# International Institute of Social Studies

# Working Paper
## No. 664

Populist politics and pandemics: some simple analytics

*Syed Mansoob Murshed*

October 2020

The Institute of Social Studies is Europe's longest-established centre of higher education and research in development studies. On 1 July 2009, it became a University Institute of the Erasmus University Rotterdam (EUR). Post-graduate teaching programmes range from six-week diploma courses to the PhD programme. Research at ISS is fundamental in the sense of laying a scientific basis for the formulation of appropriate development policies. The academic work of ISS is disseminated in the form of books, journal articles, teaching texts, monographs and working papers. The Working Paper series provides a forum for work in progress which seeks to elicit comments and generate discussion. The series includes academic research by staff, PhD participants and visiting fellows, and award-winning research papers by graduate students.

Working Papers are available in electronic format at www.iss.nl/en/library

**Please address comments and/or queries for information to:**

Institute of Social Studies
P.O. Box 29776
2502 LT The Hague
The Netherlands

*or*

E-mail: wpapers@iss.nl

# Table of Contents

# Abstract

This paper formally models the rise in populist politics during the last decade. In the literature the rise in populism is attributable both to cultural and economic factors. Chief among the latter is the inequality engendered by globalization and technical progress. When the plight of the marginalised is ignored by mainstream centrist parties, populist challengers rush in emphasizing cultural factors, invoking an enviable bygone past reminiscent of the golden age of capitalism. In what follows we apply prospect theory, where disenchanted individuals support populists because they promise to enact what is *desirable*, even at the expense of harming their *already* disadvantaged economic position. Support for populism depends upon the desirability of some of their nationalist policies to an already pre-disposed vote bank, as well as the calculus of meme verification. The model also incorporates political competition between a populist challenger and a liberal politician, where memes and messages are the strategic variables. It is postulated that nations ruled by populists are more likely to suffer more greatly from pandemic shocks, due to their public policies, except through serendipity or when the populist adopts more benevolent authoritarian practices.

## Keywords

# Populist politics and pandemics [1]
## some simple analytics

## 1      Introduction

Definitions of populism and populist political surges are notoriously difficult, but as discussed in Guriev and Papaioannou (2020) it can be described as a "thin centred ideology" which sharply views society as split between two antagonistic groups. Thin centred because of ideological ambiguity, and the divide between 'us' and 'them' suggests that populism rises when society becomes more *polarized*.

There are cultural and economic explanations for such behaviour (Rodrik, 2019). The cultural explanation emphasizes alienation, exemplified not just in the fear of the immigrant 'other', but also in inter-generational and educational divides within native groups (Norris and Inglehart, 2019). Younger, more educated, and economically secure generations embrace more liberal and cosmopolitan values in contrast to older more conservative generations (Eichengreen, 2018). The economic explanations can be sub-divided into long-term trends in labour-saving technical progress (automation) and import penetration (mostly from China) that displaces local manufacturing. These trends result in declining real wages for the median and below median income earning household and also make employment more precarious culminating in economic *inequality* and insecurity for median and below median households (e.g. Autor et al., 2017; Becker et. Al, 2017; Colatone and Stanig, 2018, for example). The inequality also polarizes society into those who are 'for' or against globalization, liberal values, the wearing of face masks and so on. This polarization is more likely when society has a low middle class share of income. The national income share of the middle class (defined as having an income in the range of 25% above and 25% below median national income) declined recently in nearly all Western democracies, with the United States exhibiting the lowest middle-class share, and the UK not far behind with the fourth lowest share (Milanovic, 2016, figure 4.8).

Economic shocks such as financial crises lower trust in existing leadership (Algan et al., 2017) and engender swings to the right; see the survey in Guriev and Papaioannou (2020). Even more important, are the policy responses to economic shocks that disadvantage some of the electorate. Fetzer (2019) demonstrates that fiscal austerity in the UK (post-2010) significantly contributed to the Brexit vote in those regions most adversely affected by austerity. It may be argued that the cultural and economic explanations for the rise in populism are actually inseparable, at least in the sense that growing economic disadvantage and shocks trigger cultural views and prejudices.

