerns are sufficiently important.[17]

To conclude, adding policy motivation to our model yields three insights. First, if in equilibrium group C members know that the platform of one of the parties is based on w_C, this party receives the full support of group C members. In this equilibrium, the other party is not relevant. Second, the equilibrium presented in Proposition ?? survives in a partisan setting when electoral concerns are strong enough. Third, if both parties represent the common people, electoral concerns give incentives to actually promote the interests of the elite.

Populist Policies

In the previous section, we described how in a two-party system electoral concerns lead to a focus on the more knowledgeable minority whenever the inequality in political knowledge between the elite and the common people is large enough. This creates a void on the political spectrum and, in turn, a demand for policies that are more in the interest of the common people. In this section, we build onto the baseline model and present two benchmark models that illustrate how this demand may lead to a supply of populist policies.

First, we show that the inability of parties to serve the interests of the common people creates scope for the entry of a party that proposes an anti-elite platform. We define an anti-elite platform as a platform that (1) is not based on a signal received by

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[17]In the equilibrium where both parties promote the interests of group C members, party 1's payoff equals $q - \frac{1}{2} + q(1-q)(2\alpha - 1) + \lambda\frac{1}{2}$. Deviating yields a payoff $q + q\alpha - q^2 - \frac{1}{2} + \lambda\left(q + \frac{1}{2}\alpha - q\alpha\right)$. Hence, deviating pays if $\lambda > 2q$.

the party that proposes the platform, and (2) is opposite to the platforms proposed by parties that do base platforms on signals they received. The latter part of our definition indicates that an anti-elite platform is a response to other platforms. This means that to model anti-elite platforms, we have to allow for the possibility that parties respond to each other's platform choices.[18] To make our point about the emergence of an anti-elite platform most forcefully, we assume that (1) parties have to incur an infinitesimal cost to observe the signals about the states, and (2) voters prefer informed parties all else equal. Even under these assumptions, an anti-elite platform offered by an uninformed entrant may exist in equilibrium. Moreover, if an entrant offers an anti-elite platform, it wins the election.

In the second part of this section, we consider a second feature of populist policies, the claim that policies are based on the will of the common people typically paired with suspicion towards or even negation of expert opinion. We contrast the choice between platforms based on expert opinion and platforms based on polls among the common people.

Note that the purpose of these benchmark models is not to provide a comprehensive model of both anti-elite and popular will policies but to illustrate how each of these is a response to the bias identified in the previous section. Thus, each benchmark model presents the result in the simplest possible way. A model combining both anti-elitism and popular will would feature additional complexity at minimal extra insights.

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[18]Our definition of anti-elitism is in line with empirical evidence on populist parties in, for example, the Netherlands: Louwerse and Otjes (2019)? analyze opposition behavior of populist vs. non-populist parties in the Netherlands and find that populists are significantly less likely to use policy making and more likely to use scrutiny. It is also in line with empirical evidence on campaign communication styles. Nai (2018)? finds that populists are significantly more likely to go negative and thus attack their opponent rather than advertise themselves than non-populist parties.

Entry and Anti-Elite Platforms

We first focus on the anti-elitism part of the definition of populism by Mudde (2004). This is a common feature of many emerging populist party platforms, as the following quote by the founder of Italy's populist Five Star movement, Beppe Grillo, a new entrant in 2012, showcases.[19]

> "*The priorities of the common people are light years away from the debates in Parliament.*"

We extend the basic model to allow for entry of a third party after party 1 and 2 have proposed their platforms. Specifically,

- Let there be two stages before the election. Party 1 and 2 simultaneously choose a platform in stage 1, x_1 and x_2, respectively. Party 3 may enter in stage 2. If it enters, it chooses $x_3 \in \{0, 1\}$. Party 3 can condition its platform decision on x_1 and x_2 or on its signal regarding group E or C. It only enters when it has a non-zero chance of being elected.

- At a cost c, each party p receives private signals about w_E and w_C, $I_P \in \{0, 1\}$, where $I_P = 0$ means that p does not acquire information, and $I_P = 1$ means that it does. We assume the cost of information c to be infinitesimal. A party's information acquisition decision is not observed by other agents.

