Populism
Promises and Problems

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Populism is a political ideology that advocates citizen control of government, government policies that support the interest of average citizens rather than the interest of an elite few, and, often by extension, democratic political institutions. Populist movements have advocated a wide variety of policies over the years and from one country to another. The common element underlying populist movements is that government should be accountable to the masses rather than controlled by an elite few and that government policy should be designed to benefit the masses rather than the elite. Populism has obvious political appeal. The problem with the populist vision is that it points toward political institutions that are poorly suited to accomplishing populist goals.

Public policy will always be designed by an elite few, and the populist idea that government can be controlled by the masses ultimately shifts more power to the elite. Public policy cannot be designed by a large group of people because the larger the group, the more difficult it is for individuals in the group to negotiate with each other. To use economic terminology, transaction costs are too high. A large group could vote to approve policies or vote on who they want to represent them in negotiations, but voting brings with it additional problems. As Anthony Downs (1957) notes, when the number of voters is large, each individual vote has only an imperceptible influence on the outcome, so voters tend to be rationally ignorant. Most individuals have no meaningful political power; that is why their ignorance is rational. And those with no

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power are not in a good position to control those who have power, even if the powerless far outnumber the powerful.

The American Founders understood this and designed a government with constitutionally limited powers and with institutions that allowed some with power to check and balance the use of power by others. They deliberately did not design a democracy in the sense of a government that would be controlled by its citizens or that would implement policies that were desired by its citizens. Populism begins with the promising and persuasive idea that governments should act in the best interests of their citizens, but it continues with the problematic ideas that citizens are able to control their governments and that governments should carry out the will of its citizens. The populist idea that control of government should be taken from the elite and returned to the people ultimately facilitates a transfer of power (back) to the elite.

**Populism**

Populism begins with the idea that governments should serve their citizens rather than citizens being subjects of their governments. John Locke’s ([1690] 1960) political philosophy supported the Glorious Revolution in Britain in 1688, which confirmed the supremacy of Parliament—the representatives of the people—over the British Crown. The American Revolution in 1776 was based on the perception that the British government was violating the rights of the colonists, and it was fought to give the colonists the right to establish a new government designed to protect the rights of the masses against abuses by the elite. Bernard Bailyn (1967) notes that Locke’s ideas played an important role in developing the arguments for American independence. The French Revolution that began in 1789 replaced the monarchy with a republican government.

These governments were not populist governments, but they were based on the populist idea—revolutionary at the time—that governments should serve their citizens rather than citizens serving their governments. Despite that compelling idea, the political elite who hold power always have the incentive to use that power to solidify their elite status.

Karl Marx and Friedrich Engels argued in 1848 that government works for the benefit of the elite, saying, “Each step in the development of the bourgeoisie was accompanied by a corresponding political advance of that class. . . . [T]he bourgeoisie has at last, since the establishment of modern industry and the world market, conquered for itself, in the modern representative state, exclusive political sway. The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie” (1948, 10–11). Marx and Engels emphasized the division between the bourgeoisie and the proletariat, just as twentieth-century sociologists and political scientists noted the division between elites and masses. The Occupy Wall Street movement that began in 2010 protested policies that were designed to benefit the one
percent rather than the 99 percent. Populism is a movement designed to reorient political power to further the interests of the proletariat, the masses, the 99 percent.

The term *populism* originated in the United States in the late 1800s to describe an agrarian movement to counteract the perceived abuse of economic power. Agrarian interests believed that as the nation had industrialized, those with concentrated economic power were able to influence government to favor themselves over the masses (Holcombe 2019, chap. 8). Hannah Arendt (1958) identifies both Adolf Hitler and Joseph Stalin as populist leaders who rose to power on the idea that government should be run for the benefit of the masses. In the twenty-first century, national leaders Donald Trump in the United States, Boris Johnson in the United Kingdom, and Jair Bolsonaro in Brazil are commonly identified as populists. Leaders as varied as Daniel Ortega in Nicaragua, Hugo Chávez in Venezuela, and Benjamin Netanyahu in Israel have been labeled populists.

The populist label has been applied to movements and leaders from one end of the political spectrum to the other, and populist leaders have advocated a wide variety of policies. As such, populism is a motivation underlying political movements rather than a specific set of policies. That motivation is to take political power from the elite and give it to the masses. It begins with an adversarial “us against them” mentality that often promotes nationalism and even racism. Populist leaders tend to be charismatic individuals who develop a following by persuading people that they are being taken advantage of and that those who have advantages got them with the assistance of the power elite.

