PUBLIC OWNERSHIP AND ANTI-PREEMPTION*

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Abstract

We document and model puzzling anti-preemptive patterns in the expansion of a government development bank, which yields ground to the commercial banking sector, consistent with neither own profit maximization nor targeting poor locations. A two-player dynamic spatial-competition game on the actual graph of villages is solved explicitly. The relevant market for any given bank branch depends on all existing bank locations and endogenously evolves over time. Parameter estimates suggest that the government bank values commercial bank branches as much as its own. Counterfactuals entertaining alternative strategic, collusive, or political economy motivations produce significantly different financial-access patterns.

Key words: Banking, Government, Ownership, Financial Access
JEL classification: G21, G28, H11, L32

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