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Rewarding the Top:

Citizens' Opposition to Higher Pay for Politicians

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Abstract:

The rewards of politicians are a key part of the implicit contract between politicians and citizens, and the effect of these rewards on democratic legitimacy and political recruitment is a central concern in public debate and democratic theory. Using a survey experiment, we show how citizens respond to hypothetical changes in politicians' pay. The results indicate that citizens express lower levels of trust in the politicians, when these politicians award themselves higher pecuniary rewards However, our results also show that a devious strategy where the rewards for politicians are less transparent ensures lover opposition from citizens than open and transparent strategies. Based on this, a reinvigoration of the research agenda on 'rewards at the top' is outlined.

Keywords: Rewards at the top, Political leadership, Political attitudes, Political trust, Survey experiments

Introduction

The rewards secured by those in high public office continue to be a central concern in democratic societies (González-Bailon, Jennings, & Lodge, 2013; Hibbing & Theiss-Morse, 2002; Vidal et al., 2012). Anyone following the news media cannot fail to notice the political importance of pay, pensions, and other pecuniary remunerations given to politicians. However, the rewards at high public office are not a topic just for sensational news media stories, they are a topic also for the study of one of the core issues in political science, the contract between politicians and the people. Seen from the perspective of the politicians, it is not surprising that they expect to be compensated for their efforts, because serving in high public office is a difficult job (Pedersen, Hjelmar, & Bhatti, 2018; Weinberg & Cooper, 1999; Weinberg et al., 2015). Conversely, seen from the perspective of the citizens, politicians granting themselves high rewards may be regarded as selfish abuse of the decision-making power with which politicians are entrusted. Consequently, high levels of rewards may even contribute to political mistrust (Hibbing & Theiss-Morse, 2002). Hence, the central research question in this paper is: How do citizens react to increases in the remuneration of politicians?

The contract between the politicians and the people is, in principle, a contract on democratic participation in which the people entrust the politicians with the power to make collective decisions but hold the politicians accountable for the decisions they make. To what extent and how the people hold politicians accountable is a core concern in democratic theory, and people may not want to be involved in democratic participation on an everyday basis. In fact, Hibbing & Theiss-Morse (2002) argue that most people have strong feelings only on a few issues of government and would prefer to spend their time on non-political pursuits and have a “stealth democracy” in which they hold the politicians accountable only occasionally. However, even if these citizens have a dislike towards participating in politics themselves, there is one thing they dislike even more; a political system in which the decision makers accrue benefits at the expense of non-decision makers (Hibbing & Theiss-Morse, 2002). Thus, Hibbing and Theiss-Morse argue that a reform of the remuneration packages given to elected officials could potentially be a key initiative for increasing citizens’ trust in the politicians (Hibbing & Theiss-Morse, 2002).

The question of rewards for public office was also a key concern for classical political thinkers (Hood & Peters, 1994). Adequate compensation to support public service was, for example, a central concern for Weber (Weber, Gerth, & Mills, 1991), who also saw remuneration of politicians as crucial to securing equality in participation (Weber, 2007). Bentham also placed rewards of public servants at the centre of his utilitarian philosophy of government, focusing on keeping public salaries as low as possible (Bentham, 1996). In contrast, Tocqueville feared that low levels of compensation would lead to a *de facto* aristocracy, where only the rich could afford to participate (De, Tocqueville, 2009, p. 204). Today, the same arguments apply when discussing good governance: If higher public office is under-compensated, the argument goes, a political system is likely to become corrupt, inefficient, or turn into a de facto aristocracy—or even a government by billionaires (West, 2014). At the same time, however, one may also argue that it is important that the politicians "live like common people" (Dekker, 2013).

In a seminal contribution to the literature on the rewards of high public office, Hood and Peters (1994) outlined an analytical framework, which asserted that there is a relationship between rewards for politicians and citizens' trust towards those politicians. The subsequent research on rewards of high public office contributed to the field with an impressive amount of detailed country-level case studies covering Europe, North America, Asia, and the Pacific (Brans, 2012), and recently, a burgeoning literature have addressed the causal questions of how and to what degree rewards for high public office affect the recruitment, motivation, and performance of politicians (Braendle, 2015; Carnes & Hansen, 2016; Fisman, Harmon, Kamenica, & Munk, 2015; Fisman, Schulz, & Vig, 2014; Hoffman & Lyons, 2013; Keane & Merlo, 2010; Lundqvist, 2013). How and to what degree the types and levels of rewards have causal effects on the perceptions and attitudes of citizens has, in contrast, not been investigated much since Hood & Peters (1994) presented their model more than two decades ago. Consequently, there is still very little knowledge on the way citizens react to changes in rewards for politicians. This lacuna is somewhat puzzling as there are good reasons to investigate the relationship between the rewards for politicians and the citizens' trust in these politicians. First, while Hood and Peters (1994) did not empirically establish a causal relationship between rewards and trust, it does seem probable that there could be such a relationship. People may very well lose political trust if they see politicians mainly doing good for themselves by gaining high personal wealth rather than working towards societal policy goals. Second, such a relationship is also worth investigating because trust is widely regarded as a key indicator of political legitimacy, ultimately a necessary condition for the continued stability and survival of a political regime (Turper & Aarts, 2017). The relevance of trust is particularly pronounced today: While trust levels fluctuate over time in response to changes in economic conditions and political scandals (Citrin, 1974; Whiteley, 2011), there has also been a general trend towards decreasing trust and growing political cynicism across advanced democracies (Dalton, 2005; Keele, 2007; Norris, 2011; Turper & Aarts, 2017; Whiteley, 2011). In this context, the citizens' perception of rewards earned at the top has been identified as a parameter which could increase trust in the political system (Hibbing & Theiss-Morse, 2002: 217).

