

The emergence of populism and inefficient leaders

Arnaud Pandevant*

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Abstract

Populism appears as risky and inefficient, yet it is prevalent. Panunzi et al. (2020) justify the demand for populism with Reference-Dependent Utility. On the supply-side, I introduce political competition on risk and taxes, with citizen-candidates. I find that populists indeed emerge as a result of disappointment. However, with a homogeneous reference point, the more populist candidate has to be more left-wing on redistribution, which is counter-intuitive. To understand right-wing populism in this model, we need a framework with heterogeneous reference points. I develop such an extension, where low skills cause disappointment - justifying the inefficiency of populists.

*CREST-Ecole polytechnique, 5 avenue Le Châtelier 91120 Palaiseau, arnaud.pandevant@polytechnique.edu. I thank Pierre Boyer, Alessandro Riboni, Suzanne Bellue, Yves Le Yaouanq, Héloïse Cloléry, Mario Herrera, Clément Montes, Vincent Verger, Paul-Emmanuel Chouc, Pauline Leveneur, Nicola Gennaioli, Guido Tabellini, and participants to HEC-CREST PhD Day, CREST PhD Workshop, and Workshop "Economics and Politics at Reims" 2024, especially Tanguy Van Ypersele and Jérôme Gonnot.

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1 Introduction

A key challenge to our understanding of Political Economy is the recent rise of populism. In the United States, Donald J. Trump has now won the presidency twice. In France, Rassemblement National got one third of the votes in the European and parliamentary elections of 2024. The emergence, or re-emergence, of a specific category of leaders and parties, is surprising in itself. On top of that, populist leaders are often highlighted as economically inefficient (Funke et al. (2023), Bellodi et al. (2021)), some of them attack democratic institutions such as the rule of law or freedom of press, which makes such leaders risky. What can justify such choices by rational voters? And what explains whether populism is present in the political spectrum?

This paper builds on Panunzi et al. (2020) (PPT hereafter), who contribute using Reference-Dependent Utility (RDU hereafter). They define populist candidates as risky and on average inefficient, which is consistent with the stylized facts. With RDU, voters have a reference point, and behave differently when considering prospects of incomes below and above that point. Disappointed voters (with income below the reference point) are risk-loving. Therefore, after a negative shock that sends voters below their reference point, some of them choose more risky options, such as voting for a controversial candidate. This channel seems consistent with modern-day populism: its rise has been linked to the Great Recession of the early 21st century (see Dal Bó et al. (2019), or Funke et al. (2016) for financial shocks), to negative consequences of the China

shock for some workers (Autor et al. (2020), Colantone and Stanig (2018), Malgouyres (2017)), to socio-cultural concerns of decline (Inglehart and Norris (2016), Gidron and Hall (2017))... Getting (back) to a reference point plays a role in populist discourse: Donald Trump wants to “make America great again”, anti-EU populists want to “take back control”... The fact that some are poor *while some are extremely rich* seems more important in left-wing populism than poverty itself, pointing to a reference point of the “decent” income. Although electoral competition in a world of RDU agents seems promising, the one in PPT only has two fixed and exogeneous types, a Moderate and a Populist with the aforementioned properties (inefficiency and riskiness). Electoral competition is not always between a moderate and a populist, though. Plus, the characteristics of the populist are not microfounded.

My main contribution is thus to endogenize the emergence of candidates, who can be populists. In this paper, I define populists as those who propose risky policies despite non-positive expected payoff. This definition, though obviously not exhaustive, is consistent with the stylized facts and the risky policies proposed by prominent populists (leaving the EU, starting a trade war, weakening checks and balances, deyning climate change...). To endogenize the platforms of candidates, I study citizen-candidates who sincerely support or oppose such policies.

In this model, I derive properties of voters’ preferred platforms and of the political equilibrium. I show that more disappointed voters prefer a higher level of risk, and the preferred tax rate only depends on income. If the reference point is the same for all, there is only one axis of voters. When there are two candidates in equilibrium, one of them is to the left of the median voter

(supports higher taxation) and more populist (supports a more risky platform) and the other is to the right and less populist. This justifies a political competition between a candidate who proposes a risky policy reform and one who does not. The populist candidate must, however, be more left-wing on redistribution than the other. This contrasts with Panunzi et al. (2020), who mostly insist on the strategic power of right-wing populism against a left-wing safe option. If one wants to have sincere citizen-candidates and a homogeneous reference point, that is not an equilibrium of the model.