The rise of populist politics has a demand side, based upon the causes outlined above. It also has a supply side based on political entrepreneurship of

new entrants who fill a political gap, and who are able to effectively reach out to the disaffected via simple but strong messages, which may include more than a modicum of falsehood. Be that as it may, the growth of populism, and the support for populist parties, which has seen an increase since 2010 (Guriev and and Papaioannou, 2020) results in a realignment of politics away from the traditional left-right divide to an elite versus non-elite struggle creates vacuums that populists can fill (Gennaioli & Tabellini, 2019, for example). A sanguinary blow directed at established elites by supporting populists. even at the risk of further impoverishment, is considered more important than centre-left redistributive rhetoric by many alienated, conservative and insecure voters.

Rodrik (2018) argues that the rise in populism coincides with hyper-globalization. In addition, Rodrik's study shows that the vote share of populist parties since 2000 in selected European and Latin American nations has exceeded 10%. This is confirmed by Guriev and Papaioannou (2020) who point that populist parties and political parties have been on the rise since 2010. The year 2016 marked the apogee of populism, when the United States elected a populist President, and the electorate in Britain voted to exit the European Union at the behest of populist messages. Hence, even in countries where the absence of proportional representation sidelines populist parties in legislatures, populist politicians can function in mainstream political parties. In Latin America, Venezuela for example, populism tends to be left-wing, harking back to the populist left-wing tradition of Peronism in the Argentina during the 1930s.

Mukand and Rodrik (2020) describe right-wing populist politicians as those who exploit cultural differences with minorities, and left-wing populism as those who champion the cause of the relatively poorer. It may be so that right-wing populism is more appealing to voters in societies experiencing greater immigration by those with different ethnicities and religion, and where the degree of social protection does not keep pace with the increase in inequality and marginalization due to policies of austerity. These members of the public conflate both economic and social problems with the influx of migrants, choosing to scapegoat them for nearly all of society's difficulties. The important aspect is that they are encouraged to think in this way by populist politicians and parties. Left-wing movements arise when the majority stands up to the elites.

Indeed, it can be argued that it is no small coincidence that liberal values and democracy coexist (Rodrik, 2017). In other words, electoral democracy is a process which need not necessarily lead to liberal outcomes; see also Zakaria (1997) on illiberal democracy. Equally, liberal values may exist in societies that have limitations on aspects of electoral democracy, such as the principle of universal adult franchise. The majority can always tyrannize the minority in purely elective democracies. Also, populist leaders and regimes show scant respect for the constitutional rules of the game, as well as having a plutocratic agenda, the full extent of which is often concealed from their support base. Arguably, their support base is not overly concerned by their plutocratic predilections, as long as a narrow nationalist agenda is implemented. Moreover,

for the populist base, factual accuracy is unimportant, as long as the messages or memes sent out by the populist leadership are uncomplicated and appealing.

Analytically speaking, behavioural economics (Bowles, 1998 for example) endogenizes individual preferences to social phenomena and history, and the economics of identity (Akerlof and Kranton, 2000) highlighting that individual behaviour is shaped by group identities. All of this implies that individuals can be manipulated by identity based messages to act and vote in certain ways which is in accordance with their identity, but is occasionally against their individual pecuniary interests, although the outcome may advance group (or sub-group) interests. This violates the postulates of the naïve version of *homo economicus* exemplified by the quote at the beginning of the paper. Quite obviously, messages and signals about appropriate identity based behavior are sent out by the political elite, or aspiring leaders, many of whom have quite plutocratic motivations. In the age of social media messages can spread rapidly.

The rest of the paper formally models populist support determination, and political competition between a populist challenger, who is filling in a vacuum caused by the failure of centrist policies, and a traditional centrist or liberal politician. We apply prospect theory, where disenchanted individuals support populists because they promise to enact what is *desirable*, even at the expense of harming their *already* disadvantaged economic position. Support for populism depends upon the desirability of some of their nationalist policies to an already pre-disposed vote bank, as well as the calculus of meme verification. The political competition between a populist challenger and a liberal politician is via memes and messages to the electorate, and these are the strategic variables. It is postulated that nations ruled by populists are more likely to suffer more greatly from pandemic shocks, due to their public policies, except through serendipity or when the populist adopts more benevolent authoritarian practices. In the game form postulated below rival politicians choose the messages they wish to send to the electorate to elicit their support, who then choose whether to believe them based on their predilections and the plausibility of the messages.