The empirical contribution in this article is therefore an investigation of the consequences of higher rewards for politicians relative to citizens' expressed trust towards the politicians. Using a population-based survey experiment, we test how citizens respond to higher salaries of politicians. Specifically, we test how citizens respond to overt (transparent) and covert (non-transparent) changes in the salaries of parliamentarians. Our study shows that increased pecuniary rewards to politicians lead citizens' to express lower levels of trust towards these politicians, both when these increases are overt and when they are overt.

CONCEPTS AND THEORY: THE POLITICIANS' DILEMMA

Understanding rewards for politicians as a social contract problem, the analytical framework by Hood & Peters (1994) presented the question of such rewards through the lens of a cooperative game between two groups of players, namely politicians and citizens. In the simplest version of the game, which we present here, both groups are assumed to be unitary actors. The framework assumes that politicians are utility maximising, and they would prefer higher rather than lower rewards for their work. Similarly, citizens prefer lower rather than higher rewards for politicians, although, as noted by Hoods & Peters the harm suffered by each citizen paying for higher rewards would be negligible (1994: 12).

Table 1: The politicians’ dilemma (see Brans & Peters, 2012; Hood & Peters, 1994)

		Politicians	
	Strategy	**‘Open’**	**‘Devious’**
Citizens	**‘Respectful’**	**[1]** Rewards for politicians: visible, moderate Legitimacy: High	**[2]** Rewards for politicians: less visible and higher Legitimacy: high
	‘Distrusting’	**[3]** Rewards for politicians: visible and lower Legitimacy: low	**[4]** Rewards for politicians: less visible and higher Legitimacy: low

Further, the model is also based on the assumption that when politicians set their own rewards, they can choose an *“open”* strategy, where rewards are transparent, or a *“devious”* strategy, where rewards are made less visible to the public. A devious approach may, for example, include tax-exempt remunerations and other “perks,” where the real value is not apparent to ordinary citizens. It is worth noting that the term “devious,” which was also used by Hood & Peters (1994) in their original presentation of the model, implies that the choice of less transparent rewards are motivated by the politicians’ desire to mask these rewards. This is of course an assumption that may not always hold in the real world: politicians could be completely transparent towards the public about their choice of less transparent reward structures, just as such reward structures can be motivated by non-devious reasons.

The other player in the game, the citizens, may on their side choose a *“respectful”* or a *“cynical”* approach towards the rewards for politicians. In the respectful approach, citizens trust the politicians and consider the rewards given to them as legitimate. In the cynical approach, citizens are less trusting towards the politicians, and the legitimacy of the rewards given to politicians is lower. Hood & Peters (1994) contend that there is an inherent *”tragic bias”* in the game. Knowing that citizens have preferences for low rather than high rewards for politicians, the politicians may—somewhat short-sightedly—tend to choose the devious approach when determining their rewards. This trend toward less visibility has also been found in detailed empirical case-studies which indicate that the direct pay of politicians tends to be hollowed out, while the less transparent rewards are increasing. One example is the UK where the "non-transparent" remuneration continued to grow for a long time, despite continued media attention (Hood, 1994; Lodge, 2012; Peters & Hood, 1995).

Citizens, on the other hand, may become distrusting, leading to the non-optimal outcome with high and less visible rewards and low legitimacy (Cell 4). Notably, Hood & Peters argue that citizens "would *be better off becoming cynical"* (p. 10) even if politicians had chosen to remain "open." One might object that this is not entirely self-evident if one sees the framework as a game with simultaneous moves. However, the move of the citizens towards "distrusting" may be more understandable if the game is interpreted as a sequential game or played repeatedly. If politicians choose the devious approach, the existence of less transparent rewards might provoke a sense that politicians are ripping off the system, and citizens might consequently become more distrustful.

The expectation that the absence on transparency may permit higher rewards in the short-run, but have deleterious effects on public confidence in government in the longer term is supported in case studies of the topic (Brans & Peters, 2012, Chapter 18). One example is the UK where the reaction to rewards which were hidden from the public were very intense (Lodge, 2012). Another example is Belgium, where the opacity of the rewards encompassing bonuses, tax exemptions and ex post career possibilities attracted public controversy in the early '90s (Brans, 1994). France is yet another example of increasing invisible rewards which create scandal, but much less change. Over the years the administrative and political elites have managed to organize for their own benefit a world apart, full of privileges. In the '80s decentralization increased the opportunities of local politicians in France for earning less transparent and illegitimate rewards. Local scandals of disclosure led to a criticism of the system, but it is also linked to a critique and distrust of politicians in general. However, the system remains largely the same (Jean-Michel Eymeri-Douzans, 2012; Rouban, 1994, p. 101).

