## Populism and the Freedom of Speech

by

Ferenc Szûcs

Submitted to Central European University Department of Economics

In partial fulfillment of the requirements for the degree of Master of Arts

Supervisor: Adam Szeidl

Budapest, Hungary

2012

#### Abstract

In this paper I analyze the relationship of populism and the information transmission between different groups of the society. The main goal of the paper is to understand the emergence of right-wing populism and the strong associations between populism and anti-intellectualism. The key idea is that populist policy is used by incompetent governments to discredit the criticism of the intellectuals. The paper claims that populism is in positive relationship with social conflict and with the probability of a pro-intellectual government. The thesis also implies that free press and social cohesion are complements in decreasing populism and there is a relationship between populism and the decline of press freedom. In addition, I provide anecdotal and empirical evidence to support the mechanism and the implications of the model.

Contents	2
I Introduction	3
II Model of populism	8
1 Setup	8
2 Equilibrium	11
3 Censorship	13
4 Endogenous freedom of speech	15
III Evidence	19
5 Discrediting criticism	19
6 Interaction between communication and trust	20
7 Anti-intellectualism	24
IV Conclusion	28
A Appendix: Proof of Proposition 1	30
B Appendix: Proof of Proposition 2	35
C Appendix: Proof of Proposition 4	39
References	41

#### Part I

## Introduction

Many parties, governments, or leaders are labeled as populists by public opinion. We can list many examples from both political left and right and from a wide array of democratic countries. Leaders such as Hugo Chavez, George W. Bush, Jaroslaw Kaczynski or Viktor Orban are frequently characterized as populists. Politicians are usually labeled as populists if they harm the majority of the society in the name of the interest of ordinary people (Canovan, 1999; Hawkins, 2003). More precisely, a populist politician is seeking voter support by defining a nonmedian position (Acemoglu, Egorov, and Sonin, 2011). Moreover, populism is often considered a great threat to governmental accountability, which makes it an important phenomenon for political economic analysis.

Despite its great practical relevance, populism has attracted relatively little attention among academic economists. Although a few recent papers have contributed to our understanding of left-wing populism, they have a hard time credibly explaining right-wing populism (Acemoglu, Egorov, and Sonin, 2011; Maskin, and Tirole, 2004; Canes-Wrone, Herron, and Shotts, 2001). For example, Acemoglu, Egorov, and Sonin (2011) argue that moderate politicians choose left-of-center policies to signal that they are not in favor of a rich elite. Although their model can sometimes explain right-wing populism as well, the required conditions do not seem to be met in some important examples of right-wing populism. More specifically, they argue that if there is a threat of the incumbent having a hidden left-wing agenda, then right-biased policies may signal right preferences. Although this story may be a good explanation of the right-wing populist regimes of Latin-America, where politicians can be secretly communist, it does not provide a plausible answer in the case of North American or recent Eastern European populists. It is not convincing that the anti-intellectual populism of the McCarthy era was fueled by the fear that president Eisenhower was a secret left-winger, since all his career as a decorated general and republican politician signaled his anti-communist preferences.<sup>1</sup>

Another shortcoming of previous models of populism is that they fail to explain the strong relationship between populism and anti-intellectual standpoint. This is an important drawback, since anti-intellectual tradition is also strong among right-wing populists, who otherwise act in favor of a rich elite.<sup>2</sup>

In my thesis, I build a model which gives an integrated answer to the emergence of both left- and right-wing populism. This model aims to give a better explanation for the righ-wing populist regimes like Eisenhower, Kaczynski or Orban than existing theories of populism. It also contributes to our understanding of anti-intellectual measures of right-wing populists.

The key idea of the paper is that populism aims to discredit criticism of the intellectual elite. For example, suppose that intellectuals working at universities criticize the regime. If the regime cuts the budget of these universities — a populist act — ordinary people may attribute the criticism of intellectuals to their narrow self-interest, rather than to genuine concerns about the competence of the government. More precisely, since the interests of the intellectuals and those of the average citizens contradict each other only partially, criticism by the intellectual elite has a cheap talk aspect. The median voter believes the guidelines of intellectuals are public interest. As a result of this, incompetent

<sup>&</sup>lt;sup>1</sup>The same resoning may be true for Viktor Orban, who played a very active role in the anti-communist movements of the 1980's.

<sup>&</sup>lt;sup>2</sup>The anti-academic steps of the Peron regime and the McCarthy era are good examples of the antiintellectual measures of right wing populist governments.

or corrupt governments may find it beneficial to implement policies which they do not consider the best, but help them to hide their incompetence or corruptness.

The model has several implications. The populism is stronger in more divided societies. It is because a strong conflict of interest makes populism more efficient in discrediting criticism. For example, in the 1950's American society was divided about the danger of communism. Intellectuals were much less hostile to left-wing ideology, than ordinary Americans. As a result of this, strong anti-communist steps, like the Hollywood blacklist or the Levering Act of Governor Earl Warren, were efficient to verify that criticism is not because of the incompetence of the administration. Another implication, which is in line with this example, is that populism is increasing in the probability of a pro-intellectual government. The explanation of this is that if people are afraid of not being represented against the intellectual elite, then any signal of pro-voter preferences is very important.

A new feature of this model is that it makes possible to analyze the relationship between communication and populism. It implies that there is a complementarity between press freedom and social cohesion, since the effect of communication is in relation with the level of conflict between different groups. If the conflict of interest is low, then communication is beneficial and decreases the threat of populism, while in a very divided society communication may strengthen populism. This result, that transparency may have a detrimental effect, relates this model to Prat (2005), which has similar consequences, though through a different mechanism. The model also implies that governmental steps to decrease the freedom of speech are correlated with populism.

The model has welfare implications, too. Since populism may hinder the use of the superior information of intellectuals, it decreases the accountability of incompetent governments. Consequently, populism has two different drawbacks, bad policy

5

choice and worse selection of politicians. This latter aspect is in correspondence with the low governmental performance of populist regimes documented in studies about 'populist cycles' such as Sach (1989) or Dornbusch and Edwards (1991).

In addition to theoretical findings, I collect some evidence to illustrate the mechanism and check the implications of the model. I provide anecdotal evidence taken from recent Hungarian politics to support the mechanism of the model and show that populist policies are used to deflect criticism. In addition to this, I use a sample of 35 chief executives to check that implications are in line with the main patterns of the data.

In this section I regress populism on income inequality, press freedom, and the interaction of these and find that - controlling for GDP per capita - inequality increases (p-value 0.038), press freedom decreases (p-value 0.009), and their interaction increases (p-value 0.015) populism. Data supports that dividedness increases populism and that there is a complementarity between press freedom and social cohesion in decreasing populism. I also regress the change of press freedom on populism and find that - controlling for GDP per capita and years in office - moving from the lower to the upper quarter of populist regimes is associated with a 4 point change in the Press Freedom Index (p-value 0.002). Although this result cannot be interpreted as causal evidence, it is consistent with the prediction of the model that populism is associated with the decline of press freedom.

Literature. My paper is related to three other branches of literature. It is connected to the political economic theories of governmental accountability like Besley (2005, 2006) and Persson and Tabellini (2000). The logic outlined in this model can be linked to Coate and Morris (1995), who show that governmental accountability leads to inefficient transfer policies. Bad type politicians choose hidden but inefficient ways of transfers because the voters can not commit themselves to re-elect a bad type politician. This logic is related to the situation discussed here, since voters can not commit themselves to re-elect an incompetent politician if she reveals her type.