## 2 The model and solution

Society has a total population, *N*, which can be decomposed into two groups *A* and *B*, with *A* being conservative, who may support a populist politician. The conservative group derives utility from a nationalist identity and the provision of group specific public goods. *B*, represents the liberal group, who derive their identity from a liberal cosmopolitan standpoint. Membership of these two groups are fluid and changes over time; this can be captured by voting behaviour. Society is unequal so that the median income is lesser than the mean income, $Y_N$. The representative (median) individual belongs to the majority group and has income $Y_i < Y_N$ and in some senses can be considered to be 'poor'. Thus there is both socioeconomic class, as well as identity markers that cut across socio-economic class. Individuals also derive utility from their identity (Akerlof and Kranton, 2000) and self-image (Boulding, 1956). Generically, individual utility (*U*) for a member of the conservative *A* group is:

$$U^A_i = f(Y_i, I_i) \qquad (1)$$

Here, the first term on the right hand side of (1) refers to income, which will be defined in different ways for different types of individuals below. *I* refers to identity based arguments in the utility function. These may be related to the following factors, for an individual *i*, in the *A* group:

$$I = \frac{Y_{Ai}}{Y_N} + \theta_A + \lambda \qquad (2)$$

The first term on the right hand side of (2) refers to the mean income of the majority group ($Y_A$) relative to the population mean income ($Y_N$). The idea is that identity based behaviour dictates that the person derives utility from the mean income of his own group increasing relative to other groups, *even* when his own individual income declines. The second term, $\theta_A$ is a group specific vector of public goods, which is rather like a club good, defined by Cornes and Sandler (1996) in that is non-rivalled but excludable in nature. This includes a variety of nationalistic, anti-immigrant, anti-minority policies, but less public health and education expenditure than in alternative states. The final term, $\lambda$, refers to a vector of identity based actions, as outlined in Akerlof and Kranton (2000), as well as Murshed (2011). In the context of the pandemic this can include denying its existence, attending right wing protests, eschewing face masks and so on. For members of the more liberal group, their utility typically will be in terms of societal mean income, a public good that is available to the entire population, as well as liberal behaviour.

Any individual citizen faces two possible states of the world, which he can only influence via voting and political supportive behaviour. In one, offered by politician *A*, appealing to group *A*, occuring with the probability $\pi$, the voter potentially sacrifices his individual economic interests so as to promote group

interests which take the shape of average group income rising relative to the other group, as well as the provision of the group specific public goods ($\theta_A$). In some societies this could be the outcome of elections[2] or a referendum given the rise in the number of electoral democracies.[3] The individual we are describing here is not a political entrepreneur but is asked to vote for a politician through a mechanism such as a meme. The plutocratic populist politician or political faction then enables the emergence this state of the world via a vector of policies, and presumably further enriches the already rich, but permits some nationalistic identity policies and gestures, such as restrictions on immigration, Brexit and the proscription of Muslims in India. In that event, identity trumps economic interests. In another state, $B$, with probability $1 - \pi$, enlightened self-interest or *homo economicus* prevails. In this state, the economic interests of the majority or median voter (Downs, 1957), as traditionally understood in political economy, are realised along with the universal provision of public goods ($\theta_N$). Public goods include education and health expenditure, club goods encompass nationalistic policies. These may assist in mitigating the effects of the pandemic on excess mortality and unemployment.

We may, therefore, characterise the expected utility of a representative median individual, who may belong to either of the two groups, as:

$$U_i \; = \; \pi[\frac{Y_A}{Y_N} + \theta_A] + (1\text{-}\pi)[\, Y_N + \theta_N]; \theta_N > \; \theta_A \tag{3}$$

In the populist outcome in the first term on the right hand side of (3), relative income of group $A$ rises compared to the mean along with the provision of group specific club goods and policies. In the second type of outcome, indicated by the second term on the right hand side, mean income is more fairly distributed and there is greater provision of public goods.

It would be appropriate to apply prospect theory to the expected utility framework above, following Kahneman and Tversky (1979). Instead of probabilities, individuals assign decision weights to each prospect in their universe of choices. The decision weight depends, not just its likelihood or probability but also its *desirability* in the decision maker's mind. A more worthy prospect is assigned a greater decision weight. Hence, mental framing is crucial to this process.

$$U_i = w_A(\pi, m(a)) \left[\frac{Y_A}{Y_B} + \theta_A - P_A\right] + w_B\big((1 - \pi), n(e)\big)[Y_N + \theta_N - P_B] - \varphi S(a) - (1 - \varphi)S(e) \tag{4}$$

---

[2] Instead of voting other actions, such as protest, violence or genocide can also be incorporated into the model.

[3] As Mukand and Rodrik (2020) point out electoral democracies are not always liberal democracies which have firm constraints on the executive, a commitment to the rule of law and respect for minority human rights.