A common point in the case studies is that disclosure of less visible and legitimate rewards may cause a drop in the level of political trust, but they also show that rewards is only one element in the explanation of the general decline in political trust. Over the years, decisions on rewards are increasingly made in a context of citizen distrust of government and political leaders. Still, while not the sole or even the major cause of discontent, the sense that public officials are getting more than they should may fuel that discontent (Brans & Peters, 2012). An important next question is whether it is possible to reverse this development. Can politicians renegotiate the social contract with the citizens by making the less visible rewards transparent in order to increase the legitimacy of the rewards and get a higher direct pay. One way to deal with apparently corrupt rewards has been to make explicit or implicit deals of "pay for ethics," where direct rewards are increased in exchange for increased transparency (Brans & Peters, 2012). King and Peters (1994) argue that this is what took place in the US in the early 90s. Here the pay of the members of Congress had been blocked by rampant public opposition. They argue that limiting pay and imposing increased ethical controls on the invisible rewards may give citizens the opportunity to remain trusting rather than to become cynical (King & Peters, 1994, p. 163).

The analytical framework suggested by Hood & Peters (2004) is, of course, a highly simplified description of the interactions between politicians and citizens regarding the rewards for politicians. In fact, Hood & Peters themselves were very clear on these limits of the model, and they made clear, that it was intended as a heuristic rather than a complete model of the interactions between politicians and citizens (1994: 9). One critical point concerns the game-analytical framework. Here, game theoretical models originally were about how rational players would play against others they knew were rational (Von Neumann & Morgenstern, 1945). However, the game sketched out in "the dilemma of the politicians" describes players who may not realize at all that they are playing a game. Rather, the processes described are adaptive and evolutionary (Camerer, 1997). Hence, rather than theorizing how rational individuals respond to rational actions by other individuals, the game describes how levels of trust develop in response to different types (visible/less visible) and levels of remuneration at an aggregate societal level. The storyline is evolutionary, more than it is a game with clear monetary pay-off structures in which optimal and sub-optimal solutions can be calculated and foreseen rationally. Thus, it is less clear that the actors are participating in a game in which they are aware of the pay-offs and, hence, their behavioural reactions may not take place in response to the behaviour of the other part. However, the strength of "the politicians' dilemma" is to present remuneration as a game with implications for the societal contract between politicians and citizens in a coherent framework, which can be used to generate testable expectations.

The study of the causes of reward structures is a research topic in itself. Several studies have focused on the decision-making processes leading to decisions on remuneration, and case studies have shown, for example, that political competition may force the politicians to keep wages low in order not to be punished by the voters (Lodge, 2012; Painter, 2003; Peters & Hood, 1995; Gregory, 2003; Kim, 2003; Painter, 2003). Furthermore, studies have found a remarkable variation in the extent to which these processes have become depoliticised and made automatic (Mause, 2014), something which may allow the politicians to avoid the blame of the citizens for being self-interested if they increase their own pay (Hood, 2010).

The consequences of rewards at the top—which is the focus of the experiment presented here—has also been investigated in case studies. The first generation of studies studied the association between rewards and economic performance and the reduction of corruption without finding clear evidence for this (Gregory, 2003; Hood & Peters, 2003; Quah, 2003). However, there may be other dimensions of performance which are equally relevant. Hibbing and Theiss-Morse (2002) argue that citizens put weight on the remuneration of politicians when evaluating democratic performance, and, hence, indicators of trust and legitimacy are important dependent variables. The parsimony of the framework suggested by Hood & Peters (1994) leads to clear testable expectations. Hence, it serves as a fruitful starting point for analysing the preferences of citizens and politicians towards rewards.

First, the framework assumes that citizens, on average, prefer lower rewards for politicians. Hence, in our survey, it is relevant to measure our respondents' attitudes towards politicians' pay before their participation in our experiment in order to investigate empirically if this is the case.