- Each voter casts her ballot for the party whose platform yields the highest expected utility. Denote by ι_P voters' beliefs about the probability that party p acquired information, $I_p = 1$. In case $x_i = x_j$ and $\iota_i > \iota_j$, voters do not cast their ballots for party j. This means that voters prefer parties that are informed. If the platforms of two or three parties are equal and (believed to be) based on the same information (even though they may be announced at different stages of the game), each voter randomizes her vote between those parties.

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[19]The original statement is in Grillo (2011)**?**, in Italian, and reads "Le priorità della gente comune sono distanti anni luce dai dibattiti in Parlamento[...]".

- When none of the parties receive a majority of votes, the parties that propose the same platform form a coalition. The rents to office, in total normalized to one, are divided among the coalition parties.[20]

We solve the model by identifying PBE. In addition to the requirements for a PBE of the basic model, we require x_3 to be an optimal response to x_1 and x_2, given voters' strategies and given beliefs.

The next proposition characterizes the equilibrium strategies[21] of the extended model.

Proposition 2 *Consider the extended model with the possibility of entry. A unique equilibrium exists, in which party 1 and 2 acquire information, $I_1 = I_2 = 1$, while party 3 never acquires information, $I_3 = 0$. Furthermore:*

(1) If $\sigma p_E + (1 - \sigma)(1 - p_C) < \frac{1}{2}$, party 1 and 2 cater to the interests of the common people, and party 3 never enters;

(2) If $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$ and $\alpha < \alpha' \equiv \frac{q^2 - p_C[1 - 2q(1-q)]}{2q - 1} < \frac{1}{2}$, party 1 and 2 cater to the interests of the elite, and, whenever $x_1 = x_2$, party 3 enters with an anti-elite platform $x_3 \neq x_1 = x_2$ and stays out else;

(3) If $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$ and $\alpha > \alpha'$, party 1 and 2 cater to the interests of the elite, and party 3 never enters;

(4) If party 3 did not enter, voters follow their private signals if $x_1 \neq x_2$ and toss a coin if $x_1 = x_2$. If party 3 entered following $x_1 = x_2$, the common people all vote for party 3 and members of the elite toss a fair coin for party 1 and 2.

Proposition **??** presents several results. Item (1) shows that in an environment where party 1 and 2 acquire information and cater to the interests of the common people, entry by a third party is never profitable. The reason is that if party 1 and 2 cater to the interests of the common people and $\sigma(1 - p_E) + (1 - \sigma)p_C > \frac{1}{2}$, party 3 has no chance of getting into office. If $x_3 \neq x_1 = x_2$, members of group

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[20]This assumption ensures that the more popular policy is chosen and thus coordination problems by voters in the presence of multiple parties offering the same platform are avoided.

[21]To be concise, we omit the characterization of voter beliefs. They follow from applying Bayes' rule taking into account the equilibrium strategies of the parties.

C exclusively vote for party 1 and 2, irrespective of whether x_3 has been based on $s_{3,C}$. This means that if $x_1 = x_2$, the only way for party 3 to gain office is to copy the platform of the other parties. But this means that party 3 has no incentive to acquire information. Citizens anticipate this, which implies $\iota_3 = 0$, and vote for party 1 or 2 for whom $\iota_1 = \iota_2 = 1$. If $x_1 \neq x_2$, not acquiring a signal dominates acquiring a signal for party 3 as well. To see this, suppose that party bases x_3 on $s_{3,C}$. If believed by members of group C, party 3 gains (joint) office with certainty. However, anticipating that any platform leads to office, party 3 has no incentive to acquire information and thus again $\iota_3 = 0$. Hence, if party 1 and 2 cater to the interests of the common people, party 3 does not enter.

We regard Item (2) of Proposition **??** as the main result of this part as it speaks to the emergence of anti-elitism.[22] It shows that if in a two-party system the elite has electoral power and the policy is likely to be distributional, an equilibrium exists in which party 1 and 2 acquire information and cater to the interests of the elite, while party 3 does not acquire information and enters with an anti-elite platform in case $x_1 = x_2$. At first glance, it may seem hard to understand why a citizen could benefit from a platform that is solely based on being against traditional parties' platforms and is not based on any signal. In equilibrium though, the populist platform is based on information – the signals of the traditional parties. If the policy is likely to be distributional this can even be more informative than one expert opinion on the interests of group C. α' is the highest value of α for which $x_1 = x_2$ contains sufficiently convincing information about w_C to let the common people believe that $x_3 \neq x_1 = x_2$ is in their interest.