This model also relates to the literature of cheap talk. Like in Crawford and Sobel (1982), the stronger the conflict of interest between the sender and the receiver, the less information is transmitted. Here this means that as the inequality increases the voters are getting more gullible to populists.

Finally, the paper also relates to the literature of media bias. Gentzkow and Shapiro (2006) and (2008) analyze the sources and consequences of media bias and the role of competition in the media market.

The structure of the paper is the following. In the next part I discuss the baseline model and two short extensions. The third part gives anecdotal and empirical evidence to support the model. In the fourth part I draw conclusions.

### Part II

# Model of populism

#### 1 Setup

In this part I outline the model of this paper, which aims to analyze the relationship of populism and information transmission. The model has three players, the politician, the intellectual elite (for simplicity, I will refer to the intellectual elite as simply the elite) and the median voter. The politician can be pro-voter or pro-elite, with probabilities  $\alpha$  and  $1 - \alpha$  respectively. The pro-voter politician is competent with a probability of  $\frac{1}{2}$  (and incompetent with a probability of  $\frac{1}{2}$ ), the pro-elite politicians are competent for sure. The model consists of two governmental periods where the politician chooses a policy. Between these two periods there is an election. Before the election, the elite is able to criticize the incumbent politician (without any cost) in the hope of removing her from her office.

The timing of the game is the following:

- 1. The state of the world  $\theta \in (0, 1)$  and an incumbent politician is chosen.
- 2. The incumbent politician observes  $\theta$  and chooses the first period policy  $x_1 \in \{0,1\}$ .
- 3. The elite observes  $\theta$ , the competence of the politician and then chooses whether to criticize the government or not, formally  $c \in \{0, 1\}$ .
- 4. Voter observes the first period policy  $(x_1)$ , the possible criticism (c) and decides whether to re-elect the politician or not.
- 5. The elected politician chooses a second period policy  $x_2 \in \{0,1\}$ . Payoffs

realize.

The payoff functions of different players are the following. I use female pronouns for the politician and male pronouns for the elite and the voter.

*Voter* - The median voter always prefers a competent politician, but his policy preferences depend on the state of the world. His per period payoff function is given by

$$w^{v} = \begin{cases} \sum_{t=1}^{2} x_{t} R^{y_{t}} & \theta < \frac{1}{2} \\ \sum_{t=1}^{2} (1-x_{t}) R^{y_{t}} & \theta \ge \frac{1}{2} \end{cases},$$

where  $y_t$  is one if the incumbent politician is incompetent and zero otherwise. This function means that, if the state is smaller than  $\frac{1}{2}$ , then the voter prefers  $x_t = 1$ , while if the state is bigger than  $\frac{1}{2}$ , then he prefers  $x_t = 0$ . He gets a payoff of 1 if his preferred policy is implemented and gets zero otherwise. The voter prefers a competent politician, since in case of an incompetent government his payoff is discounted with a factor R < 1 (since R is on the power of  $y_t$ ). R is uniformly distributed on (0, 1) an its actual realization is the private information of the voter, politician only knows its distribution.

*Elite* - The elite also prefers competence and his policy preferences are also state dependent but differ from those of the voter. His objective function is given by

$$w^{e} = \begin{cases} \sum_{t=1}^{2} x_{t} R^{y_{t}} \\ \sum_{t=1}^{2} (1-x_{t}) R^{y_{t}} \\ \theta \ge \frac{1}{2} - \delta \end{cases} \quad \theta \ge \frac{1}{2} - \delta$$

where  $\delta$  expresses the difference in the policy preferences of the elite and the median voter. This difference is bigger if the society is more divided. In reality it is very likely that there are differences between the political preferences of intellectuals and the median voter. Intellectuals' political bliss point may be either to the left or to the right of the bliss point of the median voter. Intellectuals may be left biased, since they are more in favour of economic openness and technical progress (Rodrik, 1997). It is because they are less likely to be affected negatively by the creative destruction of globalization and technical change than low skilled workers. In other cases intellectuals can be right biased. For example, as a result of their higher income they may support less redistributive policies.

The meaning of this payoff structure is illustrated by the following example. Assume that  $x_t = 0$  means a subsidy to foreign direct investment, while  $x_t = 1$  means no subsidy. If these investments bring advanced technologies to the country and the spillover is big enough, then the whole society prefers  $x_t = 0$ . This situation is represented by a  $\theta \in [\frac{1}{2}, 1]$ . If the spillover is not big enough only high skilled workers (intellectuals), who work in the more efficient foreign companies, benefit from  $x_t = 0$ . In this case  $\theta \in [\frac{1}{2} - \delta, \frac{1}{2})$ . Finally, if foreign companies do not bring advanced technologies and pay higher wages, then the subsidy is bad for the whole society (since implies higher taxes), which case is represented by a  $\theta \in [0, \frac{1}{2} - \delta]$ .

Elite has the same discount parameter R as that of the voter. This may reflect the value of any payoff-relevant characteristic of the politician in which there is agreement between the voter and the elite. Incompetence is only one example, it can also be the level of rent-seeking, since every group of the society prefers to have as low rents extracted by the government as possible.

Politician - The politician has three types, denoted by  $t \in \{v, e, i\}$ . The competent pro-voter politician (t = v) is policy oriented and her preferences are the same as those of the voter, formally  $f^v = w^v$ . The pro-elite politician (t = e) - who is always competent - is interested only in the policy and shares the views of the elite, formally  $f^e = w^e$ . The incompetent politician (t = i) is office and policy oriented at the same time, her objective function is given by

$$f^i = aw^v + \sum_{t=1}^2 r_t,$$

where a shows the strength of the politician's policy orientation. This variable is uniformly distributed on (0, 1), and its exact realization is only known by the politician.  $r_t$  expresses the office preference of the incompetent politician, since it is one if she is in office in time t and zero otherwise.

#### 2 Equilibrium

In this section I describe the equilibrium of the model. The equilibrium concept used is perfect Bayesian.

The equilibrium of this model is the following. In the second governmental period all types of politician act in favor of their preferred group, since there is no more elections. Before the election the elite complains if the incumbent is incompetent or it has chosen  $x_1 = 1$  and  $\theta \in \left[\frac{1}{2} - \delta, \frac{1}{2}\right)$ , which means that we are in the region of conflicting interests. In the first period both competent types (pro-voter and pro-elite) act in favor of their preferred group, since they are not interested in staying in office. On the other hand, incompetent politician chooses  $x_1 = 1$  if  $\theta < \frac{1}{2}$ , and plays  $x_1 = 1$  in case of  $\theta \ge \frac{1}{2}$  if the parameter of policy preference a is bigger, than an  $a^F$  threshold value. In this case, the incompetent politician acts as a populist, since she goes against the grain and plays  $x_1 = 1$  — even when she prefers  $x_1 = 0$  — just to increase the chance of being re-elected. The actual level of this populism ( $a^F$ ) is dependent on the parameter values  $\alpha$  (prior probability of a pro-voter) and  $\delta$  (level of social conflict). These relationships are summarized in Proposition 1.

**Proposition 1** For every  $\delta \in (0, \frac{1}{2})$  and  $\alpha \in (0, 1)$ :

- The probability of populism (a<sup>F</sup>) and the chance of being re-elected in case of x<sub>1</sub> = 1, c = 1 are increasing in δ and decreasing in α.
- The chance of being re-elected in case of x<sub>1</sub> = 0, c = 0 is decreasing in δ and increasing in α.