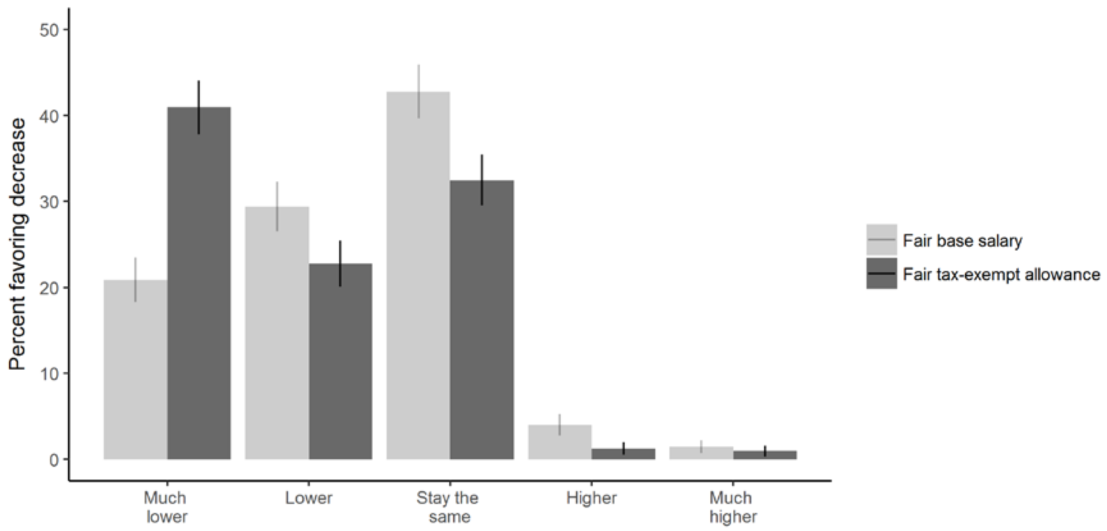
Second, the framework makes clear that, when studying rewards, it is crucial that we do not study only the overall size of the rewards (high versus low) but also whether the rewards are visible versus less visible (Hood & Lambert, 1994). The concept 'rewards' is used rather than simply talking about monetary pay because what officials holding high public office receive is often less visible and tangible than the pay cheque at the end of the month (Hood & Peters, 1994; Bolleyer & Gauja, 2015). According to the framework, we should expect that citizens' trust towards politicians should decrease if politicians choose the devious approach. What might such a devious approach entail? In the typology presented above, the central distinction is between visible and invisible rewards, but this is an abbreviation for a much more complex phenomenon. We can use several dimensions to spell out this complexity to understand why rewards can be devious and difficult to assess. First, one important dimension is time. The rewards of high public office are not limited to the period in which the individual is holding office (Diermeier, Keane, & Merlo, 2005; Eggers & Hainmueller, 2009). For instance, pensions are often a substantial element of politicians' pay, but the calculation of the present value of a pension is complex, and pension schemes vary widely across the labour market. Also, politicians may be able to build a network and connections which can be exchanged for pecuniary rewards after holding office (Eggers & Hainmueller, 2009). Second, rewards can vary in formality. That is the extent to which they are officially sanctioned and transparent. This is not just a question of the rewards being monetary or non-monetary, as non-monetary rewards such as free air-transport or drivers often are highly formalized (Bolleyer & Gauja, 2015). Direct pay is often highly formalized, while other rewards – such as post government employment or respect - may be linked to the positions the person hold in society or the connections the result from having a public career (Brans & Peters, 2012). Third, rewards vary in certainty, as some pay elements may be contingent on particular events. This, for instance, is the case for remuneration paid in the case that a politician is not re-elected. Fourth, the accessibility and transparency of rewards vary. Even if we look only at monetary rewards, they may not be equally transparent. Cost allowances, tax exemptions, perks, and pensions are all monetary rewards, which can be calculated and evaluated in pecuniary measures, but it is not equally easy to calculate their pecuniary worth. In this study, we focus on this fourthdistinction, namely the difference between direct taxable pay and tax-exempt rewards for the politicians as an operationalisation of the visibility of rewards.

CONTEXT AND METHOD: THE VISIBLE AND LESS VISIBLE PAY ELEMENTS OF POLITICIANS

We study attitudes regarding remuneration of the Danish members of parliament. There are 179 members of the Danish parliament, and they receive a wage compensation based on several elements. The first component is the base pay, which was 53,000 DKK (~7,130€) per month at the time of our study. The second component is a 5,000 DKK (~670€) tax-exempt supplement per month. The tax-exempt supplement was traditionally paid to cover politicians' costs for telephone bills and postage. However, with modern-day fixed telephone plans and the vast decrease in the amount of physical mail sent, it arguably serves largely as a tax-exempt wage supplement. Furthermore, they have a generous pension plan and receive their full salary for up to two years after they leave office.

In general, Danish politicians enjoy relatively high trust from the citizens, although it has been declining in recent years (Stubager, Hansen, Callesen, Leed, & Enevoldsen, 2016). This does not mean, however, that Danish citizens are necessarily in favour of high pay for politicians. Before participating in our experiment, our survey respondents were asked about their attitude on politicians pay. In these questions, we told the respondents about each component of the politicians' salary and asked what respondents thought should happen to it. Specifically, we told respondents: *'Members of parliament receive 53,000 DKK per month in base salary. What amount do you think would be fair?'* and *'Members of parliament receive 5,000 DKK per month as a tax-exempt cost allowance. What amount do you think would be fair?'*

Figure 1: Proportions of citizen that think salary component should be lower or much lower.



NOTE: The bars are proportions with 95% confidence intervals.

For both items, respondents could answer that the component should be much higher and increased by 25 percent or more, higher and increased by 1 to 24 percent, stay the same, be lower and decreased by 1 to 24 percent, or be much lower decreased by 25 percent or more. In Figure 1, we show the distributions of citizens' attitudes to the level of the two components of the politicians' compensation. We see that for both components a majority thinks that it should be decreased. If we group those who think each component should be decreased by with 1-24 or 25 percent or more, there is not a statistically significant majority who think so for the base salary while it is for the tax-exempt allowance.

EXPERIMENTAL DESIGN

We now move on to test how overt and covert changes to politicians' pay affect citizen' expressed trust in politicians. We designed a survey experiment with four conditions. Immediately before the treatments, all participants were informed of the actual pay level. We also informed the participants that politicians set their own pay level, and then we asked them to imagine that politicians decided to change it to some level. In the control condition, we set the salary and tax-exempt supplement at the same rate we had just revealed to them. In the first treatment condition, we kept the base salary unchanged at 53,000 DKK per month and raised the tax-exempt supplement to 13,800 DKK. In the second treatment condition, we also kept the base salary unchanged and changed the tax-exempt supplement to 13,800 DKK. However, we added the information that the tax-exempt supplement of 13,800 DKK corresponded to 31,400 DKK before taxes.[1] In the final treatment condition, we kept the tax-exempt supplement at 5,000 DKK but increased the base salary to 73,000 DKK from 53,000 DKK. Because Danish politicians pay a marginal tax rate around 56%, the net change in their compensation is equivalent across all three treatment conditions.[2] All amounts were listed in per-month pay, which is how Danes typically express their salary. In Table 2, we show the English translation of each treatment condition.

