**FINANCE RESEARCH SEMINAR**

*Brain Drain: The Impact of Air Pollution on Firm Performance*

**Date:** June 18 (Tuesday), 2019  
**Time:** 3:00 – 4:30 pm  
**Venue:** WLB 918  
**Speaker:** Prof. Zhang, Bohui  
Chinese University of Hong Kong (Shenzhen)

**Abstract**

We exploit the variation in air pollution created by the Chinese central heating policy at the Qinling-Huai River boundary and find that an increase in air pollution reduces the accumulation of executive talent and high-quality employees. Consistent with the householder sorting model, the brain drain effect is more pronounced in regions where people’s concern for health and willingness to flee acutely increase with air pollution. Furthermore, firms located in polluted areas have lower corporate innovation, productivity, firm value, and sale growth. The effects of air pollution on firm performance concentrate on industries with a high dependence on human capital. Overall, our findings suggest that air pollution is an important non-economic factor that has a significant impact on firms’ human capital and consequently performance.