In (4) above the decision weights are denoted by $w$, the first (populist) outcome's decision weight is a function of its probability, as well as messaging, $m$, from populist politicians. Similarly, the non-populist prospect depends on its probability and messaging, $n$, from more conventional politicians.[4] The parameter $S$ represents the cost of processing messages, $a$ and $e$, from the populist and liberal politicians, equivalent to a signal attraction problem, involving discernment costs. The parameter $\varphi$ reflects the type of individual processing the message. $P_A$ and $P_B$ refer to losses due to the pandemic; it is postulated that $P_A > P_B$, due to greater inequality, less public health expenditures and policies (late lockdowns) in the former case.

Equilibrium individual choices involve maximizing (4) with respect to $a$ and $e$, and arranging them in terms of marginal benefit equal to marginal cost for a representative individual yields:

$$w_A m_a \left[ \frac{Y_A}{Y_B} + \theta_A - P_A \right] = \varphi S_a$$

And

$$w_B n_e [Y_N + \theta_N - P_B] = (1 - \varphi)S_e$$

(5)

In (5) the marginal 'benefit' of the signal is on the right hand side, with the marginal cost on the left hand side. Both the benefit and the cost of the message received from the politician depends upon individual type. The marginal benefit ($m_a$) of the populist to a type $A$ individual is high, and the same individual attaches a high decision weight to the prospect ($w_A$). In other words, type $A$ individuals are pre-disposed to supporting populism. A relatively deprived voter who is precariously employed with declining social protection may give greater credence to the former 'meme' message because it is more intrinsically desirable. Moreover, a powerful meme, when constructed in simple terms, bereft of expert opinion can spread like a virus, irrespective of its veracity. This will occur if the cost of processing is low, as $\varphi \to 0$, as is the case for the type $A$ individual, who is likely to support the populist. Exactly, the converse line of reasoning holds for the type $B$ (liberal) individual for whom $\varphi \to 1$ and the marginal benefit of the liberal political campaign message ($n_e$) is high, as is the decision weight for this outcome ($w_B$). The parameter, $\varphi$, can be subjected to change. It may even evolve over time in a Bayesian fashion, with individuals updating priors based upon current information. Thus, the individual chooses whether to support the message of two competing political camps. If there is an electoral majority of type $A$ individuals, the populist leader or party comes into power. But in the form of the game described by us, this occurs *after* politicians decide on their equilibrium strategies.

The next step, therefore, is to describe political competition. Let us characterise this as the rivalry between a politician or party drawn from group

---

[4] Strictly speaking, only populists send out memes, liberal politicians, although not averse to soundbites and catchphrases, tend to project more measured arguments, which for many members of the public feel like tedious expert arguments.

*A* and one from group *B*. The former, who is the populist, utilises a meme (*a*), and the latter a message (*e*). Although both politicians want to enrich themselves personally, the politician from group *B*, proposes more inclusive policies; whereas the politician from the nationalistic and conservative group emphasises identity, and the fact that the group's interests will go further, even though it will immiserize the poor amongst them even more.[5] The memes and messages themselves are not detailed policy pronouncements but are composed of metaphors that encourage certain types of voting behaviour.

We turn now to objective functions (*V*) of the two politicians:

$$V^A = \pi(a)W_A^A + (1-\pi)(e)W_B^A - C\left(a\left(\frac{c}{r}\right)\right); \ a_1 < 0 \tag{6}$$

And

$$V^B = \pi(a)W_A^B + (1-\pi)(e)W_B^B - E(e) \tag{7}$$

Here the probability of the identity based outcome (*π*) promoted by politician, *A*, is enhanced through memes (*a*), and the probability $1 - \pi$ of the alternative is increased via memes (*e*). The cost functions associated with these memes are given by *C* and *E* in equations (6) and (7) respectively. The *W* parameter indicates pay-offs to the politician from the *A* and B groups (denoted by a superscript); the subscripts indicate who is in power, for example $W^A_B$ indicates the pay-off to *A* when *B* is in power, and so on. In other words, political competition is not over a totally winner take all prize. Furthermore, the pay-offs are composed of:

$$W_A^A = R_A^A - \gamma\theta_A + D \tag{8}$$

$$W_B^A = R_B^A - \beta\theta_N \tag{9}$$

$$W_B^B = R_B^B - (1-\beta)\theta_N \tag{10}$$

$$W_A^B = R_A^B - (1-\gamma)\theta_A \tag{11}$$

$$R_A^A > R_B^A > R_B^B > R_A^B$$

$$C_a > 0, C_{aa} > 0, C_{a1} < 0, E_e > 0, E_{ee} > 0, \pi_a > 0, \pi_{aa} < 0, \pi_e > 0, \pi_{ee} < 0, \pi_{ae} = \pi_{ea}$$

---

[5] The politicians could also make cheap talk policy announcements and then renege on them; see Murshed (2009) for a model of cheap talk in the context of aid conditionality.