Table 2: Treatment conditions

[1] Danish members of Parliament have a marginal tax rate of approximately 56% (Vederlagskommissionen, 2016).
[2] (73,000 – 53,000) × (1 – 0.56) = 13,000 – 5,000

Control	*'Parliamentarians set their own salary. Imagine that the Parliament sets the base salary at 53,000 DKK per month and the tax-exempt supplement at 5,000 DKK per month.'*
Treatment 1	*'Parliamentarians set their own salary. Imagine that the Parliament sets the base salary at 53,000 DKK per month and the tax-exempt supplement at 13,800 DKK per month.'*
Treatment 2	*'Parliamentarians set their own salary. Imagine that the Parliament sets the base salary at 53,000 DKK per month and the tax-exempt supplement at 13,800 DKK per month. (The tax-exempt supplement corresponds to 31,400 before taxes.)'*
Treatment 3	*'Parliamentarians set their own salary. Imagine that the Parliament sets the base salary at 73,000 DKK per month and the tax-exempt supplement at 5,000 DKK per month.'*

The survey participants were randomly assigned to one of these four conditions. Immediately after the treatment, we asked respondents, *'How much trust do you have in members of parliament in that situation?'* They answered on a scale ranging from *'0 = No trust at all'* to *'10 = Full trust'*. It is important to note that this question elicits respondents' reactions to a hypothetical situation. Thus, we do not claim, that we measure actual trust levels among our respondents. Rather, our question measures what we term expressed trust in politicians. We return this this issue in the concluding discussion.

We expect citizens to prefer lower pay to politicians, and that they see it as a signal that politicians are looking out for themselves when they increase their salary. Therefore, we hypothesised that the participants would express higher levels of trust in the control condition and in general respond negatively to pay increases for politicians. In terms of the mean values of the outcome variable:

$$\mu_{trust,control} > \mu_{trust,any\ treatment}.$$

Even though the pay increases were equivalent after taxes, in the pre-analysis plan we hypothesised that survey participants would not respond equally to the treatment conditions. We expected that the participants would respond most strongly to the base salary increase because they fail to discount the tax and therefore see the 20,000 DKK increase as more extreme.

According to our theoretical framework, politicians should prefer more devious or less transparent forms of compensation because citizens have a harder time understanding and sanctioning those. Therefore, we hypothesised that when we revealed the actual value of the tax exemption, the participants would react more strongly than when they were just being informed about an increase in the tax-exempt supplement. However, we expected that they would still fail to fully correct for the actual value of the increase to the tax-exempt supplement. Therefore, we expected the effect of the treatment where the actual value of the tax-exempt supplement is revealed to fall between the effect of increasing the base salary and the effect of increasing the tax-exempt supplement. To express our expectation in terms of the group means on the outcome variable:

$$\mu_{trust,control} > \mu_{trust,treatment1} > \mu_{trust,treatment2} > \mu_{trust,treatment3}.$$

Data

We test our hypotheses in a survey fielded by the official Danish statistics agency, Statistics Denmark. The sampling frame was a representative sample of everyone older than 18 years of age and with a permanent residence in Denmark. From a sampling frame of 1,800 respondents, 970 participated in the survey, which gives a response rate of 53.9%. We remove respondents who did not answer the outcome question, which leaves us with a final sample of 933 subjects, corresponding to 51.8% of the sampling frame. More importantly, drop out after exposure to the experimental stimuli was low (between 0.9% and 3.5% across the conditions) and did not differ statistically significantly between the four conditions (see Figure A2 and Table A2 in the appendix).

Results

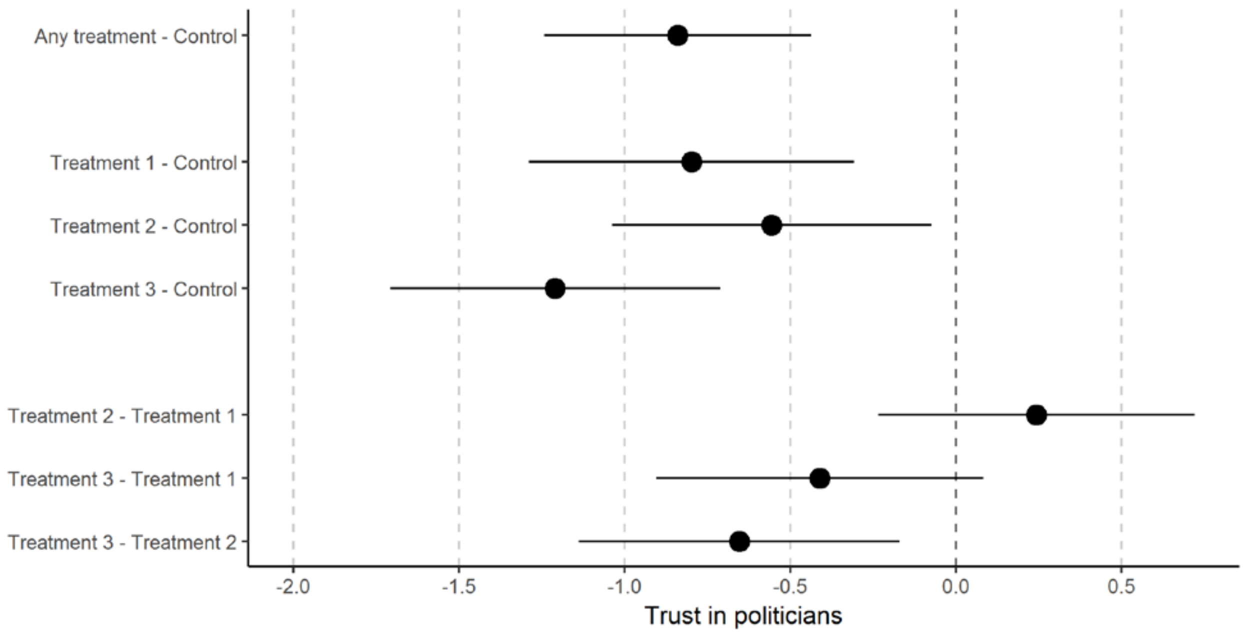
In Figure 2, we present our main findings from a number of linear models, where we regress expressed trust on our treatment indicators. Large black dots express the point estimates, and the bars represent 95% confidence intervals. The top coefficient is the effect of receiving any treatment. The result aligns with our first hypothesis that citizens, in general, express lower level of trust if politicians increase their own salary.[3]

