

# Corruption and Talent Allocation\*

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## Abstract

Human capital is a key input in the delivery of public services, 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 do so by exploiting 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 more 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 evidence that the effects of audits on equilibrium talent allocation are likely attributed to dampened perceptions of rent-seeking. Taken together, these findings highlight an understudied negative consequence of corruption on the economy: the distortion of a society's talented individuals towards rent-seeking in the public sector.

**JEL classification:** D73, H83, I25, J24

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