

# Contagion of Extremism<sup>\*</sup>

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## Abstract

The objective of this study is to explore the propagation of populism across countries. To this end, we construct a multi-country model in which each country's politician sequentially implements a policy. Voters face information asymmetries about the incumbent politician's type (congruent type vs. non-congruent type) as well as the state of the world. We show that populism, wherein extreme policies are supported by voters, can arise. Moreover, it is contagious across countries, at least in the short-run. Whether this effect stops in the long-run depends on the correlation of the state of the world across countries. We show that extremism eventually disappears under the perfect correlation, while either the convergence towards extremism or cycles of extremism hold when the state of the world follows a Markov process without absorbing states.

**Keywords:** Populism; Agency problems; Social learning; Yardstick competition; Signaling

**JEL classification:** D72; D83; H73

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