[3] In line with our preregistration analysis plan, we additionally run a Bayesian hierarchical model. We run this alternative model specification to adjust for multiple comparisons. The

The next three coefficients show the effects of the individual treatments. We see that all treatment effects are negative. However, contrary to our expectation, we see that the second treatment, where the value of the tax-exempt supplement was revealed, was no more negative than the effect of the first treatment, where the value of the supplement is not revealed. In fact, the detrimental effect on expressed trust seems to be larger in treatment one than in treatment two, although insignificantly so. The relative effects of the three treatments are also illustrated in the last three coefficients, which give the pairwise comparisons for the individual treatment effects. The confidence intervals for the differences overlap zero except for the difference between the second and the third treatment.

The effect is sizable. The subjects that receive any treatment score 0.84 points lower on the zero-to-ten scale (95% CI [-1.24; -0.44]). Compared to a control group mean of 4.13, it is a large change. The effect corresponds to more than 30% of the control group's standard deviation of 2.65.

Figure 2: The effect of wage changes on trust in politicians



NOTE: The bars represent 95% confidence intervals.

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results of this model do not change the conclusions of our study, see appendix A, Figure A1 and Table A1.

Thus, our results show that when citizens are asked to imagine that politicians increase their own salary, citizens express lover levels of trust in politicians in that specific situation. The results also show that the effect is more negative when they change their taxable base salary than when they change their tax-exempt supplement by an amount that is equivalent in net value. This result indicates, in line with the theoretical framework, that politicians should prefer concealed pay increases.

One result did not conform to our expectation. When the actual value of a tax-exempt supplement is revealed, the effect on expressed trust is no more negative. Indeed, our results even suggest that the effect is less negative, but we emphasise that the 95% confidence intervals include zero and the results could be a fluke; for instance our theoretical framework may be correct, but our test underpowered. However, we still find it worthwhile to consider why the result could potentially point in the opposite direction of our expectation. One explanation could be that citizens react differently than what we expected when we reveal the value of the supplement. Perhaps they perceive the salary as more transparent and reward this by countering some of the negative effect. On the other hand, when the salary is revealed, they are presented with a very large number and the effect of increasing the base salary suggests that they respond strongly to a large wage increase. An alternative explanation is that the complexity of this question left respondents somewhat confused and uncertain regarding that to which they were responding. Some respondents may be unaccustomed to thinking in terms of benefits in value before tax; others may be confused by the additional moving part in the question. However, we do not see a larger proportion not answering or answering ‘don’t know’ (see Figure A2 and Table A2 in the appendix). Finally, while we will not pursue it here, we should remain open to the possibility that the null finding reflects that the theoretical framework needs to be revised.

In addition to the fact that the difference between the two treatment effects is modest, we are reluctant to conclude that a mechanism like a taste for transparency and not a weak survey question is driving the unexpected result. We are more confident that citizens respond negatively to an increase in politicians pay in general (any treatment versus control) and that they respond more negatively to a large increase in the taxable base salary than to an apparently smaller but, in reality, equivalent increase in net income (treatment 3 versus treatments 1 and 2).

DISCUSSION AND CONCLUSION

In this paper, we have presented a survey experiment in which we asked respondents to imagine that politicians assigned a salary increase to themselves. We asked respondents to imagine either an increase in the direct taxable pay or an equivalent increase to a tax-exempt supplement. For the tax-exempt supplement, we also revealed the true value of the supplement.

We find that citizens respond negatively to any pay increase. Consistent with our hypothesis, the effect was more negative when citizens were presented with the increase in the taxable salary, arguably because citizens fail to fully discount for tax. Contrary to our expectations, when citizens were presented with the actual value of the tax-exempt supplement, they did not express lower levels of trust than when presented with only the increased tax-exempt supplement.

It is “the politicians’ dilemma” to choose between an open strategy with a transparent pay structure and a devious strategy opting for less visible rewards. While not unequivocal, our results might suggest that politicians should prefer less transparent salary components, such as supplements that are not taxed. According to our theoretical framework, the downside of a devious strategy is that it may be sanctioned by the citizens if the less visible pay is disclosed. However, our experiment does not support this prediction. Even if our results do not support this expectation, it is perhaps not that surprising, as detailed case-studies indicate that the effect of disclosing invisible rewards only can be expected to influence the general political trust, when it adds to a larger crisis in the political system (Brans, 1994, 2012). Thus, a next step could be to model the disclosure under different levels of political crisis.