If $x_1 = x_2$, why does party 3 not enter with a platform based on a signal about w_C? The reason is that acquiring information is dominated by not acquiring information and setting $x_3 \neq x_1 = x_2$ instead. Once the common people believe x_3 is

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[22]In Appendix B, we study whether anti-elitism can be sustained also in the long-run, not just as an entry strategy of a new party. We show that in a three-party system, an equilibrium exists in which anti-elite platforms may arise, suggesting that anti-elitism can be a long-run phenomenon. In addition, equilibria exist in which either all parties cater to the interests of the common people or to the interests of the elite.

based on $s_{3,C}$, they vote for party 3 when $x_3 \neq x_1 = x_2$, but party 3 has to share votes with the other parties when $x_3 = x_1 = x_2$. Thus party 3 has no incentive to actually acquire a signal about w_C nor would it use such information if it were free.[23]

Finally, why does party 1, for example, not deviate and cater to the common people instead? Such a deviation would not be observable to voters and thus they would still follow their signal when the platforms of party 1 and 2 differ and vote for party 3 when they are the same. Consequently, such a deviation only reduces the chance of being elected as the elite holds electoral power when voters follow their signals.

One can verify that α' is increasing in q. Hence, anti-elite platforms are not the result of ill-informed parties. They are a response to well-informed parties catering to the interest of the elite. Intuitively, anti-elite platforms derive their credibility from the information contained in the platforms of the traditional parties, which cater to the interests of the elite. This information is more persuasive, when q goes up.[24]

Item (3) shows that when party 1 and 2 cater to the interests of the elite, there is not *always* scope for an anti-elite platform. As discussed above, α should be sufficiently small for the emergence of an anti-elite platform. Clearly, if $\alpha > \frac{1}{2}$,

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[23]Di Tella and Rotemberg (2018)**?** offer an explanation for the observation that voters sometimes seem to prefer incompetent politicians. In their model, voters are disappointment averse and more competent politicians are more likely to betray them. Our result offers an alternative explanation of why voters sometimes seem to prefer incompetent leaders. Interpreting competence as basing a platform on a signal, we identify situations where a platform based on the signal of the common people is not credible and thus this group prefers an uninformed leader over an informed leader that caters to the elite.

[24]Our finding that better informed traditional parties may raise the suspicion of the common people is related to de Moragas (2017)**?**, who studies how voters react to expert agreement. He shows that broad consensus among experts signals that experts probably share a common bias and that their advice is not in the voters' interest. Thus, politicians basing their platforms on these experts' advice receive less support from the electorate. Also, in our setting expert agreement (i.e. platform convergence) encourages populist/anti-elite policies. In contrast to de Moragas (2017)**?**, where the bias is exogenous, in our setting the bias arises endogenously from political competition.

the common people are better off when party 1 and 2 cater to the interests of the elite than when party 1 and 2 do not use information about states at all. In expected terms, the interests of the common people and the elite are aligned. If, by contrast, $\alpha' < \alpha < \frac{1}{2}$, members of group C suffer, in expectation, from the electoral bias towards the elite. Still, the anti-elite platform, $x_3 \neq x_1 = x_2$ will not receive unanimous support from group C voters. The reason is that α close to 0.5 implies that the platforms of party 1 and 2 based on the elite signals are not very informative about the interests of the common people. They thus optimally respond by following their private signals and are thus divided in their vote. Interestingly, this implies that there exists a range of parameters for which group C voters are worse off when they become better informed, i.e., p_C increases, as this may bring them from a situation with anti-elite entry to a situation without. Indeed, a sufficiently high value of p_C breaks the united front of common people, which makes entry with an anti-elite platform suboptimal.

The main result of this part is that for α sufficiently small, party 3 enters with an anti-elite platform if $x_1 = x_2$. The elite suffers from an anti-elite entrant. Policy is now only in their interest when one or both of the traditional parties make a mistake. The expected payoff of a group E voter declines from $\frac{1}{2} - (1 - q)^2$ [see (??)] to $\frac{1}{2} - q^2$. The common people benefit from anti-elitism. The expected payoff of a group C voter in an equilibrium with an anti-elite entrant equals $(1 - 2\alpha)\left(q^2 - \frac{1}{2}\right)$, which is higher than the expected payoff without an anti-elite entrant [see (??)].