#### **Proof.** See in Appendix A.

Proposition 1 expresses two important implications of the model. The first is that social conflict makes the threat of populism stronger. Indeed, the fraction of incompetent politicians who chooses populist strategy is increasing in the level of  $\delta$ . Besides, stronger social conflict results in higher voter gullibility to populism, since the chance of being re-elected in case of  $x_1 = 1, c = 1$  increases in  $\delta$ . This means that populism is harmful for two distinct reasons. First, populism distorts first period policy choice. Second, it results in a worse selection of politicians in terms of competence. The relationship of  $a^F$  and  $\delta$ , for different levels of  $\alpha$ , is expressed in Figure 1.

The intuition of this result is the following. In this model the government is evaluated in two dimensions. In the first dimension — competence — there is an agreement between social classes but the second dimension — policy choice creates a conflict between the elite and the voter, since there is a region of states  $\theta \in \left[\frac{1}{2} - \delta, \frac{1}{2}\right)$  where the elite wants  $x_1 = 0$  but the voter prefers  $x_1 = 1$ . As a result of this, the elite may criticize the government in two different cases, when the government is incompetent (which is bad for the whole society) and when the government implements a policy which is detrimental for the elite but good for the voters. Since only the intellectuals have information about the state (voter does not), then the government can use the policy choice to intensify the conflict



between the two groups, by hiding those situations where there is no disagreement. It may be necessary because if a politician is criticized but has played  $x_1 = 0$ , then the voter will know for sure that she is incompetent. To avoid this, politician may play  $x_1 = 1$  in every state (even in those when it is bad for everyone) to discredit the criticism of the elite. If the social conflict is stronger, then it is easier for the incompetent populist to imitate that she is criticized because of being a true advocate of voter interests.

To translate it to the language of the previous example, an incompetent government may want to avoid FDI subsidies, even if it is beneficial for the whole society, because in this case criticism could be attributed to the violation of high skilled interests. Populism is more compelling if voters are more gullible to it, hence FDI subsidies are more exposed to populist cuts if they generates a strong conflict between intellectuals and voters.

#### 3 Censorship

In this section I modify the model by removing the right of the intellectual elite to criticize the government. The aim of this exercise is to analyze the relationship of populism and the freedom of speech. The game is the same as previously, except that the elite can not criticize the government before the election. The qualitative implications of this modified model are the same as those of the baseline model. If the social conflict is higher the danger of populism is getting stronger. The danger of populism appears in two forms, in the high fraction of populists among incompetent politicians and in a higher level of voter gullibility to populism. This model also shows that populism harms society in two different channels. One channel is the first period policy choice and the other is worst selection of politicians in terms of competence.

Although qualitative implications of the two setups are the same their quantitative implications differ. These differences are summarized in Proposition 2.

**Proposition 2** 1. If  $\delta < \frac{3\alpha^2 - 7\alpha + 4}{2\alpha^2 - 10\alpha + 8}$ , then the freedom of speech increases populism.

If  $\delta \geq \frac{3\alpha^2 - 7\alpha + 4}{2\alpha^2 - 10\alpha + 8}$ , then the freedom of speech decreases populism.

2. An incompetent politician is always worse off in case of press freedom.

A pro-voter politician is worse off in case of press freedom if  $\theta \in \left[\frac{1}{2} - \delta, \frac{1}{2}\right)$ , otherwise she is better off.

A pro-elite politician is always better off in case of press freedom.

#### **Proof.** See in Appendix B. ■

Proposition 2 states that under different levels of social conflict information transmission may have different effects on populism. The intuition behind this result is straightforward. If the interests of voters and intellectuals are close to each other, then voter trusts in the elite. As a result of this, communication decreases the gullibility to populism, in other words, the cost of populism gets higher. On the other hand, if the conflict of interests is very high, then there is no trust





between social groups, so the cost of populism becomes low. At the same time communication makes it necessary to discredit intellectuals to remain in office. It is because under press freedom no incompetent could win the election without populism, while in case of censorship incompetent politician may win without being a populist. Consequently, communication and trust are complements in decreasing populism. This result is plotted in Figure 2.

The other result is that the incompetent politician is always better off if there is censorship, since she is always criticized. However, pro-elite politician is always better of in case of press freedom and pro-voter politician is also better off, if she is not criticized. It is because not being criticized in case of press freedom is a good signal, hence it is better than the censorship.

#### 4 Endogenous freedom of speech

In the last two section I derived a model which treated the possibility of communication between social groups exogenously. Although it gave us some insights about the possible complementarity between the credibility of intellectuals and the freedom of speech, but it did not take into account that populism and press freedom might be jointly determined. To fill this gap in this section I partly endogenize the decision on the freedom of speech to analyze associations between populism and the changes of press freedom.

In this extension the country of interest starts with free press. Unlike in the baseline model incumbent politician has the chance to influence press freedom. If she does not like press freedom, she can introduce censorship with a probability of  $\gamma$ . The timing of the game is the following:

- 1. The state of the world  $\theta \in (0, 1)$  and an incumbent politician is chosen.
- 2. The incumbent chooses whether to introduce censorship,  $P \in \{0, 1\}$ . This attempt succeeds with a probability of  $\gamma$ .
- 3. The incumbent politician observes  $\theta$  and chooses the first period policy  $x_1 \in \{0, 1\}$ .
- 4. If the press is free, then the elite may criticize after observing  $\theta$  and the competence level.
- 5. 6. Same as in the baseline model.

Strategies of all players are contingent on the state of the press and they are the descartes product of the strategies of the free press and the censorship solutions. It means that, if the press turns out to be free, players act the way they did in the baseline model, while if there is censorship, they act as they did in the first extension. The new feature of this setup is that some of the politicians try to introduce censorship.

As a measure of change in press freedom, I use the expected value of P times  $\gamma$ . To figure out how this change relates to populism, we have to focus on states of nature when  $\theta \geq \frac{1}{2}$ , since populism is defined as playing  $x_1 = 1$  if  $\theta \geq \frac{1}{2}$ . As a result, the relationship of interest is denoted by  $\tau$  and given by Definition 3.

**Definition 3**  $\tau \equiv \gamma \left[ E\left(P|x_1=1, \theta \geq \frac{1}{2}\right) - E\left(P|x_1=0, \theta \geq \frac{1}{2}\right) \right]$ 

An important comparative statics of this relationship is given by Proposition 4.

**Proposition 4**  $\tau$  is increasing in the probability of populism conditional on free press  $(a^F)$ .

#### **Proof.** See in Appendix C. $\blacksquare$

The intuition of this result is the following. For  $\theta \geq \frac{1}{2}$  only incompetent politician wants to introduce censorship. If the ratio of populists among incompetents  $(a^F)$  is increasing, the association between populism and incompetence becomes stronger, hence the relationship between populism and censorship also gets stronger. Although this is a nice result, unfortunately  $a^F$  is not what we can observe in the data. We can observe only ex post level of populism, which is given by

$$\widehat{a} = (1 - \gamma E(P))a^F + \gamma E(P)a^C = \left(1 - \frac{1}{2}\alpha\gamma\right)a^F + \frac{1}{2}\alpha\gamma a^C.$$
(1)

The relationship of  $\hat{a}$  and  $a^{F}$  is not straightforward. On the one hand,  $a^{F}$  and  $a^{C}$  are both increasing in  $\delta$ , but  $\delta$  does not affect the probability of press freedom. Consequently, if  $a^{F}$  is increasing as a result of the change of  $\delta$ , then observed populism ( $\hat{a}$ ) will also increase. On the other hand,  $a^{F}$  and  $a^{C}$  are both decreasing in  $\alpha$ , but the probability of press freedom also decreases in  $\alpha$ . As a result of this, if  $a^{F} < a^{C}$ , then an increase in  $\alpha$  has a negative effect on both  $a^{F}$  and  $a^{C}$ , but it has a positive composition effect as well. In some cases this composition effect may offset the direct effect on  $a^{F}$  and  $a^{C}$ . Consequently, the data will show a weaker relationship than implied by Proposition 4.