Donald Trump told voters he would “drain the swamp” in Washington, D.C. Adolf Hitler told Germans they were being taken advantage of by the nations that defeated them in World War I and by Jews. Boris Johnson said that the British were getting a bad deal as members of the European Union. Populism is not a specific set of policies but rests on the idea that government policies are designed by insiders for the benefit of an elite few. Populist leaders advocate taking control of government from the political elite—the insiders, the cronies—for the benefit of the masses.

Populism is based on an adversarial mindset that pits the masses against what C. Wright Mills calls the power elite: “The powers of ordinary men are circumscribed by the everyday worlds in which they live. . . . But all men are not in this sense ordinary. As the means of information and of power are centralized, some men come to occupy positions in American society from which they can look down upon, so to speak, and their decisions mightily affect, the everyday worlds of ordinary men and women.”

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1. As described in Holcombe 2019, the populist movement in the United States was eclipsed by progressivism in the late 1800s. Progressives, like the populists, viewed that government policy was being designed to favor elites over the masses, but the progressive movement was spearheaded by journalists, academics, and more urban interests rather than by the rural interests that underlay populism. Further digression into the relationship between populism and progressivism would lead away from the key point here, which is the use of the term *populism* to oppose government policies that favored elites over the masses. As American populism evolved into progressivism, Theodore Roosevelt, Woodrow Wilson, and Franklin Roosevelt were progressive presidents who promoted the reining in of elite power.
(1956, 3). The supporters of populism are those ordinary men and women who back political leaders who claim to represent their interests rather than those of the power elite. Over many years and across many countries, charismatic leaders have been able to convince citizens that if they are put in power, the government policies that favor elites over the masses will be reversed.

Because the term populist has been used to describe so many varied governments, public policies, and political figures, it is worth considering whether the term is too vague to be meaningful. Although that is a fair question—different people might be using the term to describe very different political regimes—two (or maybe three) common elements stand out in all populist movements. One is the populist perception that political elites are using their power for their own benefit and are holding back the masses. Another is that populist movements create an adversarial “us against them” atmosphere, where those in the “us” category are ordinary citizens. A possible third common element is a charismatic leader who is able to rally supporters behind the first two elements.

Cronyism and Populism

A major motivation behind populist sentiments is the idea that the political and economic elite are conspiring to benefit themselves at the expense of the masses: government policies run on cronyism and corruption. This is apparent in the Occupy Wall Street movement, which was based on the perception that government policy was being designed for the benefit of the Wall Street fat cats at the expense of ordinary homeowners who had lost their jobs and been foreclosed out of their homes. It was evident in the original American populism in the late 1800s that perceived those with concentrated economic power, the “robber barons,” as using it to take advantage of average citizens. But it also is evident in the claim by Marx and Engels that the state is an organization that furthers the interests of the bourgeoisie.

Commenting on the cronyism in American capitalism, Joseph Stiglitz says, “[I]t’s one thing to win a ‘fair’ game. It’s quite another to be able to write the rules of the game—and to write them in ways that enhance one’s prospects of winning. And it’s even worse if you can choose your own referees” (2012, 59). Populist sentiment has consistently been driven by the view that public policy works for the benefit of the economic elite, who conspire with the political elite for their mutual benefit. Populists want to wrest control of government from the elite so that public policy works to benefit the masses rather than those well connected to political insiders.

That populist idea has obvious appeal to the masses, and populism as a movement sees support for strong populist leadership as the path to accomplishing that goal. Far from heading a movement that will limit the power of government, populist leaders advocate strengthening government so it can level the playing field by limiting the power of the elite. Ordinary citizens are not in a position to take power from the powerful; it will take a powerful leader to redirect the powers of government for the benefit of the masses. Populism supports
strong government, in part as a mechanism to control the power of elites but also in part because populist leaders tend to be charismatic individuals who are able to convince the masses that giving populist leaders more power is the way to constrain the power elite.

**Populist Supporters**

Downs (1957) describes voters as rationally ignorant. Their ignorance is rational because in any election with a large number of voters, the chance that one vote will be decisive is vanishingly small. Yes, all the votes taken together determine the election outcome, but voters know that their one vote will not be decisive. When making market decisions, an individual’s choice of what type of car to buy or where to eat lunch will have a direct effect on the decision maker’s well-being. But when one voter is deciding how to cast a vote at the ballot box, the election outcome will be the same regardless of what that one voter does, so voters gain no benefit from casting informed votes beyond any individual satisfaction they get from acquiring the information.