However, the expected payoff of a member of group C would be even higher if the entrant would always enter and choose a platform consistent with its signal about w_C, i.e., cater to the needs of the common people. There are two reasons for this. First, when the traditional parties are divided, entry with an anti-elite platform is not possible and group E determines policy, while policy will be in group C's interest with probability q when the entrant uses w_C. Second, the anti-elite platform is sometimes chosen even if expert opinion on group C would speak against it. This latter effect becomes relevant when α is not too small and thus two signals on group E are not more informative than one signal on group C. This is consistent with some anti-elite policies finding support amongst the common people

even though they appear detrimental to them through the lens of expert knowledge.

Anti-elite platforms may occur if $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$ and $\alpha < \alpha' < \frac{1}{2}$. Hence, the condition we derived in the previous section for parties to cater to the interests of the elite is a necessary but not sufficient condition for the emergence of anti-elite platforms. The common people need to have a sufficiently pessimistic belief that their interests are aligned with those of the elite, i.e., α needs to be sufficiently low.

While we model populism as a direct response to elite-based platforms of traditional parties in one election, we believe it is possible to interpret our model as a reduced form approach of a more dynamic process, where populist entry takes place over a longer time horizon. Through experiencing the effects of the traditional parties' policies over time the common people adjust their beliefs about α. When these beliefs become more negative over time, the same policy agenda can ultimately lead to populist entry when beliefs reach a certain threshold. The populist backlash against globalization serves well to illustrate this idea. Following WWII (trade) liberalization policies paired with social welfare programs promised shared wealth for everyone, i.e., beliefs about α were high. In the ensuing decades, globalization created winners and losers. At the same time, the promise of compensation and protection became harder and harder to fulfill, with redistribution becoming more difficult with an increasingly mobile elite (see e.g., Egger et al., 2019?, for the influence of globalization on labor income taxation systems; see also Algan et al., 2017?, Noury and Roland, 2020? and Colantone et al., 2021?). Consequently, the idea that globalization/trade-liberalization benefit all and not just the elite has been losing credibility amongst the common people (for a discussion, see Colantone et al., 2021?), which can be interpreted as a decline in α. Furthermore, traditional parties continued to back globalization, and thus left room as well as gave credibility to populists' entry on an anti-globalization platform (i.e., they chose platforms $x_1 = x_2$) (Lynch, 2019)?. Our model thus offers an explanation for why individuals that were hurt by globalization and other important adverse shocks find it easier to turn towards populist leaders nowadays (see e.g., Guiso et al., 2019?).

We have treated the entrant as a new party. This fits well with cases such as

Italy's Five Star Movement. The movement stood for election nationally for the first time at the general election of 2012. During that campaign, on many key issues — such as Italy's participation in the Eurozone and the economic policies commanded by such a participation — the main platform of Beppe Grillo's movement was simply the opposite of what the traditional parties were proposing. And Grillo's main argument was that what traditional parties were supporting was good for (them and) the elites they represented, but bad for the common people who had been squarely left behind by all governments and parliaments so far.[25]

In the United States, anti-elitism is best personified by Donald Trump. Trump's ascension to power happened from *within* the Republican party. This (important) case, therefore, does not seem to be consistent with the predictions of our model. However, before 2016, Trump was controversial in both the Democratic and Republican parties. In a sense, when he entered the political race, he did so by going against the establishment in both major parties with a firmly anti-elite platform, as the quote at the beginning of our paper makes clear. Thus, Trump's successes within the Republican party and then at the voting booth, while requiring a model richer in institutional detail, are not inconsistent in spirit with our predictions.[26]

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[25]For example, in an article in its July 23, 2015 edition, The Guardian wrote that "Grillo has [...] long argued that the euro favours large institutions rather than small investors." (source: https://www.theguardian.com/world/2015/jul/23/beppe-grillo-calls-for-nationalisation-of-italian-banks-and-exit-from-euro) In 2012, Bartlett et al. (2013)? surveyed 1,865 Facebook supporters of the Five Star Movement. The main reason among respondents for their support for Grillo's Movement is "disillusionment with the main parties or wanting change". They add that key for their support are the "problems with the Italian parties and the Italian political system [...]".