Although the composition effect discussed above results in a downward biased relationship, nevertheless the model suggests a positive association between populism and the erosion of press freedom. The explanation of this is that both populism and the decline of press freedom are consequences of incompetence. Incompetent governments are frequently criticized, and they have two different methods to get rid of the educated complaints. They can limit the chance of being criticized directly by decreasing the freedom of speech, or they may discredit intellectuals by implementing populist policies. Consequently, both populism and censorship can be seen as attempts to decrease governmental accountability, which are often combined by incompetent governments.

### Part III

## Evidence

In this part I provide some anecdotal and empirical evidence to support the mechanism and the implications of the model.

#### 5 Discrediting criticism

In this section I use a few examples, taken from recent Hungarian politics, to support the mechanism of the baseline model, and argue that some policies are implemented to give the impression that criticism is not trustworthy.

The question of national sovereignty is a major source of conflict between Hungarian intellectuals and voters and their judgements on the optimal strength of European integration and economic openness are different. Thus, it is no wonder that a government maximizing popular votes is implementing policies considered nationalist by the intellectual elite. Indeed, the Hungarian government has been strongly criticized by intellectuals and EU institutions. Nevertheless, legislations against foreign capital were not the only source of criticism. The government was labeled as highly incompetent and anti-democratic in many Hungarian and European journals. As a result of this, the government needed to strengthen the conflict between intellectuals (both Hungarian and other European) and voters, and the question of economic sovereignty provided a good opportunity to discredit criticism.

The 'war of economic independence' waged by the Fidesz government is a possible example for divisive politics (Miniszterelnok, 2009). In December 2011 the Hungarian parliament has accepted a few acts, which according to the European Commission were in contradiction with EU legislation. This confrontation with the EU Commission resulted in the postponement of the precautionary financial assistance agreement with the EU and the IMF. Most analysts agreed that this confrontation did not serve public interest (HVG, 2012a). In spite of this, the government communicated this as a battle fought for Hungarian national interest. Moreover, the government used these conflicts as explanations of European criticisms. Indeed, Viktor Orban has said in an interview that they are not surprised about the European criticism, since the EU wants a left-wing government, which does not represent Hungarian interests so consistently (Miniszterelnok, 2012).

Another good example for the intention of discrediting intellectuals was the reply of the floor leader of Fidesz (Janos Lazar) to the criticism of the later resigned secretary of energy policy (Janos Bencsik). Lazar has submitted a bill which aimed to make it harder for suppliers to switch off electricity. Although the secretary criticized the bill on the basis of professional arguments, Lazar has accused him of being an advocate of suppliers instead of consumers (Origo, 2011).

These examples provide some anecdotal evidence to support the mechanism of the model and show that sometimes populist policies are implemented to discredit the criticism of intellectuals.

#### 6 Interaction between communication and trust

My model gives us a few insights about how populism relates to social coherence and press freedom. As we have seen in Proposition 1, populism is increasing in the strength of social conflict, and Proposition 2 concludes that populism is decreasing in press freedom only if the conflict between social groups is small. These results are expressed in Figure 2.

In this section I check these implications using a database of 35 chief executives constructed by Hawkins (2009) and (2010). In his two papers Hawkins created a measure of populism built on a thematic analysis of speeches held by these chief executives. He argues that his populism index has a high reliability, and it is the first measure which enables cross-country comparison of populism. This index measures populism on a 0-2 ordinal scale, where a higher score means stronger populism.

As a measure of social conflict, I use the income share of the top 10%<sup>3</sup>, which I take from the World Bank Database. To measure the third variable of interest I use the Press Freedom Index of Reporters Without Borders.<sup>4</sup> In all specifications, I use per capita income of 2000 to control for the state of development (Penn World Table).

The model predicts a positive relationship between the strength of social conflict and populism and a complementarity between free press and social cohesion. To check these implications, my preferred specification is the following:

$$P_i = \alpha_0 + \alpha_1 D_i + \alpha_2 F_i + \alpha_3 D_i \times F_i + \alpha_4 X_i + u_i, \tag{2}$$

where  $P_i$  is the populism index of politician i,  $D_i$  is the income share of the top 10% in the country of politician i,  $F_i$  is the Press Freedom Index of the country of politician i, and  $X_i$  denotes other controls. Proposition 1 suggests that  $\alpha_1$  is positive and the estimation is in correspondence with Proposition 2 if  $\alpha_2$  is positive (since Press Freedom Index is higher if press is less free) and  $\alpha_3$  is negative, since

 $<sup>{}^{3}</sup>$ I used the average value of the years when the chief executive was in office. If there were no observations for the income share of top 10%, I used the closest year, when data was available.

<sup>&</sup>lt;sup>4</sup>This index is available from 2002. I took the average of the years when the chief executive was in office, if the index was available. If the index was not available for those years, I used index of the closest year.

populism is increasing more in the strength of social conflict if the press is free (hence PFI is small).

The correct estimation of this specification faces a few challenges. Inequality and press freedom can be endogenous, since they are related to the development of political and economic institutions, which may also affect populism. As a result of this, it is necessary to include a proxy of institutions. For this purpose, I use GDP/capita in 2000. This solution is built on the strong relationship between institutions and per capita income. Another major difficulty is sample selection, since all chief executives were selected into the sample based on their fame of being a populist. Unfortunately, in this paper I can not overcome the problem of sample selection.

I used the OLS estimator to obtain the parameters of interest. The results of the estimations can be found in Table 1.

	(1)	(2)
VARIABLES	Populism	Populism
Top10%	-0.000382	0.0359**
	(0.0119)	(0.0166)
Press Freedom Index		0.102***
		(0.0366)
Int. of Top 10% & PFI		-0.00229**
		(0.000887)
GDP/capita	-2.69e-06	1.75e-05
	(1.03e-05)	(1.08e-05)
Constant	0.425	-1.368*
	(0.513)	(0.703)
Observations	35	35

Table 1 - Estimations of populism

Robust standard errors in parentheses

0.003

0.235

**R**-squared

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

In column (1) I report the estimation of a simple specification to check the validity of Proposition 1 (and the implication of Acemoglu, Egorov, and Sonin, 2011). In this specification I simply regress populism on the income share of the top 10% (and include only GDP/capita as a control variable). This estimation suggests no relationship between populism and the dividedness of the society. This result may mean either the failure of the model or that I have left out something which affects populism and is in relationship with social conflict. My model implies

that press freedom may be such a factor. To check this, I report the estimation of equation (7) in column (2). These results are in line with the implications of the model, since estimations of  $\alpha_1$  and  $\alpha_2$  are positive, while estimation of  $\alpha_3$  is negative and all parameters are significant. This means that in the case of press freedom the strength of social conflict negatively affects populism, and press freedom is better against populism in undivided societies. Although this estimation is indirect evidence and can not be interpreted as a strong empirical justification, because it does not express causality just correlation, it is in correspondence with some consequences of the model.

#### 7 Anti-intellectualism

The model has implications for the relationship between populism and the freedom of speech as well. Proposition 4 states that populism may be associated with the decline of the freedom of speech. In this section I provide some anecdotal and empirical evidence to support this result.