I also develop an extension, where each voter has his past income as reference point, and skill determines how future evolves. This means that the disappointed voters, who can support risky policies, are unskilled, particularly if the system is meritocratic. This cleavage between inefficient populists and efficient mainstreams, a robust stylized fact (Funke et al. (2023), Dal Bó et al. (2019)) is therefore microfounded.

2 Model

2.1 The setting

Voters and preferences over consumption The economy consists in a finite number of voters. Each voter, indexed by j , has an exogenous pre-tax income $\theta_j \geq 0$. The average income of the economy is $\bar{\theta}$, the median income is θ_m . Post-tax income is entirely consumed. The preferences of voters over a certain level of consumption c are consistent with Reference-Dependent Utility. Every voter has the same consumption level x as reference point.

If $c > x$, the voter is satisfied and risk-neutral. I refer to the quantity $c - x$ as

satisfaction. If $c < x$, the voter is disappointed and risk-loving. I refer to the quantity $x - c$ as disappointment. Disappointment is equivalent to negative satisfaction. The utility of consuming c with certainty is $U(c) = c + \mu(c - x)$ with μ a penalty function such that $\mu(d) = 0 \forall d \geq 0$, and for negative values, μ is at least twice continuously differentiable and $\mu(d) < 0, \mu'(d) > 0, \mu''(d) > 0, \mu'''(d) \leq 0$. I represent such a utility function in Figure 1.

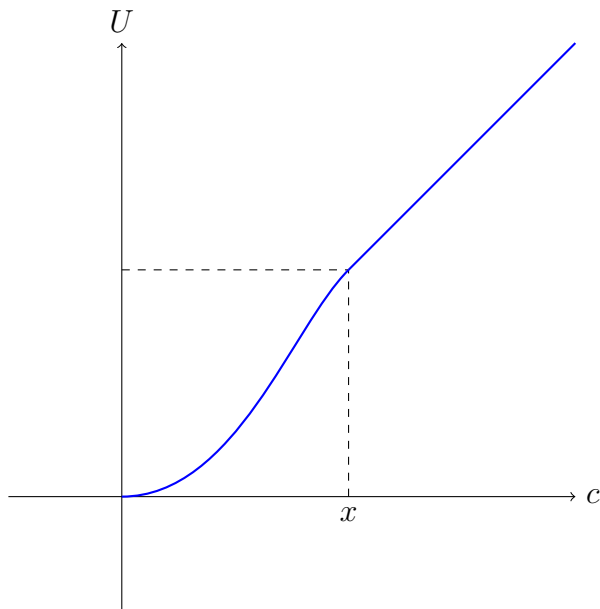


Figure 1: Utility as a function of a deterministic level of consumption

The actions of voters and the policy space Voters maximize their utility. They vote¹ for a candidate, at no cost. They can also run themselves, at a utility cost $\delta > 0$. They gain utility $b > 0$ from being in office if they win, $\frac{1}{2} * b$ if they are in a two-way tie. If they run, they defend their preferred

¹Since, as detailed below, I focus on equilibria with two candidates, whether voters vote sincerely or strategically, and the voting system in place, are not important questions. Of course, to extend the analysis to equilibria with more candidates, one would need to make such assumptions.

platform and if they win, they implement it. Political platforms have two dimensions:

- A linear tax rate. Income is taxed and tax revenues are redistributed equally to every voter, with distortions. The revenue from taxation under a given rate τ is $f(\tau) = \tau * \bar{\theta} - i(\tau)$, with i an increasing and convex function of the tax rate. i' is continuous and $i(0) = i'(0) = 0$. The rate maximizing tax revenue is denoted τ_0 , no voter wants higher rates. In this paper, low-tax (high-tax) proposals are called right-wing (left-wing). In the riskless case, $c_j = (1 - \tau) * \theta_j + \tau * \bar{\theta} - i(\tau)$.
- A stance on one² populist reform (risky and on average inefficient). If undertaken, the reform creates a stochastic aggregate³ shock, denoted η , $E[\eta] = 0$, to all incomes in society. The reform also reduces everyone's revenue by a quantity z . $P(\eta > z) > 0$, in which case the reform makes everyone better off. In the risky case, $c_j = (1 - \tau) * \theta_j + \tau * \bar{\theta} - i(\tau) - z + \eta$. Every voter chooses whether to support the reform or a riskless status quo.