In equation (8), the pay-off to the politician[6] from the $A$ group when in power consists of a rent, $R$, when in power less the cost of providing his share ($\gamma > 1/2$) of the public good, $\theta_A$. The parameter $D$ represents an authoritarian rent obtainable by populists representing their control of institutions, including those that exercise constraints on the executive. We can safely assert that during national emergencies, such as a COVID-19 pandemic, these authoritarian rents increase as greater executive powers are assumed. When out of power, equation (9) indicates that the politician from the $A$ group receives a smaller rent, and contributes his share ($\beta < 1/2$) towards the general public good, $\theta_N$. Equation (10) indicates the rent received by the politician from the $B$ group less his share ($1 - \beta$) of the contribution towards the general public good. Similarly, (11) indicates the pay-off when out of power for the elite in the $B$ group, where $1 - \gamma$ is the $B$ political groupings contribution to the sectarian club good $\theta_A$. Rents received by the populist politician are greater than the liberal politician, and total public goods provision is higher under the liberal auspices, compared to the club goods provision by the populist.

The probabilities of the two states of nature ($\pi$ and ($1 - \pi$)) increase with use of the memes ($a$, $e$) by the two political antagonists. The populist message is a classic meme, and in many cases the liberal message is a less attractive expert opinion; it may state the 'truth', but it may lack the power and simplicity of the populist message. These will be the two strategic variables in the arena of political competition. There are, however, diminishing returns to these activities ($\pi_{aa}$ and $\pi_{ee}$ <0).[7] These In addition we postulate that that the costs of sending out the meme messages can diminish ($a_t < 0$) if, following Shiller (2017), the contagion rate, $c$ exceeds the recovery rate, $r$ in equation (6). This will encourage greater meme sending activity ($a$) by the $A$ group politician, which at the limit go 'viral'. A higher contagion rate can be attributed to both long-term and short-term factors. A long history of rising inequality, immiserization of former manufacturing workers, increased immigration can produce conditions in which certain narratives and memes related to the deprivation of the poor, when couched in appropriate identity based narratives, are more likely to both spread fast in the short-run and produce populist outcomes that actually favour the rich but enhance the identity based behavioural aspects of the utility of the poor. By contrast, the more sober non-populist message is not subject to diminishing costs.

The politicians of the $A$ and $B$ group, respectively maximize their value functions with respect to the strategic variables, $a$ and $e$ in (6) and (7) respectively leading to the equating of marginal benefits and costs:

$$\pi_a W_A^A = C_a \tag{12}$$

---

[6] The pay-offs are to be shared among the political elite belonging to the group in question.

[7] If there are increasing returns to scale in the memes then there is a risk of a war of attrition between the two antagonists; see Mavrotas, Murshed and Torres (2011). Also, there is a chance that other, newer, political groupings will enter the game.

and

$$(1 - \pi)_e W_B^B = E_e \tag{13}$$

Equation (12) and (13) can be the basis for deriving reaction functions to describe the non-cooperative behaviour of the two political antagonists. This is done by taking derivatives of (12) and (13) with respect to $a$ and $e$ and taking the ratios:

$$\frac{de}{da/A} = \frac{\pi_{aa}W_A^A - C_{aa}}{-\pi_{ae}W_A^A} \gtreqless 0 \text{ if } \pi_{ae} \gtreqless 0 \tag{14}$$

$$\frac{de}{da/B} = \frac{(1-\pi)_{ea}W_B^B}{E_{ee} - (1-\pi)_{ee}W_B^B} \gtreqless 0 \text{ if } \pi_{ae} \gtreqless 0 \tag{15}$$

As can be readily discerned if the two strategies are complements ($\pi_{ae} > 0$) the reaction functions of both parties will be positively sloped as in figure 1. If, however, the strategies are substitutes ($\pi_{ae} < 0$) then the reaction functions are negatively sloped as in figure 2. The latter situation can arise if say the liberal leaders from group $B$ are weakened, and any increase in the profitability of messaging by the leadership of the majority group can cause group $B$ leaders to frantically engage in more messaging to counter the effectiveness of the memes of the majority. $R^A$ refers to the reaction functions of the $A$ group politician, and $R^B$ indicates reaction functions of the minority, $B$ group politicians.

