

Public Ownership and Anti-Preemption*

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Abstract

We document and rationalize puzzling anti-preemptive patterns in the expansion of a government development bank inconsistent with profit maximization or targeting of poorer locations. A two-player dynamic spatial-competition game on the actual graph of villages connected by roads is solved explicitly and parameters of technology and bank preferences are estimated. The relevant market for any given bank branch depends on all existing bank branches' locations and endogenously evolves over time. Model estimates suggest that the government bank values commercial banks 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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