Equilibrium concept I look for Nash equilibria of this game. Since there is a finite number of voters with only 2 actions (Running under one's true preferences; not running), there exists such an equilibrium, at least in mixed strategies. I focus on equilibria with 2 candidates. The candidate with the most votes wins, ties are broken at random. Equilibria depend on the true

²Similar results hold for several levels of risk, with more risky shocks associated to larger inefficiency. For simplicity, I restrict to one such reform against the status quo.

³Compared to risks with winners and losers, which may be more realistic and prevalent in a populist world view, these aggregate shocks have convenient mathematical properties. Most results would hold if risks were of this type.

preferences of voters. I derive them next, starting by the preferences on risk, then the preferences on the tax rate.

2.2 Preferences over risk

Consider a voter whose expected consumption under the status quo is c . The expected utility if the risky reform is taken is $E_\eta[c - z + \eta + \mu(c - z + \eta - x)] = c - z + E_\eta[\mu(c - z + \eta - x)]$. Figure 2 (taken from Panunzi et al. (2020)) represents utilities with and without the reform being taken, as a function of income.

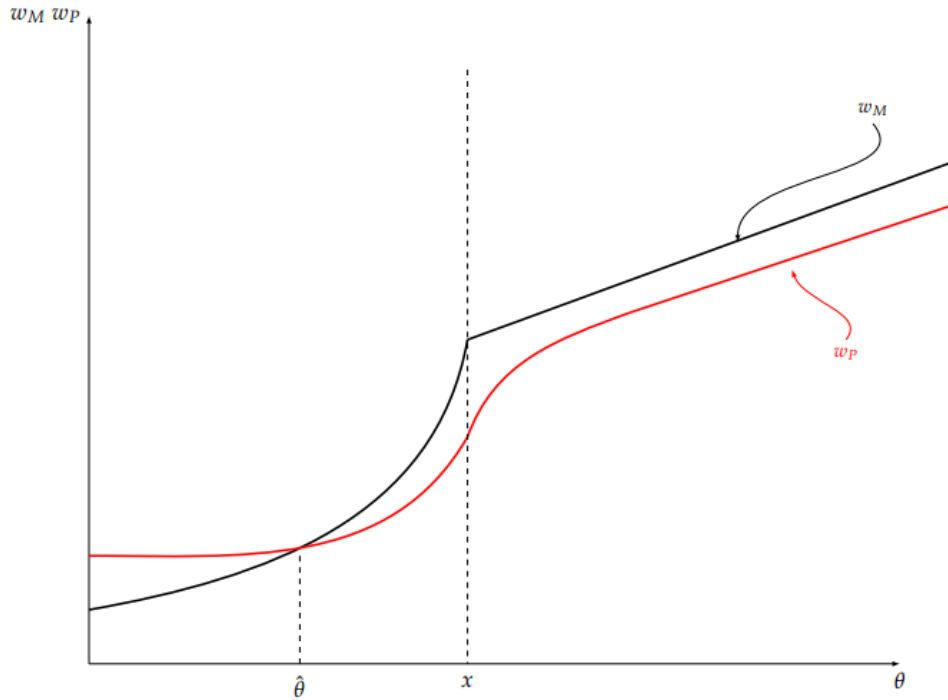


Figure 2: An Example of the single crossing in the space of θ .

As you can see on the graph, without the reform, utilities (in blue) are the same as in Figure 1 since consumption is deterministic. If the reform is undertaken, inefficiency makes the satisfied risk-neutral agents worse-off. But

consumption is uncertain, and since some agents are very risk-loving, they prefer the risk to the status quo. There is a single point where the two curves cross, all poorer agents prefer the reform and all richer agents prefer the status quo. Proposition 1 formalizes the result.