When a pandemic strikes the nation state hard, as it did in many countries in 2020, we would expect some variations in the parameters. We postulate that the pandemic hits harder when the state is run by the populist in the outcome denoted by state $A$ in (4), $P_A > P_B$. This is because public health expenditure and pandemic prevention policies, such as the speed of imposing lockdown, are smaller in that state. In empirical terms, excess mortality would be greater in populist states, unless via serendipity, or if the populist rulers behave more like benevolent authoritarian rulers, increasing health expenditure and preventive measures.

In countries ruled by established populists, the accumulated rent via, the parameter $D$ in equation (8) is high. This may become even greater given the tendencies for post-pandemic autocratic power grabs and the heightened use of executive orders (Hungary, for example); see Coyne and Yatsyshina (2020). In some cases the costs of signalling to the populist leader may diminish in (6), via $a_1 < 0$. Both these factors will affect the payoffs from power and lower the cost of meming in (6), (8) and (12). The reaction function of the populist leader shifts upwards along the reaction function of the liberal politician. The populist is incentivized to meme more, and his opponent must also follow suit. From the initial position at point A in figures 1 and 2, the new equilibrium will be at point B. In figure 1 both parties will have increased their messaging efforts to the electorate. This is when meming and messaging are strategic complements for both parties, as is usually the case. In figure 2, when the strategies are

substitutes, an increase in the profitability of meming on the part of the majority group ($A$) leaders causes less effort by group $A$ in terms of $a$ and more effort by group $B$ in terms of $e$, for the reasons outlined in the previous paragraph. In that case the liberal or centrist political faction has to counteract more, whereas the populist is in such a strong position that he has to meme less. There is the possibility, however, for changes in the parameter $\varphi$, based upon the success or failure of pandemic management. If either because of policies or sheer serendipity the pandemic does not cause much excess mortality (Hungary, Poland), then the public faith in the populist may remain buoyant. If, however, as is the case in the USA, the UK, India and Brazil populist leaders preside over large excess mortality outcomes due to the COVID-19 outbreak, faith in the populist leader's ability to manage the ravaged economy and the pandemic may diminish, $\varphi$ could rise in (5).

# 3    Conclusions

Our present time is characterised by the growth of populism and illiberalism almost universally. Illiberal objectives are more often than not achieved via the ballot box. This frequently involves making the median voter vote for a party or package that will immiserize him individually but enrich the group in a fractionalised society. His behaviour is encouraged as being in conformity with identity based behaviour. Additionally, in many developing countries leaders strengthen their positions, increase their incumbency in office by promising to promote development in return for greater power, akin to a Hobbesian authoritarian contract. In understanding these differences, we can draw upon the findings in experimental behavioural economics, but especially the economics of identity, which inform us that individuals do not always obtain utility by maximising individual income. Rather their preferences are partly determined by social interaction, including the influence of social media and this may lead them to violate the postulates of *homo economicus*, by allowing identity based actions to trump personal pecuniary interest. In some circumstances certain false messages (memes) can become more attractive and spread more rapidly, especially in the context of endemic poverty and rising inequality.