The strength of survey experiments is that they allow for causal identification. However, we should ask if we can generalise from the survey to the field. In everyday life, facts on remuneration are not presented as they are in the survey; in contrast, they are presented and interpreted in a stream of media. Hence, the attitudes on remuneration may be formed in quite a different way, and this is one reason to be cautious about the external validity of our survey experiment. Furthermore, one may consider whether the findings here apply to all countries and contexts, to different types of politicians, and to perhaps more clandestine sources of income for politicians. Probably not. Our experiment is conducted in Denmark, which is one of the least corrupt and most egalitarian societies in the world. We could easily imagine that citizens in less egalitarian societies have a higher acceptance of relatively high salaries and would be less prone to punish politicians for high wages (Lægreid & Roness, 2012; Öberg, 2012; Sjölund, 1994). Conversely, in societies with lower levels of trust and more corruption, citizens may face a trade-off between paying politicians a salary and accepting that they receive bribes (Sundell, 2014). In this case, citizens could also be more positive towards increasing politicians pay. Finally, since opted for realistic and uncontroversial treatments, we relied on compensation that is arguably more intransparent than hidden. Citizens could still react stronger on more deceptive compensations.

In addition, it is important to note that our measurement measured the effects of pay on respondents' expressed trust in politicians, following a hypothetical scenario. While our results may indicate that pay changes can in fact affect actual trust levels among citizens, our measure of expressed trust should arguably first and foremost be interpreted as citizens' affect toward pay changes for politicians. Respondents may very well have expressed lower levels of trust simply to express a distaste for higher pay for politicians, not necessarily because they were themselves convinced, that their actual trust levels would drop. Future research on the topic could investigate this by including additional dependent variables following interventions on pay of politicians.

This discussion raises the question of how we should proceed from here. We argue that there is a need to restate a research agenda which addresses the concept and causes, as well as the consequences, of "rewards the top." Conceptually, "rewards at the top" are understood as anything of value to any individual which comes as a result of holding office. This includes not only pay, bonuses, and perks but also reputation, social capital and networks. Also, it includes rewards which are earned both while holding office and after. For instance, networks and competences built while in office can sometimes by exchanged for jobs and pay at a later stage. Regarding the causes and consequences of remuneration, insights from political psychology and prospect theory hold a strong potential for theorising the cognitive biases and inconsistencies associated with the citizens' perception of rewards (Druckman, 2004; Druckman & Nelson, 2003; Tversky & Kahneman, 1981). Among these are firstly the point that rewards are evaluated according to their benchmark and hence that they may be perceived more legitimate if they are linked to the pay of CEOs in the private sector or permanent secretaries. Second, rewards are evaluated not just on their actual size but also as an indicator of the extent to which the politicians are in their own pockets. Hence, delinking the decision-making on rewards by delegating authority to independent commissions may very well influence the negativity bias in the perception of rewards.

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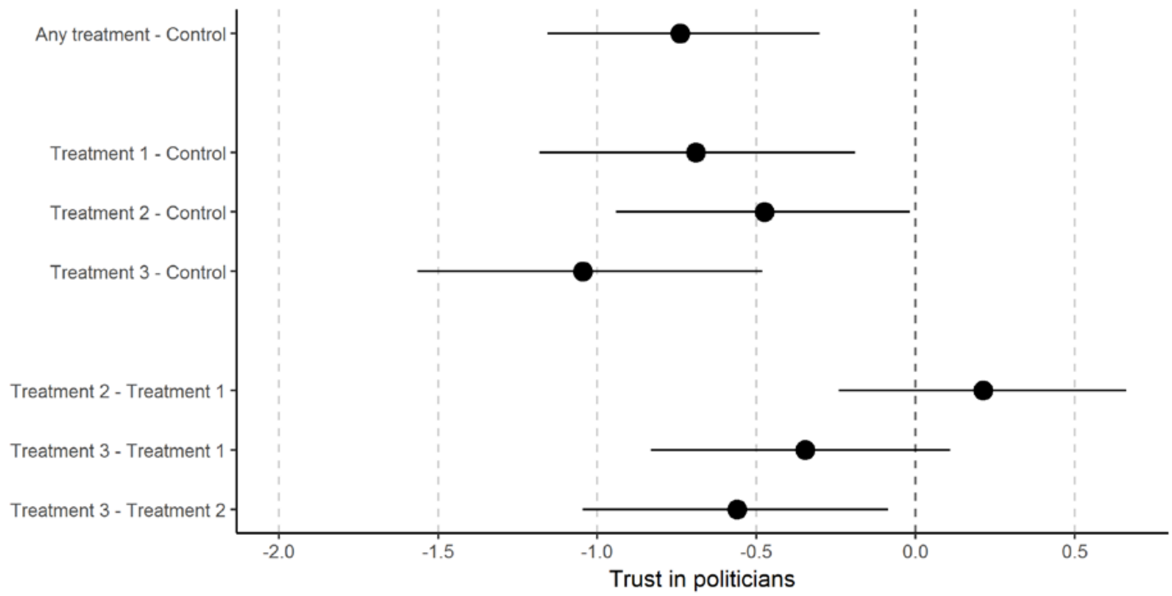
APPENDIX:

In Figure A1, we show the results of the experiment when we run a Bayesian hierarchical model. We run this alternative model specification to adjust for multiple comparisons (Gelman et al., 2014, chapter 5). The hierarchical structure implies that we consider each treatment to be drawn from the same overarching distribution. The grand mean serves as a prior for each treatment mean, which causes the differences to shrink towards the grand mean. This shrinkage means that we need a stronger signal from the individual treatment effects to pull them away from the grand mean of equal means. For the grand mean, we use a non-informative prior with a mean of zero and a variance of 10^{10}. As for the models in the paper, the black dots are the point estimates (the mean value of the posterior distribution), and the bars are 50% and 95% credible intervals. Fortunately, our conclusions are the same regardless of model specification.