Proposition 1 *The voters who prefer the risky reform over the status quo are the most disappointed with their post-tax income. $\theta_A > \theta_B \Rightarrow (A \text{ supports the risky reform} \Rightarrow B \text{ does})$.*

2.3 Preferences over taxes

Whether agents support the risky reform depends on whether they expect to be disappointed with their post-tax income. This depends on the chosen tax rate. The following property is useful:

Proposition 2 *For every agent, the preferred tax rate is the same regardless of the risk level chosen by society. This tax rate is decreasing in income.*

$$\theta_A > \theta_B \Rightarrow \tau_A^* \leq \tau_B^*$$

As usual, voters richer than average support no taxation, and the others equate their revenue and their loss from taxing more. The loss from tax is strictly increasing in revenue so richer agents support lower taxes than the poor as their preferred policy. No voter supports a taxation higher than τ_0 .

2.4 Preferred platforms, political equilibria and interpretation

Theorem 1 *There is only one axis of bliss points of voters - a poorer voter supports both more taxes and more risk. In addition, preferences are single-crossed on this axis.*

$$\theta_A > \theta_B \Rightarrow (\tau_A^* \leq \tau_B^* \text{ and } A \text{ supports the reform} \Rightarrow B \text{ supports it}).$$

In addition, for every pair of voters C, C' such that $\theta_C < \theta_{C'}$, $\exists \theta_{C''}$ such that voters prefer the platform of $C \iff$ their income $\leq \theta_{C''}$.

The preferred plans of voters range on one single axis (poor: high redistribution and possibly risk, rich: low redistribution and typically no risk) with single-crossing preferences. That is sufficient to derive results about political equilibria.

Proposition 3 *Two-candidate equilibria are such that one candidate is poorer than the median voter and one candidate is richer. As a consequence, these equilibria have one candidate not less populist than the median voter.*

If there is an equilibrium with candidates with incomes θ_L and θ_R , and $\theta_L \leq \theta_R$, we have $\theta_L \leq \theta_m \leq \theta_R$.

Voter m supports the populist reform \Rightarrow candidate L does.

If no voter is disappointed, no candidate proposes risk - the candidates are riskless left and right. Sometimes a minority of disappointed (the poorest, who would prefer risk and redistribution) votes for the mainstream left (relatively poor politician, no risk, high redistribution) against the mainstream right (relatively rich politician, no risk, low redistribution). For intermediary cases, there can be a policy divergence, with a populist candidate against a non-populist. However, that risky candidate is also necessarily in favor of higher taxes. If every voter is sufficiently disappointed, both candidates are populists.

In this microfounded model of citizen-candidates, the divergence between a populist and a non-populist is a possible outcome, which confirms the interest of the study by Panunzi et al. (2020). However, while they point to low-tax populism as an effective strategy, I show that with a homogeneous reference point, no sincere citizen-candidate proposes such a platform.

Not all those below x in pre-tax income support the risky reform. Indeed, some can improve their situation sufficiently through redistribution, and do not want risk if the appropriate tax rate is chosen. Moreover, some may find the reform too risky or inefficient, although they would support a milder risk if possible. Given Proposition 1, those who support some risk are those with post-tax income below a threshold below the reference point, $\underline{\theta}(x)$. This threshold is increasing in z . A voter j supports the populist reform

$$\iff (1 - \tau_j^*) * \theta_j + \tau_j^* * \bar{\theta} - i(\tau_j^*) < \underline{\theta}(x).$$

For the median voter (indexed by m), there is risk in the platform \iff
 $(1 - \tau_m^*) * \theta_m + \tau_m^* * \bar{\theta} - i(\tau_m^*) \leq \underline{\theta}(x)$

A populist median voter implies a populist candidate, by Proposition 3. Analyzing that formula reveals that the median voter is more likely to support such policies and candidates if:

- Income is disappointing with respect to expectations (lowering the median income - or raising the reference point - augments the probability that the previous equation is true).
- The tax system is distortive, so that high redistribution of incomes can not get voters back to the reference point (when i takes higher values for a given tax rate, the previous equation is more likely to be true).
- The average income is low, with the same intuition.
- The inefficiency parameter of a possible risky reform is small (this plays on the threshold and makes it more desirable to support risky reforms).