This paper has presented a formal model of populist politics which features both individual choice for populist support, as well as electoral competition in the form of memes and messages between rival politicians, one of whom is a populist. It is the politician's choice of message and its appeal to the electorate that determines the political outcome. Individual choices are framed not just by the traditional political economy regard for individual economic self-interest, but by decision weights as in prospect theory, emphasizing desirability rather than pure probability. The median voter may find the populist message more desirable in the contexts discussed at length in the populism literature, but the message also needs to be credible, and the model introduces verification costs. In the context of populist leadership, pandemics can strike harder with more excess mortality and economic fallout because modern right-wing populist governments invest less in public health and preventive measures, and society in general is more unequal. Casual empiricism would support that postulate, as evidenced by the cases of the United States, the UK, Brazil and India. Populists may also use the pandemic to consolidate their hold on power by grabbing rights to rule by decree and initiate policing by executive order. There is, however, the possibility that populist ruled states are spared some of the worst ravages of the pandemic through sheer luck (Hungary); that non-populist governed nations adopt *laissez faire* type populist policies (Sweden); that populists behave benevolently and act swiftly to counter the pandemic and its effects, as some authoritarian rulers occasionally do.  Either way, the current pandemic may engender a revision of the electorate's perceptions about those who govern them.
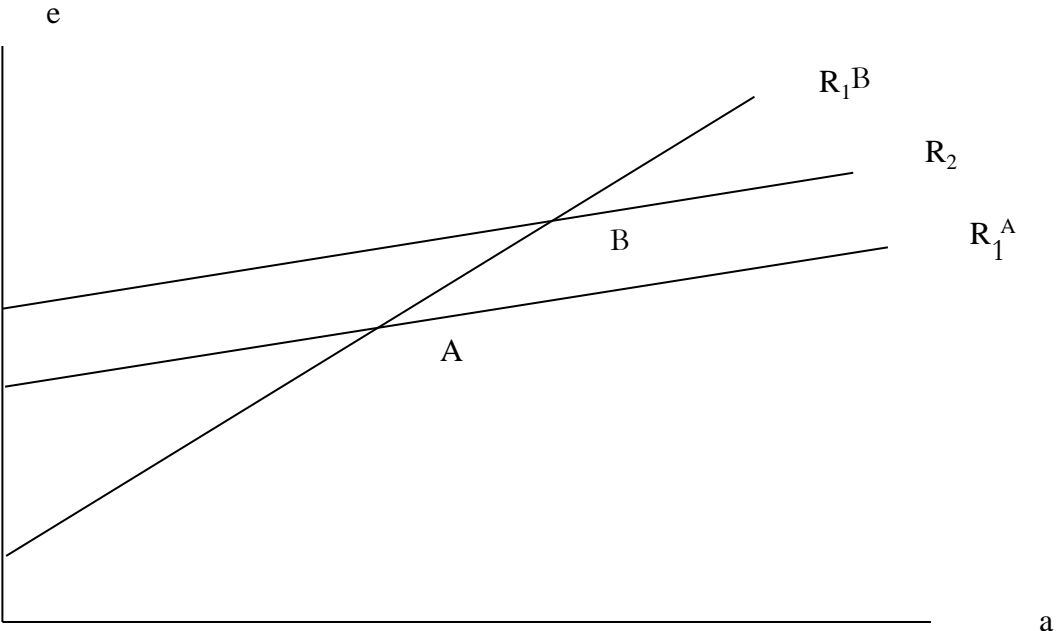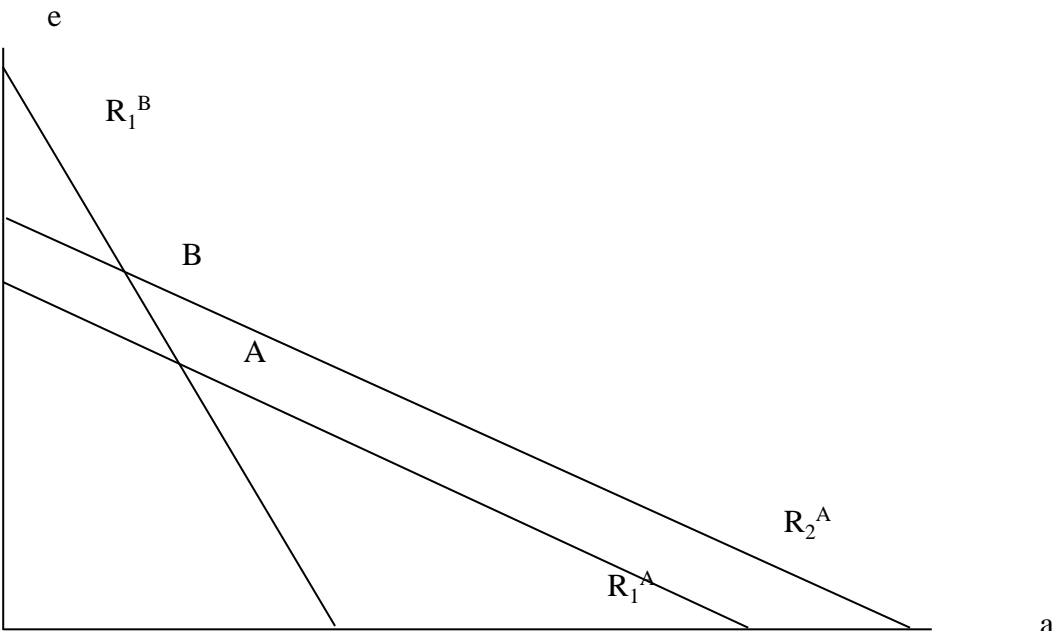
Figure 1: Strategic complements

