

Returns to Talent and the Finance Wage

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Abstract

To study the role of talent in finance workers' pay, we exploit a special feature of the French higher education system. Wage returns to talent have been significantly higher and have risen faster since the 1980s in finance than in other sectors. Both wage returns to project size and the elasticity of project size to talent are also higher in this industry. Last, the share of performance pay varies more for talent in finance. These findings are supportive of finance wages reflecting the competitive assignment of talent in an industry that exhibits a high complementarity between talent and scale.

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