There are plenty of historical examples of populist governments who made serious efforts to stop intellectual criticism. These efforts can take many forms. Imprisoned intellectuals, dismissed faculty members, banned newspapers or explicit censorship are just a few extreme examples. Although the country was in great need of teaching personnel, the Peron administration dismissed more than 1500 faculty members from Argentinian universities (Dix, 1985). American universities suffered from similar — though less severe — governmental interventions during the McCarthy era (Mattson, 1991). The list of anti-intellectual steps does not end with attacks against universities, public officials and research institutes may also be affected by governmental measures of this type. The elimination of the Budget Council of Hungary by the Fidesz government may be a good example, since publicity was the only means by which the council could influence the budget.<sup>5</sup> Finally, one of the most efficient way of silencing criticism is censorship. Explicit censorship is hard to implement in a democracy, but a well designed media regulation can do a good job in limiting press freedom. According to the Council of Europe, the new media law of Hungary provides a good example for a regulation, which effectively reduces the audience of any criticism of the government (HVG, 2012b).<sup>6</sup>

The last example suggests that there may be a relationship between populism and the reduction of press freedom. The rest of this section investigates this relationship using the database described in the previous section. To obtain a measure of the change in press freedom, I calculated the difference between the Press Freedom Index of the last year of the chief executive and the year before the chief executive came to power. This change of Press Freedom Index is plotted against populism in Figure 3.

I also study this relationship by regressing the change of Press Freedom Index on the measure of populism. The results of these estimations are reported in Table 2. Column (1) contains the result of a simple two variable specification and shows a strong positive relationship between populism and the decline of press freedom. At the same time, this specification may overestimate the association between populism and the reduction of press freedom, since populism may be correlated with a few things which affect press freedom. For example, the number of years the politician has spent in office may be related to the populism (since populism is done to win elections) and affect the magnitude of change. The inclusion of the development

<sup>&</sup>lt;sup>5</sup>Formally the council was not eliminated, but its budget has been reduced and most the staff has been dismissed.

<sup>&</sup>lt;sup>6</sup>A report published by Freedom House also confirms this statement (Freedom House, 2012).



Figure 3: Relationship of change of PFI and populism

of the country may be necessary for a similar reason. In column (2) of Table 2 I report the results of the specification, where I control for the number of years in office and the GDP/capita in 2000. This specification also shows a significant positive relationship between populism and the reduction of press freedom. Moving from the lower to the upper quarter of populist regimes is associated with a 4 point change in the Press Freedom Index (p-value 0.002).

	(1)	(2)
VARIABLES	$\Delta { m freepress}$	$\Delta { m freepress}$
Populism	8.563***	8.365***
	(2.295)	(2.425)
GDP/capita		-0.000127
		(9.95e-05)
Years in office		0.156
		(0.748)
Constant	2.301	3.176
	(1.388)	(2.374)
Observations	32	32
R-squared	0.249	0.278

Table 2 - Estimations of the change of press freedom

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

These estimations show that efforts to silence criticism and populist policies frequently emerge together. This observation is in line with the consequences of my model, which implies that both populism and censorship are chosen by incompetent governments, who combine these methods to win majority support.

### Part IV

## Conclusion

Populism is considered a widespread phenomenon in democratic societies. Despite its practical relevance for governmental accountability, only a few studies focus on the analysis of populist governments. In my thesis I present a model which links populism to the information transmission between different groups of the society. This approach gives a good explanation for the emergence of right wing-populism and the anti-intellectual tendencies of populist regimes. The main mechanism of the model is that populist policies are used by incompetent governments to discredit the criticism of the intellectuals.

The model has many implications. It implies that there is a causal relationship between the strength of social conflict and the threat of populism. In more divided societies it is more likely that incompetent politicians become populists and the voters are more gullible. Populism is also related to the probability of a proelite government. If the chance that the government is grabbed by the intellectual elite is high, then the probability of populism is also high. The model is new in the sense that populism is detrimental for two reasons. The first reason is that populism distorts policy decisions and the second is that it hinders political selection. An important innovation of the paper is that it uncovers a complementarity between communication and social cohesion. The model infers that the effect of communication depends on the strength of social conflict. For low levels of conflict communication decreases, while for high levels it increases the threat of populism. Another important novelty of the model is that it implies a positive relationship between populism and the reduction of the freedom of speech. To support the mechanism and the implications of the model, I present anecdotal and empirical evidence. Examples taken from recent Hungarian politics illustrate that populist policies can be used to discredit criticism. I report estimations which investigates the predictions of the model. I find evidence of a complementarity between free press and social cohesion and a relationship between populism and the decline of press freedom.

The paper analyzed populism in a simple two-period setup which prevented intellectuals to invest in their reputation. A multi-period version of the model would enable analysis of reputation building.

### A Appendix: Proof of Proposition 1

I start by analyzing the second governmental period. The action of the politician is straightforward, since in the absence of further elections both types act in favor of their preferred group.

The elite would like to get rid of an incompetent politician in every possible sate of the world, since

- 1. If  $\theta < \frac{1}{2} \delta$ , then  $R < \frac{1}{2}\alpha \times 1 + \frac{1}{2}\alpha \times R + (1 \alpha) \times 1$ , which is true for all  $\alpha, R \in (0, 1)$ . The left hand side of the inequation is the value of re-electing an incompetent politician and the right hand side is the expected value of electing a new government.
- 2. If  $\frac{1}{2} \delta \le \theta < \frac{1}{2}$ , then  $0 < \frac{1}{2}\alpha \times 0 + \frac{1}{2}\alpha \times 0 + (1 \alpha) \times 1$ , which is true for all  $\alpha \in (0, 1)$ .
- 3. If  $\frac{1}{2} \leq \theta$ , then  $R < \frac{1}{2}\alpha \times 1 + \frac{1}{2}\alpha \times R + (1 \alpha) \times 1$ , which is again true for all possible values of  $\alpha$  and R.

The elite wants to remove a competent politician if  $\frac{1}{2} - \delta \leq \theta < \frac{1}{2}$  and  $x_1 = 1$ . Assume that the elite criticizes the government every time he wants to elect a new government. This is rational if the criticism is acknowledged by the voter by any chance.

Now let's have a look at the election. Assume that if voter observes  $x_1 = 0$ and criticism (c = 1), then he thinks that the politician is incompetent and  $\theta \ge \frac{1}{2}$ (this belief will be consistent with the equilibrium strategies). Given this belief, voter will never re-elect the incumbent politician in case of  $x_1 = 0, c = 1$ , since  $R < \frac{1}{2}\alpha \times 1 + \frac{1}{2}\alpha \times R + (1 - \alpha) \times 1$ , for all  $\alpha, R \in (0, 1)$ .

The voter re-elects the incumbent politician in case of  $x_1 = 1, c = 1$ , if it results in a higher expected payoff than electing a new government. Since R measures voter's attitude towards competence, the voters decision is dependent on R. She re-elects the government if R is bigger than  $R_1^F$  threshold value, which is given by:

$$\Pr(t = i \mid x_1 = 1, c = 1)R_1^F + \Pr(t = v \mid x_1 = 1, c = 1) =$$

$$= \alpha \frac{1 + R_1^F}{2} + (1 - \alpha)\Pr\left(\theta \notin \left[\frac{1}{2} - \delta, \frac{1}{2}\right) \mid x_1 = 1, c = 1\right).$$
(3)

The left hand side of equation (3) is the expected value of the incumbent politician, while the right hand side is the expected value of a new government. If  $R > R_1^F$ , then the left hand side is bigger than the right hand side, since the conditional probability of an incompetent politician ( $\Pr(t = i | x_1 = 1, c = 1)$ ) is bigger than the prior probability of an incompetent politician ( $\frac{1}{2}\alpha$ ). Consequently, if  $R > R_1^F$ , then re-electing the incumbent is strictly better than electing a new government.