Figure A1: The effect of wage changes on trust in politicians (Bayesian hierarchical model)



NOTE: The bars represent 50% and 95% credible intervals.

In Table A1, we show in table format the results from the paper's Figure 2 and from the Bayesian hierarchical model of Figure A1.

Table A1: Main results of the experiment

	OLS Model		Bayesian Hierarchical Model	
	(1)	(2)	(3)	(4)
Any treatment	-0.84		-0.73	
	[-1.24; -0.44]		[-1.15;-0.88]	
Treatment 1		-0.8		-0.68
		[-1.29; -0.31]		[-1.18;-0.86]
Treatment 2		-0.56		-0.47
		[-1.04; -0.07]		[-0.95;-0.63]
Treatment 3		-1.21		-1.04
		[-1.71; -0.71]		[-1.57;-1.22]
Treatment 2 – Treatment 1		0.24		0.21

		[-0.24;0.08]		[-0.23;0.06]
Treatment 3 – Treatment 1		-0.41		-0.35
		[-0.91;-0.58]		[-0.82;-0.51]
Treatment 3 – Treatment 2		-0.65		-0.56
		[-1.14;-0.82]		[-1.05;-0.72]
Control group mean	4.14	4.14	4.05	4.05
	[3.79; 4.49]	[3.79; 4.49]	[3.68;4.4]	[3.68;4.4]
Adj R^2	0.017	0.022		
DIC			4493	4493
N	933	933	933	933

NOTE: Confidence interval or credible intervals in brackets.

In Figure A2 and Table A2, we show results from linear probability models and logistic models predicting drop out of the survey between the groups. Only a few respondents do not answer after the stimulus, and there is no evidence of differential attrition.

Figure A2: The effect on drop-off of the different treatments

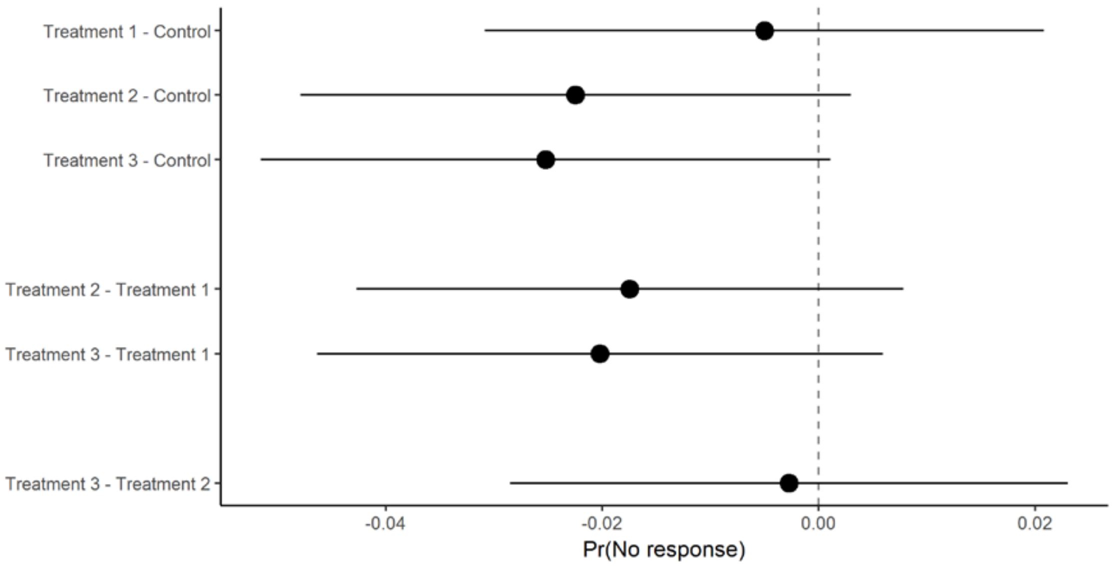


Table A2: No differential attrition

	Linear Probability Model		Logit model	
	(1)	(2)	(3)	(4)
Any treatment	*-0.017*		*-0.73*	
	[-0.039; 0.004]		*[-1.63; 0.21]*	
Treatment 1		*-0.005*		*-0.16*
		[-0.031; 0.021]		*[-1.22; 0.87]*
Treatment 2		*-0.022*		*-1.09*
		[-0.048; 0.003]		*[-2.62;0.16]*
Treatment 3		*-0.025*		*-1.36*
		[-0.051; 0.001]		*[-3.26;0.03]*
Control group mean (intercept)	*0.034*	*0.034*	*-3.34*	*-3.34*
F	$F_{df=(1,951)} = 2.633$	$F_{df=(3,949)} = 1.804$		
Log likelihood			$LL_{df=2} = -95.9$	$LL_{df=4} = -94.2$
N	953	953	953	953

NOTE: Confidence interval or credible intervals in brackets. *p<0.05