The third item is counter-intuitive. In many countries, populism, especially left-wing, seems linked with high income inequality. With a homogeneous and

exogeneous reference point, this is not the case. If, instead, the reference point was the average pre-tax income (or worse, the highest pre-tax income), higher pre-tax inequality would make the median voter more disappointed and risk-loving. However, the other items seem reasonable, and do not depend on the exact nature of the reference point. More disappointed voters are more likely to be risk-loving and vote for populists or run as such, ineffective tax systems encourage populist solutions, and inefficiency in itself remains a ill that voters, if they had the choice, would like to remove.

3 An extension with heterogeneous reference points and skill

Of course, the homogeneous reference point is a strong assumption. Some think that reference points are determined by rational expectations, and not every voter should have the same expectation for their income. The status quo is also different across voters. [citer Tocqueville]

Another argument comes directly from the model above. With a homogeneous reference point we would expect most risky proposals to come from left-wing political parties. However, right-wing populism is just as frequent, if not more. Low taxation of income is sometimes salient for such parties or candidates (Javier Milei, Donald Trump...). A pattern where they are opposed to a less populist and more high-tax candidate is incompatible with the model above, unless reference points differ.

The framework

Voters and preferences over consumption Voters are defined by an income level θ_j and a reference point x_j . The utility of consuming c with certainty is $U_j(c) = c + \mu(c - x_j)$. If $c_j > x_j$, the voter is satisfied and risk-neutral. If $c_j < x_j$, the voter is disappointed and risk-loving. In addition, they have a skill s_j .

Actions and policies Voters maximise utility, vote for a candidate at no cost, can run themselves at cost δ , win utility b or $\frac{1}{2} * b$ from winning or being in a two-way tie.

Political platforms have two dimensions:

- A linear tax rate, as previously.
- A stance on a risky proposal, which we do not need to suppose inefficient. If undertaken, the reform creates a stochastic aggregate shock with full support, denoted η , $E[\eta] = 0$, to all incomes in society.

The reform is not itself inefficient. However, skilled leaders give higher consumption levels to every voter. Electing a candidate with skill s_l gives an additional consumption of $\alpha * s_l$. Everything else being equal, every voter would prefer to elect more skilled individuals.

Equilibrium concept Since there is a finite number of voters with 2 possible actions each, a Nash equilibrium still exists. To derive properties about them, we need to understand the preferences of voters with different characteristics.

The meritocratic framework For the rest of the section, let us give this particular framework. For every voter j , the reference point for period $t + 1$

is $x_{j,t+1} = \theta_{j,t}$. The process generating their true income is $\theta_{j,t+1} = \theta_{j,t} + s_j$. Skill can be positive or negative.

Proposition 4 *The voters who support the risky reform are those with the lowest skill.*

Outline of the proof: This comes by remarking that since $\theta_{j,t+1} - x_{j,t+1} = s_j$, the most disappointed are the least skilled. We know from Proposition 1 that risk-neutral voters don't take the risk if there is full support for the risk, and that more disappointed voters like the risk more. The fact that risk may be embodied by lower-skilled candidates does not change this conclusion, as Proposition 1 is true for any z .

Corollary: if the political equilibrium has two candidates, only one of which proposes risk, this candidate has a lower skill than the other. This makes the risky proposal less efficient.

With this corollary, we are back to the situation of a risky inefficient against a riskless efficient candidate, with $z = \alpha * (s_M - s_P) > 0$. This framework gives rise to the microfounded conflict studied in Panunzi et al. (2020).