Voter always re-elects the incumbent in case of  $x_1 = 1, c = 0$ , since he believes that the politician is either a pro-voter or a pro-elite and  $\theta < \frac{1}{2} - \delta$ . This means that there is no point in electing a new government, since the expected value of the incumbent is higher than the expected value of the new government, formally  $1 > \alpha \frac{1+R_1^F}{2} + (1-\alpha) \Pr\left(\theta \notin \left[\frac{1}{2} - \delta, \frac{1}{2}\right) \mid x_1 = 1, c = 0\right).$ 

Finally, the voter re-elects incumbent in case of  $x_1 = 0, c = 0$ , if R is smaller than  $R_0^F$  threshold value, which is given by:

$$\Pr(t = v \mid x_1 = 0, c = 0) + \Pr(t = e \mid x_1 = 0, c = 0, \frac{1}{2} \le \theta) =$$

$$= \alpha \frac{1 + R_0^F}{2} + (1 - \alpha) \Pr\left(\theta \notin \left[\frac{1}{2} - \delta, \frac{1}{2}\right] \mid x_1 = 0, c = 0\right)$$
(4)

The left hand side is the expected value of re-electing the government, while the right hand side is the expected value of electing a new government. If  $R < R_0^F$ , then the left hand side is bigger than the right.

Now I analyze the equilibrium strategies of the politician in the first governmental period. Both competent types behave honestly and choose the level of redistribution in favor of their preferred group. In contrast, the incompetent politician is interested in holding office and not just in the policy chosen. In case of  $\theta \geq \frac{1}{2}$ incompetent politician faces with a trade-off between the preferred policy (which is  $x_1 = 0$ ) and staying in office, since the voter does not re-elect the incumbent politician in case of  $x_1 = 0, c = 1$ . This means that the incompetent politician has to harm the voter and herself intentionally to hide her type. As a result of this, her action depends on the policy orientation parameter a. The incompetent politician chooses populist strategy - and play  $x_1 = 1$  for all  $\theta \in (0, 1)$  - if a smaller than  $a^F$ threshold value, which is given by:

$$1 - \Pr(R < R_1^F) = a^F \tag{5}$$

The left hand side of equation (5) gives the expected value of playing  $x_1 = 1$ and the right hand side gives the expected value of playing  $x_1 = 0$  in case of  $\theta \ge \frac{1}{2}$ . From equation (5) we can get the relationship between the two threshold values,  $R_1^F = 1 - a^F$ . The bigger is the chance that a politician is re-elected in case of  $x_1 = 1, c = 1$ , the bigger is the probability that an incompetent politician acts as a populist, since  $\frac{\partial R_1^F}{\partial a^F} < 0$ .

Let's derive the updated beliefs of the voter. If he observes  $x_1 = 1, c = 1$ , then:  $P(x_1 = 1, c = 1 | v) = \delta, P(v) = \frac{1}{2}\alpha$   $P(x_1 = 1, c = 1 | i) = \frac{1}{2} + \frac{1}{2}a^F, P(i) = \frac{1}{2}\alpha$   $P(x_1 = 1, c = 1 | e) = 0, P(e) = 1 - \alpha$   $P(x_1 = 1, c = 1 | \theta < \frac{1}{2} - \delta) = \frac{1}{2}\alpha, P(\theta < \frac{1}{2} - \delta) = \frac{1}{2} - \delta$   $P(x_1 = 1, c = 1 | \theta \in [\frac{1}{2} - \delta, \frac{1}{2})) = \alpha, P(\theta \in [\frac{1}{2} - \delta, \frac{1}{2})) = \delta$  $P(x_1 = 1, c = 1 | \theta \ge \frac{1}{2} - \delta) = \frac{1}{2}\alpha a^F, P(\theta \ge \frac{1}{2} - \delta) = \frac{1}{2}$  Using Bayes rule we can obtain:

$$P(v \mid x_1 = 1, c = 1) = \frac{2\alpha\delta}{2\alpha\delta + \alpha(1 + a^F)},$$
  
$$P(i \mid x_1 = 1, c = 1) = \frac{\alpha(1 + a^F)}{2\alpha\delta + \alpha(1 + a^F)},$$

$$P\left(\theta \notin \left[\frac{1}{2} - \delta, \frac{1}{2}\right) \mid x_1 = 1, c = 1\right) = \frac{2\alpha(\frac{1}{2} - \delta) + \alpha a^F}{2\alpha\delta + \alpha(1 + a^F)}$$

Using these updated beliefs equation (3) modifies to:

$$\frac{2\alpha\delta}{2\alpha\delta + \alpha(1+a^F)} + \frac{\alpha(1+a^F)}{2\alpha\delta + \alpha(1+a^F)}R_1^F$$

$$= \frac{1}{2}\alpha + \frac{1}{2}\alpha R_1^F + (1-\alpha)\frac{2\alpha(\frac{1}{2}-\delta) + \alpha a^F}{2\alpha\delta + \alpha(1+a^F)}$$
(6)

Using this and equation (5) we can solve for  $a^F$  and  $R_1^F$ ,

$$a^{F} = \frac{0.5 \left( 2\alpha\delta + \alpha - 2 + \sqrt{32(1-\alpha)(2-\alpha)\delta + (2\alpha\delta + \alpha - 2)^{2}} \right)}{2-\alpha}.$$

Since  $\frac{\partial a^F}{\partial \delta} > 0$  and  $\frac{\partial a^F}{\partial \alpha} < 0$  for all  $\alpha \in [0, 1]$  and  $\delta \in [0, \frac{1}{2}]$ , then the populism is growing in both the level of social conflict and the probability of a pro elite politician. Voter gullibility is equal to the level of populism, since  $1 - R_1^F = a^F$ . It can be seen in Figure 4.

If he observes  $x_1 = 0, c = 0$ , then:

$$P(x_{1} = 0, c = 0 | v) = \frac{1}{2}, P(v) = \frac{1}{2}\alpha$$

$$P(x_{1} = 0, c = 0 | i) = 0, P(i) = \frac{1}{2}\alpha$$

$$P(x_{1} = 0, c = 0 | e) = \frac{1}{2} + \delta, P(e) = 1 - \alpha$$

$$P(x_{1} = 0, c = 0 | e, \theta \ge \frac{1}{2}) = 1, P(e, \theta \ge \frac{1}{2}) = \frac{1}{2}(1 - \alpha)$$

$$P(x_{1} = 0, c = 0 | \theta < \frac{1}{2} - \delta) = 0, P(\theta < \frac{1}{2} - \delta) = \frac{1}{2} - \delta$$

$$P(x_{1} = 0, c = 0 | \theta \in [\frac{1}{2} - \delta, \frac{1}{2})) = 1 - \alpha, P(\theta \in [\frac{1}{2} - \delta, \frac{1}{2})) = \delta$$

$$P(x_{1} = 0, c = 0 | \theta \ge \frac{1}{2} - \delta) = \frac{1}{2}\alpha + 1 - \alpha, P(\theta \ge \frac{1}{2} - \delta) = \frac{1}{2}$$