[26]Buisseret and van Weelden (2020)? offer such a model, discussing when an outsider prefers to enter as a third-party candidate and when through the primaries of established parties, as Donald Trump did. Their setting differs substantially from ours with a two-dimensional policy space and known preferences over policies.

Experts vs. Popular Will

The preceding analysis dealt with a well-known characteristic of populist policies, anti-elitism. Another populist strategy is to portray experts and specialists as allies of the elite and to emphasize one's willingness to listen to the voice of the common people instead. While relying on popular will for policies where the common people have superior knowledge to experts is reasonable, a particular characteristic of populist policies is to invoke popular will in policy questions where expert opinion seems superior, such as climate change or immigration policy.

Define a platform based on popular will to be populist when the opinion of even a single expert contains more information than that of the aggregate opinion of the group the platform is based upon. We show below that such a populist policy can be part of equilibrium even in our basic, two-party game. We thus offer a rationalization for the thesis put forward by, among others, Mudde (2004)? that, in the last decades, such populist policies have been espoused also by mainstream, established political parties, in an attempt to appeal to the common people.

We extend the basic two-party model analyzed in the previous section to allow parties to acquire information using either of two technologies. As in the basic model, a party can base its platform on signals about the states. Each party receives one signal about w_E and w_C at no cost. If party p bases its platform on $s_{p,j}$, we say that party p relies on expert advice. Second, a party can base its platform on a poll about the opinions of members of a group as to which course of action to follow, also at no cost. Crucially, we assume that the result of the poll is observable to voters. Thus, if party p conducts a poll on group j, the entire electorate learns whether a majority of that group favors $x = 0$ or $x = 1$.

In reality, a poll can also lead to the wrong decision.[27] To allow for such a bad outcome to happen in our model, we let policies be either normal or abnormal, $P \in \{A, N\}$. Normal policies are straightforward for voters to understand, in the sense that the probability that a citizen receives a correct signal about the state is higher than $\frac{1}{2}$, $p_j(N) \equiv \Pr\left(s_{i,j} = w_j | P = N\right) > \frac{1}{2}$. Abnormal policies are complex,

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[27]See Maskin and Tirole (2004)?.

counterintuitive and such that $p_j(A) \equiv \Pr(s_{i,j} = w_j | P = A) < \frac{1}{2}$.[28] Let θ denote the probability that a policy is normal, $\Pr(P = N) = \theta$. Voters are not able distinguish normal from abnormal policies. We assume that:

$$\theta p_j(N) + (1 - \theta) p_j(A) > \frac{1}{2}.$$

This equation ensures a natural interpretation of $s_{i,j}$: For each member i of group j, a positive signal increases the likelihood that the state is positive, while a negative signal decreases the likelihood that the state is positive. In what follows, we only consider a poll among the common people.[29]

The requirements for a Perfect Bayesian Equilibrium of the extended model are the same as for the basic model. In addition, parties' technology choices, that is, whether to use a poll among the common people or rely on expert advice, must be optimal responses to each other and to citizens' voting strategies.

Proposition 3 *Consider the basic game and allow (1) parties to use a poll among the common people to set policy; and (2) policies to be normal or abnormal.*
(1) Suppose $\sigma p_E + (1 - \sigma)(1 - p_C) < \frac{1}{2}$. A unique equilibrium exists in which parties base their platforms on a poll among the common people if $\theta > q$, and on expert's advice regarding w_C if $\theta \leq q$.
(2) Suppose $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$. A unique equilibrium exists in which parties base their platforms on a poll among the common people if $\theta > \alpha q + (1 - \alpha)(1 - q)$, and on expert advice regarding w_E, if $\theta \leq \alpha q + (1 - \alpha)(1 - q)$.

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[28]For example Dal Bó, Dal Bó and Eyster (2018)**?** show in a laboratory experiment how voters fail to fully account for general equilibrium effects and thus may (fail to) enact welfare reducing (increasing) policies when these general equilibrium effects are important enough. Furthermore, behavioral economics has established that individuals often suffer from present bias and thus undervalue future benefits relative to present costs. Thus, abnormal policies could also represent policies where this kind of bias has bite and leads to a preference reversal.

[29]For $p_E(A) = p_C(A)$ and $p_E(N) = p_C(N)$ conducting a poll among the elite is dominated by conducting a poll on the common people. For $p_E(A) > p_C(A)$ and $p_E(N) > p_C(N)$ the common people may prefer a policy based on a poll amongst the elite only if α is sufficiently high. Since we are especially interested in low α scenarios, we omit this possibility.

