The Return to Medical School in a Regulated Labor Market: Evidence from Admission Lotteries

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Abstract

Many countries restrict the supply of doctors by centrally fixing the number of places in medical schools. This is likely to create a monopoly rent for doctors. We estimate the size of this rent by exploiting that admittance to medical school in the Netherlands is determined by a lottery. We find that doctors earn significantly more than people who end up in the next-best occupation. Estimated earnings profiles suggest that the difference is much larger in the long-run: twenty years after participating in the first lottery the earnings difference is almost 50 percent. At most a very small part of this difference can be attributed to differences in working hours and human capital investments. The size of the rent does not vary with gender or ability.