

## **Abstract**

This paper examines the effects of local politician pay on performance for Dutch municipalities. Although literature has argued wages partly determine the value of holding political office and thereby higher wages may improve the quality of a candidate pool, no straightforward theoretical prediction exists relating politicians' remuneration to performance. Data on municipal finances is used in a regression discontinuity design that exploits population thresholds which exogenously determine the wages of local politicians. We find higher wages significantly increase municipal net debt and local budgets, at the same time finding some evidence for increased satisfaction with public space. We contrast our findings to previous research on Italy which found similar effects concerning significance, albeit differences regarding the direction. We argue that even though the direction of the effect may differ, both findings could entail better performance given institutional differences between the two countries