From these, we can obtain:

$$P(v \mid x_1 = 0, c = 0) = \frac{\alpha}{2 - \alpha + 4(1 - \alpha)\delta},$$
$$P\left(e, \theta \ge \frac{1}{2} \mid x_1 = 0, c = 0\right) = \frac{2(1 - \alpha)}{2 - \alpha + 4(1 - \alpha)\delta},$$

$$P\left(\theta \notin \left[\frac{1}{2} - \delta, \frac{1}{2}\right) \mid x_1 = 0, c = 0\right) = \frac{2 - \alpha}{2 - \alpha + 4(1 - \alpha)\delta}$$

Substituting these to equation (4), we get:

$$\frac{\alpha}{2 - \alpha + 4(1 - \alpha)\delta} + \frac{2(1 - \alpha)}{2 - \alpha + 4(1 - \alpha)\delta}$$
(7)  
=  $\alpha \frac{1 + R_0^F}{2} + (1 - \alpha) \frac{2 - \alpha}{2 - \alpha + 4(1 - \alpha)\delta}$ 

From this equation we can derive  $R_0^F$ .

$$R_0^F = \frac{2 - \alpha - 4(1 - \alpha)\delta}{2 - \alpha + 4(1 - \alpha)\delta}$$

Since  $\frac{\partial R_0^F}{\partial \alpha} > 0$  and  $\frac{\partial R_0^F}{\partial \delta} < 0$ , then  $R_0^F$  is increasing in  $\alpha$  and decreasing in  $\delta$ .

#### **B** Appendix: Proof of Proposition 2

Again, I start by analyzing the second governmental period. The action of the politician is straightforward, since in the absence of further elections both types act in favor of their preferred group.

Second governmental period is the same, all types chooses a policy in favor of their preferred group. In the election voter can make inferences about the type of the incumbent only from her first period policy choice. He re-elects the incumbent in case of  $x_1 = 1$ , if it results in a higher expected payoff than elect a new government. It happens if R is bigger than a threshold  $R^C$ , which is given by

$$\Pr(t = i \mid x_1 = 1) R^C + \Pr(t = v \mid x_1 = 1) + \Pr(t = e \mid x_1 = 1) \times \Pr\left(\theta \notin \left[\frac{1}{2} - \delta, \frac{1}{2}\right] \mid x_1 = 1\right)$$
(8)  
$$= \alpha \frac{1 + R^C}{2} + (1 - \alpha) \Pr\left(\theta \notin \left[\frac{1}{2} - \delta, \frac{1}{2}\right] \mid x_1 = 1\right)$$

This also means that the voter re-elects a government in case of  $x_1 = 0$ , if R is smaller than  $R^C$ .

Competent politicians are still honest in the first period and choose their preferred policies. However, incompetent politician chooses  $x_1 = 0$  in case of  $\theta \ge \frac{1}{2}$ , if gives a higher expected payoff than being populist. It means that she is populist if a is smaller than  $a^C$  threshold value, given by

$$[1 - P(R < R^{C})] = a^{C} + P(R < R^{C})$$
(9)

The left hand side of equation (9) gives the expected payoff of choosing  $x_1 = 1$ , while the right hand side corresponds to the expected payoff of choosing  $x_1 = 0$ . If  $a < a^C$ , then the right hand side is smaller than the left hand side and it pays off for the politician to be a populist and choose  $x_1 = 1$ , though she knows that  $x_1 = 0$  would be better for everyone. From equation (9) we can get the relationship between the two threshold values,  $R^C = \frac{1-a^C}{2}$ . The bigger is the chance that a politician is re-elected in case of  $x_1 = 1$ , the bigger is the probability that an incompetent politician acts as a populist, since  $\frac{\partial R^C}{\partial a^C} < 0$ .

Calculate the updated beliefs of the voter if he observes  $x_1 = 1$ .

$$P(x_{1} = 1 | v) = \frac{1}{2}, P(v) = \frac{1}{2}\alpha$$

$$P(x_{1} = 1 | i) = \frac{1}{2} + \frac{1}{2}a^{C}, P(i) = \frac{1}{2}\alpha$$

$$P(x_{1} = 1 | e) = \frac{1}{2} - \delta, P(e) = 1 - \alpha$$

$$P(x_{1} = 1 | \theta < \frac{1}{2} - \delta) = 1, P(\theta < \frac{1}{2} - \delta) = \frac{1}{2} - \delta$$

$$P(x_{1} = 1 | \theta \in [\frac{1}{2} - \delta, \frac{1}{2})) = \alpha, P(\theta \in [\frac{1}{2} - \delta, \frac{1}{2})) = \delta$$

$$P(x_{1} = 1 | \theta \ge \frac{1}{2} - \delta) = \frac{1}{2}\alpha a^{C}, P(\theta \ge \frac{1}{2} - \delta) = \frac{1}{2}$$

From these expressions using the Bayes rule we obtain:

$$P(v \mid x_1 = 1) = \frac{\alpha}{2 - 4\delta + 4\alpha\delta + \alpha a^C},$$
  

$$P(i \mid x_1 = 1) = \frac{\alpha(1 + a^C)}{2 - 4\delta + 4\alpha\delta + \alpha a^C},$$
  

$$P(e \mid x_1 = 1) = \frac{2(1 - \alpha)(1 - 2\delta)}{2 - 4\delta + 4\alpha\delta + \alpha a^C},$$

$$P\left(\theta \notin \left[\frac{1}{2} - \delta, \frac{1}{2}\right) \mid x_1 = 1\right) = \frac{2 - 4\delta + \alpha a^C}{2 - 4\delta + 4\alpha\delta + \alpha a^C}.$$

Using these results equation (8) modifies to the following equation:

$$\frac{\alpha}{2-4\delta+4\alpha\delta+\alpha a^{C}} + \frac{\alpha(1+a^{C})}{2-4\delta+4\alpha\delta+\alpha a^{C}}R^{C} +$$

$$+\frac{2(1-\alpha)(1-2\delta)}{2-4\delta+4\alpha\delta+\alpha a^{C}} \cdot \frac{2-4\delta+\alpha a^{C}}{2-4\delta+4\alpha\delta+\alpha a^{C}}$$

$$= \alpha \frac{1+R^{C}}{2} + (1-\alpha)\frac{2-4\delta+\alpha a^{C}}{2-4\delta+4\alpha\delta+\alpha a^{C}}$$
(10)

From this and equation (9) we can solve for  $a^C$  and  $R^C$ ,

$$a^{C} = \frac{0.5\left(4\alpha\delta - 4\delta + \alpha - 2 + \sqrt{48(1-\alpha)(2-\alpha)\delta + (4\alpha\delta - 4\delta + \alpha - 2)^{2}}\right)}{2-\alpha}$$

Since  $\frac{\partial a^C}{\partial \delta} > 0$  for all  $\alpha \in [0, 1]$  and  $\delta \in [0, \frac{1}{2}]$ , then the populism is growing in the level of social conflict. Populism is also increasing in the probability of a proelite politician since  $\frac{\partial a^C}{\partial \alpha} < 0$  for all  $\alpha \in [0, 1]$  and  $\delta \in [0, \frac{1}{2}]$ . Voter gullibility is increasing in populism  $(R^C = \frac{1-a^C}{2})$ , hence it is also increasing in the level of social conflict.

If we compare the results under press freedom and censorship, we get that  $a^F \geq a^C$  if

$$\geq \frac{\frac{0.5\left(2\alpha\delta+\alpha-2+\sqrt{32(1-\alpha)(2-\alpha)\delta+(2\alpha\delta+\alpha-2)^2}\right)}{2-\alpha}}{\frac{0.5\left(4\alpha\delta-4\delta+\alpha-2+\sqrt{48(1-\alpha)(2-\alpha)\delta+(4\alpha\delta-4\delta+\alpha-2)^2}\right)}{2-\alpha}}$$

This inequality holds if  $\delta \geq \frac{3\alpha^2 - 7\alpha + 4}{2\alpha^2 - 10\alpha + 8}$ .

