Emergence of Populism under Ambiguity[*]

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Abstract

I construct an infinite-horizon dynamic elections model in which a representative voter chooses a policymaker among the set of politicians consisting of both biased elites and unbiased non-elites in each period. Using this model, I analyze when populism arises in the sense that an unbiased non-elite, who has only limited knowledge and ability, is chosen as the policymaker instead of a biased elite. The effect of an increase in uncertainty in the sense of *ambiguity* (*Knightian uncertainty*) makes populism more likely to arise. This is a contrast to the effect of an increase in risk such that more uncertainty makes populism less likely to arise so long as the reward and punishment mechanism to incentivize politicians is limited. The results suggest that an increase in ambiguity rather than risk is a crucial source of populism.

Keywords: Populism; Dynamic elections; Political agency; Ambiguity; Risk

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