# Corruption and Talent Allocation[*]

Yang Xun[†]

October 2023

[Click Here for the Most Recent Draft](#)

**Abstract**

Human capital is a key determinant of government performance, yet less is known about what affects talent supply for the public sector. This paper studies the role of political corruption in shifting talent allocation across public and private sector careers. I exploit a randomized anti-corruption audit program in Brazil together with rich micro-data on educational and labor market outcomes of college students. Using a generalized difference-in-difference research design, I find that high-ability students in audited municipalities are less likely to choose majors tailored toward public sector careers, such as business administration and law. Moreover, tracking students to the labor market demonstrates that audits also lead to a lower share of high-ability students working as civil servants. Finally, I provide suggestive evidence that the effects of audits on talent allocation can be driven by the perception of lower rent-seeking returns and higher reputation costs. Taken together, these findings highlight an under-studied negative consequence of corruption on the economy: the distortion of talent allocation towards rent-seeking in the public sector.

**JEL classification:** D73, H83, I25, J24
**Keywords:** Corruption, Audits, Talent Allocation, Major Choice, Public Sector