Geoffrey Brennan and Loren Lomasky (1993) make the distinction between instrumental and expressive voting. Instrumental voters vote as if their votes will affect the election outcome. If a voter’s objective is to cast a vote that will change the election outcome, the utility-maximizing voter should abstain because the cost incurred in going to vote far outweighs the likelihood that the individual’s vote will be decisive. Despite this, many people do vote. Because they know their individual vote will not affect the election outcome, they must be choosing to vote for other reasons.

The utility that voters get from voting must come from their desire to express their views through the ballot box. They may get a good feeling from voting for a candidate they like. They may share political views with a peer group and vote to feel solidarity with that group. They may dislike a candidate enough that they feel good about voting against that candidate. Gordon Tullock (1971) suggests that people may vote for candidates who promote redistributive policies because they get a good feeling from casting a charitable vote. Giving money to charity, Tullock notes, will leave them with less money to spend on other things, but casting a charitable vote makes them feel good and costs them nothing because their one vote will not affect the outcome of the election.

People do bear a cost just to show up at the polls and vote, so the fact that they do it, even though their vote will have no effect on the outcome, shows that the utility they get from expressing a preference outweighs the cost of showing up to vote. People cast their votes for emotional reasons: they feel good about expressing political preferences.

Bryan Caplan (2007) says that this lack of a connection between the act of voting and the outcome of an election leads voters to support irrational policies that work against their own interests. He notes the many irrational biases that voters tend to have, but because their single votes do not affect an election outcome, voters get no negative feedback from casting a vote based on those biases. Someone who chooses a bad restaurant for lunch receives negative feedback, which steers the person away from that
restaurant in the future. Someone who casts an irrational vote bears no cost for doing so. Voters choose options that make them feel good, which leads voters to decide how to cast their votes more based on emotion than on reason.

All voters tend to be expressive voters, and the populist message that the system is rigged against the masses rings true to many. It expresses the popular sentiment that government should rein in the power of the privileged few. The populist message is adversarial in that it depicts others as taking advantage of the masses. The others may be the well-connected elite or foreigners or racial or cultural minorities. The populist message is that the system favors “them” and that populist leaders will put “our” interests first.

Because no one vote will be decisive, voters are more inclined to cast their votes based on emotion rather than on reason, which gives an edge to charismatic populist candidates. Populist leaders generate emotional appeal by telling people that government policies often allow the masses to be taken advantage of by others and that transferring control of government to those populist leaders will take privileges away from the privileged power elite. The emotional appeal of populism works because the nature of voting leads voters, who cast their votes emotionally, toward candidates who make them feel good and because it feels good to take power away from those who have been abusing the system.

The rational ignorance that Downs (1957) attributes to voters applies to citizen views on public policy more generally. Whatever an individual’s views are on trade policy or immigration or tax policy, the same policies will be enacted regardless of any one individual’s views, so individuals have little incentive to develop informed opinions on those issues. This is, of course, not true for the few individuals who are in the power elite. They are the ones who make the policies. But it is true for the masses. Their views have no effect on public policy. In democracies, all of the votes taken together determine who holds power, but each individual vote has no effect on the aggregate outcome.

The characteristics of populist voters covered in this section apply to voters in general, not just to populist voters. Voters, who must realize that as individuals they have no influence over public policy, tend to be receptive to the emotional appeal of the populist message, especially when delivered by a charismatic leader. Populist voters are not different from other voters, but the characteristics of voting—and politics more generally—are favorable to populist movements. Individuals by themselves have no political influence, but individuals can join influential movements. To the powerless, the emotional appeal of joining a powerful movement makes populism attractive.

**Populism’s Adversarial Foundation**

The adversarial message of populism sells well to the masses because it tells them that their lives would be better if they were not taken advantage of by others. President Trump heaped blame on the Chinese and Mexicans for the trade deficit and labor-market problems but also imposed tariffs on Canadians and Europeans, claiming they are taking advantage of Americans. Nationalism provides a good foundation for an adversarial viewpoint because of
the emotional appeal of the argument that governments should put the interests of their own citizens first. A message of globalism, which promotes the idea that everyone can cooperate for their mutual benefit, leaves nobody to blame, so people must accept responsibility for their own lives. It may offer more comfort to people to be able to shift blame for any of their problems to others, and populist leaders offer the masses a government that will look out for their interests. Many people, James Buchanan (2005) argues, would rather have government take responsibility for their well-being rather than accept that responsibility for themselves, and populism promises its supporters a government that will look out for their interests.