Item (1) of Proposition **??** shows that if the common people have electoral power (i.e., their group contains the "decisive" voter when all voters follow their signals), parties base their platforms on a poll if a poll is more informative than a single expert's opinion, $\theta > q$. To understand this result, suppose we are in an equilibrium in which both parties base their platforms on expert advice regarding w_C. Suppose party 1 deviates and conducts a poll among the common people. The deviation influences voter behavior if $x_1 \neq x_2$. For a member of group C the probability that party 1's policy matches w_C, given the available information, is equal to:

$$\frac{(1-q)\,\theta}{(1-q)\,\theta + q\,(1-\theta)}$$

which is higher than one half if

$$\theta > q.$$

Thus, whenever polls aggregate more information than is contained in a single expert's opinion, the deviation is profitable and thus there can be no equilibrium in which both parties base their platforms on expert advice regarding w_C. Since in that case polls are the superior technology, we do not find scope for populism as defined above in the absence of an elite bias.

Item (2) of Proposition **??** gives the conditions under which parties rely on polls or expert advice when the elite has electoral power, $\sigma p_E + (1-\sigma)(1-p_C) > \frac{1}{2}$. Suppose we are in an equilibrium in which both parties base their platforms on expert advice regarding w_E. Suppose again party 1 deviates and conducts a poll among the common people. The deviation influences voter behavior if $x_1 \neq x_2$. For a member of group C, the probability that party 1's policy matches w_C, given the available information, is equal to:

$$\frac{[\alpha(1-q)+(1-\alpha)q]\,\theta}{[\alpha(1-q)+(1-\alpha)q]\,\theta + [(1-\alpha)(1-q)+\alpha q]\,(1-\theta)},$$

which is higher than one half if

$$\theta > \alpha q + (1-\alpha)(1-q).$$

Note that if $\alpha = 1$, this condition is equivalent to the one for the case $\sigma p_E + (1-\sigma)p_C < \frac{1}{2}$. The lower is α, the lower is the right-hand side of this inequality.

Hence, the higher is the probability that the policy is distributive, the narrower is the range of parameters for which an equilibrium exists in which parties investigate states through experts.

Corollary 2 *Suppose $\sigma p_E + (1 - \sigma)(1 - p_C) > \frac{1}{2}$. If $q > \theta > \alpha q + (1 - \alpha)(1 - q)$, parties follow a populist strategy in equilibrium: they rely on a poll even though more precise expert opinion on group C is available.*

Recall that $\theta = q$ delineates the case where a single expert opinion is equally informative as a poll. In equilibrium, if $\sigma p_E + (1 - \sigma) p_C > \frac{1}{2}$ and $q > \theta > \alpha q + (1 - \alpha)(1 - q)$, parties base their platforms on polls, while a single expert opinion (on group C) is more informative. The use of an inefficient technology is a response to the bias towards the elite identified in Proposition **??**. Given this bias, voters anticipate correctly, that, whenever parties rely on experts, such expertise is about the state of the world the elite cares about. A range of parameters exists for which the common people prefer a platform based on a poll to one based on expert opinion about w_E, even though experts are individually better informed than the common people as a group: $q > \theta$. This range of parameters is also larger the smaller is α and thus the less likely it is that the groups' interests are aligned.[30]

If instead both parties would use expertise on the common people, the expected utility of a member of group C would be

$$\frac{1}{2}\left(q^2 - (1 - q)^2\right) + (2\alpha - 1) q (1 - q).$$

The last term of the equation above reflects that when one of the parties makes a mistake, the elite still determine the election in their interest. Comparing this to the expected payoff when both parties use polls, $\theta - 1/2$, either may be larger, depending on q, θ and α. The reason why expertise on the common people is not always preferred to popular will is that in case both parties suggest opposing plat-

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[30]Corollary **??** shows that parties with access to better informed experts are also more inclined to turn to a platform based on popular will even though based on inferior information. The reason is partly mechanical. The better experts are informed, the inferior public opinion polls become in comparison and thus the more likely we categorize a platform based on polls as populist.

forms, the elite bias persists. Smaller values of α and larger values of θ relative to q make this more likely.

