Recent theory and evidence on competition in hospital markets
In this paper we examine the causal impact of competition on management quality. We analyze the hospital sector where geographic proximity is a key determinant of competition, and English public hospitals where political competition can be used to construct instrumental variables for market structure. Since almost all major English hospitals are government run, closing hospitals in areas where the governing party has a small majority is rare due to fear of electoral punishment. We find that management quality - measured using a new survey tool - is strongly correlated with financial and clinic