The “us against them” message of populism builds solidarity because it pushes individuals to identify with the group. A message that we all are Americans or that we all are a part of a global community glosses over any differences among parties or candidates and offers more intellectual than emotional appeal. This cooperative message to unite people works against people who seek a group identity. The cooperative message says that everybody is in the same group. Just as people get utility from being sports fans and identifying with their teams, they get utility from identifying with political candidates and movements. The adversarial message of populism appeals to the same types of emotions as sports rivalries. In politics as in sports, there are winners and losers, and the populist message that “we are on the same team and have a common adversary” has more emotional appeal than “we all are in this together.” As the previous section noted, political institutions offer fertile grounds for emotional appeal.

### Public Policy Is Always Designed by Elites

The populist label is vague enough that it has been used to describe leaders as varied as Adolf Hitler and Boris Johnson. What populist leaders have in common is not the specific policies they advocate but their claims that they will promote the interests of ordinary men and women and the sufficient charisma they have to win them popular support. Can that promise of populism—that it will support the interests of the masses over the elites—be realized? The first thing to recognize is that public policy is always designed by an elite few. In anything but the smallest of groups, the whole group can never participate as equals in a collective decision-making process. When populist governments come to power, they replace one set of political elites with another. This should be obvious when looking at actual populist governments. When Donald Trump came to power in the United States and Boris Johnson came to power in the United Kingdom, the number of people who designed public policy in those two countries remained the same. They were just a different group of people. One group of insiders was replaced by another. This has to be the case because millions of people cannot negotiate as political equals to design public policy (Holcombe 2018a). Transaction costs are too high, to use the language popularized by Ronald Coase (1960).

In the ideal vision of representative government, people elect a small number of representatives to represent their interests, and that small number of individuals then
becomes a part of the power elite who design government policies. The idea behind populism is that those representatives will represent the interests of the masses rather than those of the elite. That is why campaigning as a political outsider is a successful strategy. Populist voters want to replace the well-connected cronies with people who represent their interests rather than the interests of the power elite.

One problem with this populist vision becomes immediately apparent. Once put into power, those representatives become a part of the elite. Why should they pursue policies that favor others rather than themselves? This is one reason why populist movements tend to have charismatic leaders. Such leaders must persuade the masses that when their populist government comes to power, it really will work for the interests of the powerless. The message is, “Give me power, and I will use it for your benefit, not mine.” That message must be skillfully crafted to win political support, which is why populist leaders tend to be charismatic.

Populism conveys the impression that the masses will be empowered, so it is important to recognize that public policy is always designed by a small group of people because millions of people cannot participate in making such decisions. At best, empowering the masses means that the few who hold political power will use it to further the interests of the masses. Indeed, supporters of populist leaders cannot be thinking that if they vote for those leaders or otherwise support those leaders, the supporters themselves will somehow gain power. They must be thinking that they are supporting the transfer of power to a populist government that will be looking out for their interests.

**Populism Invites Authoritarianism**

Support for populist leaders has a strong emotional foundation. The analogy to sports fits well. Just as people develop emotional attachments to their teams and want their teams to win those big rivalry games, the adversarial nature of the populist message pushes supporters to develop emotional attachments to their movements and their leaders. Populist leaders tend to be charismatic, so they develop a loyal following of people who like the message and the person but who don’t think through the implications of the message. This combination can lead to what Caplan (2007) calls “rational irrationality.” With an “us against them” message, the populist leaders encourage emotional supporters by representing “us.”

Hitler, who was democratically elected, used the perception that Germans were being taken advantage of by the victors in World War I in order to build his nationalist message that unified Germans. After the breakup of the Soviet Union in 1988–91, Russians saw the image of their country decline, and so Vladimir Putin has been able to take advantage of a nationalist

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2. This suggests the populist motive for term limits for elected officials. If elected officials know they will have to give up their power and return to the private sector, they are more likely to look out for the masses rather than view themselves as having the permanent privileges that come with being a career politician.
sentiment to build support for his regime. Also democratically elected, Hugo Chávez was able to use that same “us against them” sentiment to represent the Venezuelan masses against a corrupt elite. Donald Trump gained a loyal following by promoting his “America first” message that the American masses are being taken advantage of by Mexicans, Chinese, and others. Boris Johnson did the same by depicting a European Union that was taking advantage of Britain. Populist leaders succeed when they are able to entice their supporters to become emotionally invested in their movements.