Proposition **??** thus helps to explain why not only populists, but also mainstream parties may follow a populist strategy: rely on the opinion of the common people even when it is common knowledge that experts are better informed. It is worth emphasizing that for such an outcome to be part of equilibrium, we need voters to observe the outcomes of polls, and polls to be conducted among the members of one group only. A poll aggregating everyone's preferences, that is, a referendum, would feature again an elite bias if $\sigma p_E + (1 - \sigma) p_C > \frac{1}{2}$. In practice, operationalizing the concept of the "common people" is not trivial and leaves parties with a certain leeway in how exactly to conduct the poll. If commitment on investigating a certain group would not be possible through polling, the bias in favour of the elite would materialize again. Thus, the institutional specificities of a country, for example independent and neutral pollsters, will determine the feasibility of polls as a commitment device.

Discussion

This paper provides an explanation for the widespread emergence of two populist traits: anti-elite platforms and platforms based on popular will when superior expert opinion is available. We have argued that the emergence of both traits is a response to a bias of elections towards more knowledgeable citizens. While populist platforms are based on inferior information – parties proposing an anti-elite platform do not use any (own) information and platforms based on popular will are populist when they rely on a signal that is less informative than that of an expert – the common people expect to benefit from them.

Our paper also identifies the conditions under which anti-elite platforms occur. A necessary but not sufficient condition is that the elite is sufficiently better informed about policy consequences than the common people. This condition ensures that parties cater to the interests of the elite. Anti-elite platforms occur if, in addition to the first condition, 1) the states of the world of the common people and the elite

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are sufficiently negatively correlated, and 2) the traditional parties offer the same platform. The negative correlation between states of the world implies that the common people benefit in expectation from an anti-elite platform. If the preferences of the common people and the elite are positively correlated, the common people are likely skeptical about politics as they understand that traditional parties do not represent them. In expectation, though, proposed policies make them better off, and an anti-elite platform will not be supported. As stated by the last condition, our model also predicts that platform convergence of the traditional parties is a necessary condition for anti-elite entry. Such consensus leaves room on the political spectrum for entry by third parties, such as populists. Our model gives another reason why mainstream consensus encourages anti-elite entry: it may reinforce the belief of the common people that the platforms of traditional parties are not in their interest.

As argued after our discussion of Proposition **??**, our model can be seen as a reduced form approach of a dynamic process, where populist entry takes place over a longer time horizon during which the common people adjust their beliefs about α while experiencing the effects of policies implemented by traditional parties. Coming back to our main example of this interpretation, the backlash to globalization, Lynch (2019)**?** highlights the convergence of traditional parties' policy agendas and the negative effects of this agenda felt by the common people as a main driver of populism.[31] The following quote from Stiglitz (2002**?**, p. 9) nicely illustrates that the common people eventually arrived at a very pessimistic view regarding the alignment of their preferences with the elite and their political representatives:

"Protestors see globalization in a very different light than the treasury secretary of the United States, or the finance and trade ministers of most of the advanced industrial countries. The differences in views are so great that one wonders, are

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[31]For example, on p.671 she writes *"... mainstream center-left and center-right parties have, starting in the 1980s and intensifying in the 1990s, converged on a policy agenda that supports the relatively free movement of goods, capital, and people, particularly within an enlarging European region. While free movement and liberalized markets may or may not have economic and political benefits in the aggregate, they have objectively resulted in the rollback of economic security described above and in striking increases in socioeconomic inequality."*

the protestors and the policy makers talking about the same phenomena? Are they looking at the same data? Are the visions of those in power so clouded by special and particular interests?"

To challenge the mainstream political consensus of liberalism and globalization, protectionism and anti-liberalism became common features of the programs of emerging parties, and especially populist ones. Support for these programs grew steadily in the last decades, among other things because each successive round of globalization reform generated increasingly redistributive effects, as argued by Rodrik (2018)**?**. Large groups experienced that globalization could have unfavorable distributive consequences (see Colantone et al., 2021**?**). These experiences probably affected people's beliefs about a, leading to support for protectionism as an alternative to free trade.