4 Empirical regularities

4.1 Disappointment, risk-love, and populism

The model predicts that more disappointed voters are more risk-loving and populist. Ali et al. (2023) show a correlation between low life satisfaction and

votes for Trump. Panunzi et al. (2020) justify their model with a correlation between risk-love and populist attitudes in the German Socio-Economic Panel. Related to decline (hence disappointment with respect to a realistic reference point), Fetzer (2019) shows that votes for Brexit, a risky populist reform, were higher in places which had encountered welfare cuts, reducing incomes. Fetzer et al. (2024) confirm, using measures of local decline and support for UKIP. In the US, Petrova et al. (2024) show a similar pattern, with automation an exogeneous shock which reduced the career value of some workers. Importantly, this paper shows that the workers in decline did not vote more for non-populist Republican candidates, which could have happened with a shift to cultural issues or a sanction against the Democrats. They only increased their support for populist candidates, which corroborates the channel of Reference-Dependent Utility, where the disappointed become risk-loving.

4.2 The citizen-candidate interpretation

The main innovation of this paper is the use of citizen-candidates to find political equilibria with and without populism. Previous research (Panunzi et al. (2020)) finds that disappointed voters can be attracted to risky and inefficient candidates, without justifying why risky candidates would arise, or why the level of risk could not be strategically adapted as well as the tax rate. The citizen-candidate interpretation extends the framework, and shows that under certain conditions, a candidate sincerely supports risky reforms. Does the theory explain well who the populist leaders are? According to it, they should be risk-loving individuals. Research in political science has highlighted such profiles (Mudde and Rovira Kaltwasser (2017)). I try to have a systematic approach, starting from the database in Funke et al. (2023). On the 50 leaders

in the main database, I indeed find that 23 had jobs or experiences that embody risk, such as a career in the military,⁴ in business, in sports... The detailed list is in Appendix B.⁵ However it is noteworthy that some populist leaders are in contrast to the ideal of the risk-lover: we find an alarming number of lawyers and academics, and even an accountant (Muldoon of New Zealand).

The extension where skill matters (Section 3) is inspired from empirical findings: Dal Bó et al. (2019) find, with various proxies, that leaders of the populist party Sweden Democrats are less skilled at every level of Swedish politics. This is incompatible with the idea of strategic politicians: since voters value skill,⁶ any skilled strategic politician should adopt the platform of the populists and encounter even more success than they do.⁷

Instead, new profiles emerged in politics after economic shocks. This is consistent with the model of Section 3: when no voter is disappointed, politics is between skilled politicians on the left and the right. Disappointment leads some voters to support risky platforms (anti-EU attitudes, U-turn on

⁴I also consider a short service during an important war to be a signal of risk-acceptance, while I do not consider a mandatory military service as such.

⁵One can restrict to the leaders who were elected - Peron, Peron-Martinez, Vargas, Ibanez, Sukarno and Mussolini are classified as populists by Funke et al. (2023), but arrived in power without being elected, so they do not illustrate models with elections well. Curiously, this does not change the analysis much. In particular, former soldiers regularly take power through normal means.

⁶This is natural and can be seen in Dal Bó et al. (2017), for example

⁷To make such a model consistent, one could suppose that the cost of candidacy is higher when one campaigns for a party perceived as extremist - I thank Sylvain Catherine for this observation. However, my framework does not involve parties, and does not have social pressure of "political correctness" for or against any policy - a future paper may!

immigration policy...) which risk-neutral politicians can not sincerely support. In a "fair" society like Sweden, voters whose situation deteriorates are likely to not be the most "skilled". This leaves disappointed risk-loving voters with a dilemma: either voting for a skilled mainstream politician, who has objective qualities but will not work "for us" (won't undertake radical change which could send them back to reference point), and politicians who are "one of us", have an interest in implementing risky policies, but are less experimented or skilled.⁸

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⁸A dilemma which is easier for high-skill voters, since their interest in stability is shared by high-skilled efficient politicians.

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Appendix A Proofs

Proposition 1: Welfare at a satisfaction level t , $t = c - x$ under the risk minus the welfare under the status quo is:

$$E_{\eta}[\mu(t + \eta) - \mu(t)] \tag{1}$$

Let us show that this quantity is decreasing with respect to t (this is the property shown in PPT). The derivative of this quantity with respect to income is: $E[\mu'(t + \eta)] - \mu'(t) < 0$ by Jensen’s inequality.⁹

So ignoring the inefficiency, only the poorest and most disappointed want to take the risk. In addition, all voters have to pay z to take it. Since the marginal utility of income is higher for the mildly disappointed than for the very disappointed, this does not change the conclusion (and satisfied voters do

⁹Remember that since $\mu'''(\cdot) \leq 0$, μ' is concave.

not want to take the risk anyway).