The United States and Britain have strong democratic institutions that (almost) surely will limit the powers of Trump and Johnson, but the experience in Nazi Germany, in Venezuela, and in twenty-first-century Russia should serve as a warning about the dangers of a charismatic leader who promotes that populist “us against them” message. Institutions can be modified, as the German, Venezuelan, and Russian examples show. Even in more institutionally constrained settings, populist governments can ratchet up the level of government control, and as Robert Higgs (1987) documents, that ratcheting up has been occurring in the United States for more than a century.

William Riker (1982) associates populism with the ideas of Jean-Jacques Rousseau, who in 1762 envisioned democratic political institutions as a mechanism for revealing the general will. Rousseau said, “When in the popular assembly a law is proposed, what the people is asked is not exactly whether it approves or rejects the proposal, but whether it is in conformity with the general will, which is their will. When therefore the opinion that is contrary to my own prevails, this proves nothing more nor less than that I was mistaken, and that what I thought was the general will was not so” (1923, book IV, chap. 1, no. 2). Rousseau’s vision legitimizes any actions taken by a democratic government as carrying out the general will. Those who have political power are rarely reluctant to use it, and Rousseau gives them license to use it as they see fit.

Riker (1982), basing his arguments on a substantial body of public-choice theory, argues that elections cannot divine the general will and that the purpose of democracy is to constrain those who hold political power, not to determine public policy. When those with political power are not constrained in their actions, they will use it to further their own interests (Holcombe 2018b). Surely, the common assumption that people act to further their interests applies to politicians as much as to anyone else.

The American Founders understood this and designed a government to guard against influence by populist sentiments. The Constitution gives the federal government limited and enumerated powers and incorporates a system of checks and balances designed to prevent those who exercise the powers of government from abusing them. The system has not worked perfectly, but philosophically it is the antithesis of Rousseau’s vision of democracy. Elections are intended to determine who exercises political power, not the scope of those powers. The powers that the elected exercise are limited to those enumerated in the Constitution. Rousseau’s general will has no place in the Founders’ Constitution.

3. Although this is a translation from the original French version of The Social Contract, note that Rousseau uses people as a singular term, reinforcing the notion of a single general will.
The danger in populism is that it promises that if populist governments are given more power, they will use it to take away the privileges the old political elite have produced for themselves. Throughout history, the powerful have systematically used their power for their own advantage. The populist message says that elites who control government power have abused it; therefore, we should give them more power. Stated that way, the problems with populism are apparent. Populism is in direct conflict with liberty and in direct conflict with the interests of the masses. Even if a populist government were to live up to its promises, the increased government power it creates would surely be abused by subsequent governments.

**Conclusion**

Populism promises to reorient government to work for the interests of the masses rather than to be run for and by the power elite. The populist message is powerful. It tells ordinary people that they will be better off if their lives were not constrained by a power elite that designs public policies to favor themselves over the masses. It builds solidarity by creating an adversarial message that entices the average citizen to identify with the message and support the populist movement. Political institutions, by their nature, encourage support based on emotional messages, and populist leaders tend to be charismatic individuals who are able to create an emotional attachment that builds a following.

Public policy, by necessity, will always be designed by an elite few because large numbers of people are unable to bargain together as equals. The transaction costs in such a scenario are too high. The issue is not whether government will be controlled by elites or the masses; the issue is: Which elites will have control? Populist leaders offer the illusion that if they come to power, government will be controlled by the masses, but that can never happen. Populist movements marshal support behind populist leaders who, when they gain control of government, tend to use it to consolidate and increase their own power. They become the new elite, and the masses remain powerless. But by buying into the populist message that it is us against them, the masses buy into the populist message that others are to blame for any limits they face.

Because populism is conducive to developing emotional support, the supporters of populist movements will tend to continue backing them even when there is evidence that their policies are counterproductive. They brand evidence contrary to the populist message as “fake news.” Individuals are powerless to change things, anyway, and it reduces cognitive dissonance simply to continue supporting a populist leader rather than to admit that the emotional attachment to the populist leader was a mistake.

The American Founders understood the dangers of a government designed to carry out the will of the people as determined through a democratic decision-making process and deliberately designed a government with constitutionally limited and enumerated powers. Populism promises a government that looks out for ordinary
citizens, but it leads toward more authoritarian government that compromises liberty and works against the interests of the masses.

References


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