It is worth emphasizing that, though we explain the emergence of anti-elite platforms, we do not defend them. The common people would be better-off if parties catered to their interests. Within our model, a possible avenue to achieve this is closing the knowledge gap. This may force parties to seek more inclusive policies (see Glaeser et al., 2007**?**, on education as a determinant for political participation). Our model serves to highlight another potential threat of populism. Populists have an incentive to make the common people believe that α is low, i.e. that the interests of the common people and the elite are never aligned, even when this is not true, in which case anti-elite policies are especially detrimental to the common people. More generally, our model shows why populists may benefit from fostering distrust in society and increased polarization between the elite and the common people.

Our results are derived from a model that is based on many assumptions. We elaborate on four important ones. First, we have assumed that society consists of two groups, the elite and the common people. Separating society in two homogenous groups is often seen as a main feature of populism (see for example Mudde, 2004**?**; Guriev and Papaioannou, 2020**?**). Therefore, a more comprehensive theory of populism would explain this feature rather than assume it. In our basic model, the common people do not act as a homogenous group. On the contrary, the electoral bias towards the elite results from a higher dividedness of the common people.

The source of this dividedness is inequality in political knowledge. Delli Carpini and Keeter (1996)? have examined the knowledge of voters of different groups of parties' positions on key policy questions. They found that less educated and lower income voters possess less such knowledge. Of course, this does not mean that limited knowledge is the only reason for dividedness of the common people. Another possible reason is that the "common people" consist of a variety of groups with different interests. When the common people consist of $n > 1$ groups, whose members all have limited knowledge of how the project affects them, the bias towards the elite may survive. To see this in the simplest way, suppose that all members of each group j in n receive uninformative signals, $p_{C_j} = \frac{1}{2}$. Then, $\sigma p_E + \frac{1}{2}(1 - \sigma) > \frac{1}{2}$ share of the electorate votes for the platform that benefits the elite. As the common people are not a homogenous group, there are winners and losers under the common people. If $\alpha_j < \frac{1}{2}$, that is members of group j expect to suffer from an elite platform, anti-elitism may emerge again.

Second, in our model the elections revolve around a policy with possibly distributive consequences. In theory, once the policy effects have been realized, the winners could compensate the losers. Yet, for many types of policies this is difficult, for example, because their effects are highly uncertain and only felt in the long term (see also Fernandez and Rodrik, 1991,? who show how this may lead to a status-quo bias). Also, as argued forcefully by Rodrik (2018)?, when reversing a policy is costly, as with trade agreements, governments may promise compensation but have no incentives to carry it out. As a result, ex post redistribution is not credible (see also Acemoglu, 2003?). Finally, measuring policy effects typically involves counterfactual analysis, which is often quite challenging.

Apart from these well-known reasons for the lack of compensation of the losers of policies, our model hints at a novel explanation, which we discuss using our example above, the backlash against globalization. Initially, it was widely believed that globalization would ultimately benefit all (i.e., α was high). If now, as in our model, parties cater to the interest of the elite, they do not use information about how the common people are affected by their proposed policies. In a richer model, in which parties can choose which information to acquire, they would be unwilling to

pay for information they are unlikely to use. Consequently, they remain uninformed about how their policy choice impacts the common people. This may explain why traditional parties failed to notice that the common people became more pessimistic about the benefits of globalization for them (their belief about α declined). In line with this argument, their support for populist parties/policies came at least partially as a surprise to traditional politicians.

A third important assumption is that the signal a party receives is not observable to voters. Rather than consulting party experts, a politician may consult an independent advisory institution. Such recommendations may then be observable to the public. Two situations are possible 1) while the recommendation itself is publicly observable, it is not observed whether it is based on a signal about the elite or the common people, 2) the recommendation is observed, and it is observed whether it is based on the signal about the common people or the elite. Note that only in the latter case, the elite bias will disappear.

Finally, our model describes only one election. We have shown that in such a static setting, anti-elite platforms are not chosen in a two-party system. In a dynamic model, covering multiple elections, anti-elite platforms may also emerge in two-party systems. This requires that parties' platforms of previous elections contain information about what is good for the common people in later elections.[32]

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[32]A recent paper on extremism, Eguia and Giovannoni (2019)**?**, also focuses on intertemporal strategic choices in two-party electoral competition. By moving away from mainstream policies, a weak party incurs electoral costs in the short run but at the same time builds a reputation in extreme policies that may be rewarded with higher electoral success in the long run. In our setting, a "populist" party does not gain a reputation but is given credibility solely through the actions and knowledge of the traditional party.