Proposition 2: *Note - This was already noted in the working paper of PPT, although they do not focus on this object since they do not have citizen-candidates - this proof is mine.* Let us consider the welfare of a voter with an income θ under the risky option with bounds in \bar{R} (the riskless one is a degenerate case of the following expression):

$$(1 - \tau) * \theta + \tau * \bar{\theta} - i(\tau) + \int_{-\epsilon}^{\epsilon} \mu((1 - \tau) * \theta + \tau * \bar{\theta} - i(\tau) + \eta - x) * h(\eta) d\eta$$

Maximizing that quantity by choosing τ yields

$$0 = -\theta + \bar{\theta} - i'(\tau) + \int_{-\epsilon}^{\epsilon} (-\theta + \bar{\theta} - i'(\tau)) * \mu'((1 - \tau) * \theta + \tau * \bar{\theta} - i(\tau) + \eta - x) * h(\eta) d\eta \quad (2)$$

The natural solution ($-\theta + \bar{\theta} - i'(\tau) = 0$) is a solution of (2). Else, we get $-1 = E_{\eta}[\mu'((1 - \tau) * \theta + \tau * \bar{\theta} - i(\tau) + \eta - x)]$, which is impossible since $\mu'(\cdot) \geq 0$.

For interior solutions, we can rewrite $0 = -\theta + \bar{\theta} - i'(\tau)$ as $i'(\tau) = \bar{\theta} - \theta$. When θ is high, $i'(\tau)$ is low, and given that i is convex, τ is low. There is no interior solution if $\theta > \bar{\theta}$.

Theorem 1: All voters are ordered by their pre-tax income. From Proposition 2, poorer voters support more taxes regardless of the risk decision. $\theta_A > \theta_B \Rightarrow \tau_A^* \leq \tau_B^*$. If a poor advocates strictly less risk than a rich, his post-tax disappointment under his own tax plan is strictly lower than the rich's (Proposition 1), which means that:

$$(1 - \tau_A^*) * \theta_A + \tau_A^* * \bar{\theta} - i(\tau_A^*) - x_A < (1 - \tau_B^*) * \theta_B + \tau_B^* * \bar{\theta} - i(\tau_B^*) - x_B$$

Since the reference point is homogeneous, his post-tax income under his tax

plan is higher than the rich's under his tax plan.

$$(1 - \tau_A^*) * \theta_A + \tau_A^* * \bar{\theta} - i(\tau_A^*) < (1 - \tau_B^*) * \theta_B + \tau_B^* * \bar{\theta} - i(\tau_B^*)$$

Note: if $\tau_A^* = \tau_B^*$, this is already a contradiction.

Under any tax plan, post-tax income is strictly increasing in pre-tax income, so the rich could have chosen a better tax rate.

$$(1 - \tau_B^*) * \theta_A + \tau_B^* * \bar{\theta} - i(\tau_B^*) > (1 - \tau_B^*) * \theta_B + \tau_B^* * \bar{\theta} - i(\tau_B^*) > (1 - \tau_A^*) * \theta_A + \tau_A^* * \bar{\theta} - i(\tau_A^*)$$

There is necessarily a contradiction, the rich agent chooses a lower risk than the poor, and voters' bliss points follow a single axis. Let us prove single-crossing on the tax rate. $\frac{\partial^2 U}{\partial \theta \partial \tau} = -1 - \mu'((1 - \tau) * \theta + \tau * \bar{\theta} - i(\tau)) - \mu''((1 - \tau) * \theta + \tau * \bar{\theta} - i(\tau)) < 0$. As usual, the marginal benefit of increasing tax rate decreases as one gets richer. To have non-single-crossing, we would need some poor agents to prefer the risk-level of the rich rather than the one of the middle-class. This is impossible by Proposition 1.

