What are the real economic effects of corruption? Studying a government program in Brazil, we find that randomized anti-corruption audits lead to higher economic activity and a reallocation of resources across firms. Additionally, we find that anti-corruption audits improve the performance of firms directly involved in corruption, and suggest that they improve within firm allocation of capital and labor, and allow firms to expand to new markets. The results indicate that corruption acts as a friction to local economic growth and firm performance in emerging markets.