1. Pro-elite politician is always better off in case of press freedom, since

Pr(win | 
$$x_1 = 1, c = 0$$
) = 1 > Pr(win |  $x_1 = 1$ ) and  
Pr(win |  $x_1 = 0, c = 0$ ) =  $R_0^F > R^C = Pr(win | x_1 = 0)$ 

 $R_0^F$  (dark) and  $R^C$  (light) are plotted in Figure 5 as a function of  $\alpha$  and  $\delta$ . Figure 5 shows that  $R_0^F > R^C$  for all  $\alpha \in [0, 1]$  and  $\delta \in \left[0, \frac{1}{2}\right]$ .

2. Pro-voter politician is worse off if  $\theta \in \left[\frac{1}{2} - \delta, \frac{1}{2}\right)$ , since

$$\Pr(win \mid x_1 = 1, c = 1) = 1 - R_1^F < 1 - R^C = \Pr(win \mid x_1 = 1)$$

for all  $\alpha \in [0,1]$  and  $\delta \in [0,\frac{1}{2}]$ . This relation is plotted in Figure 6  $(1 - R^C \text{ dark}, 1 - R_1^F \text{ light}).$ 





On the other hand she is better off if  $\theta \notin \left[\frac{1}{2} - \delta, \frac{1}{2}\right)$ , since

$$\Pr(win \mid x_1 = 1, c = 0) > \Pr(win \mid x_1 = 1) \text{ and}$$
$$\Pr(win \mid x_1 = 0, c = 0) = 1 > \Pr(win \mid x_1 = 0).$$

3. Finally, the incompetent politician is worse off, since

$$\Pr(win \mid x_1 = 1, c = 1) < \Pr(win \mid x_1 = 1) \text{ and}$$
$$\Pr(win \mid x_1 = 0, c = 1) = 0 < \Pr(x_1 = 0).$$

## C Appendix: Proof of Proposition 4

To prove Proposition 4 we need to figure out which types of politician try to introduce censorship. Proposition 2 helps us to answer this question. Incompetent politician is always worse off in case of press freedom, so she tries to change it to censorship. Her action is P = 1.

Pro-voter politician is worse off in case of press freedom if  $\theta \in \left[\frac{1}{2} - \delta, \frac{1}{2}\right)$ , consequently her action is

$$P = \begin{cases} 1 & \theta \in \left[\frac{1}{2} - \delta, \frac{1}{2}\right) \\ 0 & otherwise \end{cases}$$

Finally, pro-elite politician is always better off in case of press freedom, so her action is P = 0.

If the press is free and  $\theta \geq \frac{1}{2}$  incompetent politician acts as a populist with a probability of  $a^F$ , while competent politicians do not choose populism. As a result of this,

$$E(P \mid x_1 = 1) = \Pr(P = 1 \mid x_1 = 1) = 1$$
  
$$E(P \mid x_1 = 0) = \Pr(P = 1 \mid x_1 = 0) = \frac{\frac{1}{2}\alpha(1 - a^F)}{\frac{1}{2}\alpha(1 - a^F) + 1 - \frac{1}{2}\alpha}$$

Substituting these to the definition of  $\tau$ , we get

$$\tau = \gamma \frac{2 - \alpha}{2 - \alpha + \alpha (1 - a^F)}.$$

From this expression, we can infer that  $\tau$  is increasing in  $a^F$ .

### References

- Acemoglu, Daron, Georgy Egorov, and Konstantin Sonin. 2011. "A Political Theory of Populism." NBER Working Paper No. 17306
- [2] Besley, Timothy. 2006. Principled Agents? Oxford: Oxford University Press.
- [3] Besley, Timothy. 2005. "Political Selection." Journal of Economic Perspectives, 19(3): 43-60.
- [4] Dix, Robert H. 1985. "Populism: Authoritarian and Democratic." Latin American Research Review, 20(2): 29-52.
- [5] Dornbush, Rudiger, and Sebastian Edwards. 1991. The Macroeconomics of Populism in Latin America, Chicago: University of Chicago Press.
- [6] Canes-Wrone, Brandice, Michael Herron, and Kenneth Shotts. 2001. "Leadership and Pandering: A Theory of Executive Policymaking." American Journal of Political Science 45(3): 532-550.
- [7] Canovan, Margaret. 1999. "Trust the People! Populism and the Two Faces of Democracy." *Political Studies*, 47(1): 2-16.
- [8] Coate, Stephen, and Stephen Morris. 1995. "On the Form of Transfers to Special Interests." Journal of Political Economy, 103(6): 1210-1235.
- [9] Crawford, Vincent P., and Joel Sobel. 1982. "Strategic Information Transmission." *Econometrica*, 50(6): 1431-1451.
- [10] Freedom House. 2012. "Freedom of the Press 2012."
   http://www.freedomhouse.org /report/freedom-press/freedom-press-2012
- [11] Gentzkow, Matthew, and Jesse M. Shapiro. 2008. "Competition and Truth in the Market for News." Journal of Economic Perspectives, 22(2): 133-154.

- [12] Gentzkow, Matthew, and Jesse M. Shapiro. 2006. "Media Bias and Reputation." Journal of Political Economy, 114(2): 280-316.
- [13] Hawkins, Kirk. 2003. "Populism in Venezuela: The rise of Chavismo." Third World Quarterly, 24(6): 1137-1160.
- [14] Hawkins, Kirk. 2009. "Is Chávez Populist? Measuring Populist Discourse in Comparative Perspective.", *Comparative Political Studies*, 42(8): 1040-1067.
- [15] Hawkins, Kirk. 2010. "Populism in Latin America across the 20th Century".
   Paper presented at the19th Congress of the Latin American Studies Association, Toronto.
- [16] HVG. 2012a. MTI. Available at. http://hvg.hu/gazdasag/20120529\_imf \_mnb\_simor
- [17] HVG. 2012b. hvg.hu. Available at. http://hvg.hu/itthon/20120517\_mediatorveny
   \_tanacs\_parlament
- [18] Maskin, Eric, and Jean Tirole. 2004. "The Politician and the Judge: Accountability in Government." American Economic Review, 94(4): 1034-1054.
- [19] Miniszterelnok. 2012. MTI. Available at. http://www.miniszterelnok.hu/cikk/nem \_lepodunk\_meg\_az\_unios\_kritikakon
- [20] Miniszterelnok. 2009. orbanviktor.hu. Available at. http://www.miniszterelnok.hu/beszed/magyarorszagert\_most\_ujra\_kuzdeni\_kell
- [21] Mattson, Kevin. 1991. "Populism and the NEA." Telos, 1991(89): 115-120.
- [22] Origo. 2011. Origo. Available at. http://www.origo.hu/itthon/20111128-lazarjanos-szerint-o-a- fogyasztok-bencsik-janos-energiaugyi-allamtitkar.html
- [23] Persson, Torsten and Guido Tabellini (2000) Political Economics: Explaining Economic Policy. Cambridge, MA: MIT Press.

- [24] Prat, Andrea. 2005. "The Wrong Kind of Transparency." American Economic Review, 95(3): 862-877.
- [25] Rodrik, Dani. 1997. Has Globalization Gone Too Far?, Washington, DC: Institute for International Economics.
- [26] Sachs, Jeffrey. 1989. "Social Conflict and Populist Policies in Latin America" NBER Working Paper No. 2897.