Proposition 3: Given the single axis of proposals, fully determined by income, we can denote v_{jk} represent the utility of a voter with income θ_j by the policy implemented by a voter with income θ_k . $v_{jj'}$ represents the utility of j when the policymaker has the same income. The payoff of running, winning and implementing oneself is $v_{jj} = v_{jj'} + b - \delta$.

To prove the proposition, we need to rule out two possibilities:

- The median voter not being indifferent between the two candidates (i)
- Two candidates on the same side of the median voter (ii)

If the median voter is not indifferent: without loss of generality, say that m strictly prefers the policy of θ_L to the one of θ_R . All voters poorer than m also

prefer the policy of θ_L by single-crossing, so this candidates wins more than half the votes. θ_R loses for sure. Leaving the race unilaterally would increase his payoff - so this is not a Nash Equilibrium.

If two candidates were on the same side of the median voter, they would need to have the same position j to have a shot at winning (cf (i)). The payoff of the median voter would be v_{mj} . By entering, the median voter would win for sure, and have a payoff $v_{mm} = b + v_{mm'} - \delta > b + v_{mj} - \delta$. To justify non-entry, we would need $b < \delta$. However, the fact that each of the two candidates stays means that $\frac{1}{2} * b + v_{jj'} - \delta > v_{jj'}$, so $\frac{1}{2} * b > \delta$, which is a contradiction.

Proposition 5: One should remark that the proof in Proposition 1 depends only on the satisfaction level $t = c - x$. Having satisfaction levels $t_j = c_j - x_j$ does not change the proof. So ignoring the inefficiency, only most disappointed with post-tax income (not necessarily the poorest!) want to take the risk.

Technical point for the Corollary of Proposition 5: supposing that the risky platform is defended by a candidate of skill s_P , status quo by a candidate of skill s_M , $s_P < s_M$, is exactly like supposing that there is an inefficiency cost $z = \alpha * (s_M - s_P) > 0$ to take the risk. Hence, the proof of Proposition 1 still applies.

Appendix B Classification of populist leaders in Funke et al. (2023)

Information about past jobs comes from the English Wikipedia pages of these persons. Populist leaders in the main database:

- Argentina (6): Yrigoyen, Peron, Peron-Martinez, Menem, Kirchner, Kirchner-Fernandez

- Bolivia (3): Estenssoro, Zuazo, Morales
- Brazil (3): Vargas, Collor, Bolsonaro
- Bulgaria (1): Borisov
- Chile (2): Alessandri, Ibanez
- Ecuador (3): Velasco, Bucaram, Correa
- Germany (1): Hitler
- Greece (1): Tsipras
- Hungary (1): Orban
- India (2): Gandhi, Modi
- Indonesia (2): Sukarno, Widodo
- Israel (1): Nethanyahu
- Italy (3): Mussolini, Berlusconi, Conte
- Japan (1): Koizumi
- Mexico (3): Cardenas, Echeverria, Lopez-Obrador
- New Zealand (1): Muldoon
- Peru (2): Garcia, Fujimori
- Philippines (2): Estrada, Duterte
- Poland (1): Kaczynski
- Slovak Republic (2): Meciar, Fico

- South Africa (1): Zuma
- South Korea (1): Roh
- Taiwan (1): Chen
- Thailand (1): Shinawatra
- Turkey (1): Erdogan
- United Kingdom (1): Johnson
- United States (1): Trump
- Venezuela (2): Chavez, Maduro

Leaders with risky jobs (23, including coups):

Yrigoyen (Police Commissioner), Peron (Military), Vargas (Military), Collor (Business), Bolsonaro (Military), Borisov (Firefighter), Ibanez (Military), Bucaram (Sportsman, Policeman), Hitler (Military - WW1), Mussolini (Activist), Berlusconi (Business), Modi (Activist), Sukarno (Activist), Widodo (Business), Cardenas (Military), Muldoon (Military - WW2), Estrada (Actor / Business), Zuma (Activist), Roh (Military - Korea War), Shinawatra (Police Academy / Business), Erdogan (semi-pro footballer, activist), Trump (Business), Chavez (Activist)