e

$R_1B$

$R_2$

$R_1^A$

B

A

a

Figure 2: Strategic substitutes

e

$R_1^B$

B

A

$R_2^A$

$R_1^A$

a

# References

Algan, Y., Guriev, S., Papaioannou, E. and E. Passari (2017) 'The European Trust Crisis and the Rise of Populism', *Brookings Papers on Economic Activity* Fall: 309-382

Akerlof, G. and R.E. Kranton (2000) 'Economics and Identity', *Quarterly Journal of Economics* 115(3): 715-753.

Autor, D., Dom, D. Hanson, G. and K. Majlesi (2017) ' Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure', MIT Working Paper.

Becker, S.O., Fetzer, T. and D. Novy (2017) 'Who voted for Brexit? A comprehensive district level analysis', *Economic Policy* 32(92): 601–650.

Boulding, K.E. (1956) *The Image: Knowledge in Life and Society*, Ann Arbor: University of Michigan Press.

Bowles, S. (1998) 'Endogenous Preferences: The Cultural Consequences of Markets and Other Economic Institutions', *Journal of Economic Literature* 36(1): 75-111.

Colantone, I. and P. Stanig (2018) 'The Trade Origins of Economic Nationalism: Import Competition and Voting Behavior in Western Europe', *American Journal of Political Science* 62(4): 936-953.

Cornes, R. and T. Sandler (1996) *The Theory of Externalities, Public Goods, and Club Goods*, 2nd edition, Cambridge: University Press.

Coyne, C.J. and Y. Yatsyshina (2020) 'Pandemic Police States', *Peace Economics, Peace Science and Public Policy* 26(3), doi: 10.1515/peps-2020-0021.

Downs, A. (1957) *An Economic Theory of Democracy*, New York: Harper and Row.

Eichengreen, B. (2018) *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*, Oxford University Press.

Fetzer, T. (2019) 'Did Austerity Cause Brexit' *American Economic Review* 109(11): 3849-3886.

Gennaioli, N. and G. Tabellini (2019) 'Identity, Beliefs, and Political Conflict', CEPR Discussion Paper No. DP13390.

Guriev, S. and E. Papaioannou (2020) 'The Political Economy of Populism', CEPR Discussion Paper No 14433.

Kahneman, D. and A. Tversky (1979) 'Prospect Theory: An Analysis of Decision under Risk', *Econometrica* 47(2): 263-292.

Mavrotas, G., Murshed, S.M. and S. Torres (2011) 'Natural Resource Dependence and Economic  Performance in the 1970-2000 Period', *Review of Development Economics* 15(1): 124-38.

Milanovic, B. (2016) *Global Inequality: A New Approach for the Age of Globalization*, Cambridge MA.: Belknap Press for Harvard University Press.

Mukand, S. and D. Rodrik (2020) 'The Political Economy of Liberal Democracy', *Economic Journal* 130(627): 765-792.

Murshed, S.M. (2009) 'On the Non-Contractual Nature of Donor-Recipient Interaction in Development Assistance', *Review of Development Economics* 13(3): 416-428.

Murshed, S.M. (2011) 'The Clash of Civilizations and the Interaction between Fear and Hatred', *International Area Studies Review* 14 (1): 31-48.

Norris, P. and R. Inglehart (2019) *Cultural Backlash: Trump, Brexit and Authoritarian Populism*, Cambridge: University Press.

Rodrik, D. (2017) *Straight Talk on Trade: Ideas for a Sane World Economy*, Princeton: University Press.

Rodrik, D. (2018) 'Populism and the Economics of Globalization', *Journal of International Business Policy* 1: 12–33. Retrieved from: https://doi.org/10.1057/s42214-018-0001-4.

Rodrik, D. (2019) 'What's Driving Populism?', Project Syndicate, 9 July. Retrieved from: https://www.project-syndicate.org/commentary/economic-and-cultural-explanations-of-right-wing-populism-by-dani-rodrik-2019-07

Shiller, R. (2017) 'Narrative Economics', *American Economic Review* 107(4): 967-1004.

Zakaria, F (1997) 'The Rise of Illiberal Democracy', *Foreign Affairs* 76(6): 22-43.