The politics of entry
Vorage, M.W.

Citation for published version (APA):

General rights
It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations
If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: http://uba.uva.nl/en/contact, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.
Contents

1 Introduction and summary 1
  1.1 The link between politics and entry ................................. 2
  1.2 Modeling Institutions .............................................. 4
  1.3 The model’s assumptions ........................................... 5
  1.4 Thesis overview .................................................... 6
    1.4.1 To be bribed or lobbied ..................................... 7
    1.4.2 Bank ownership and financial stability ...................... 7
    1.4.3 Partisan entry ................................................ 8

2 To be bribed or lobbied 11
  2.1 Introduction ....................................................... 11
  2.2 Related literature ................................................ 13
  2.3 Model setup ........................................................ 15
    2.3.1 Different regulatory barriers to entry ...................... 16
      2.3.1.1 Financial barriers ....................................... 16
      2.3.1.2 Individual barriers ..................................... 17
      2.3.1.3 Entry ..................................................... 17
    2.3.2 Timeline ...................................................... 18
    2.3.3 Citizens ........................................................ 19
    2.3.4 Representatives ............................................... 20
    2.3.5 Politician ..................................................... 21
    2.3.6 Group formation .............................................. 22
  2.4 Model solution ................................................... 23
    2.4.1 Product market equilibrium ................................. 24
    2.4.2 Bribing B ....................................................... 24
    2.4.3 Lobbying L ..................................................... 26
## CONTENTS

2.4.4 Comparing bribing and lobbying ........................................... 29
   2.4.4.1 Entry ............................................................. 30
   2.4.4.2 Politician’s utility .............................................. 30
   2.4.4.3 Explanation ..................................................... 32

2.5 Empirical illustration ......................................................... 33

2.6 Conclusion ................................................................. 36

2.7 Tables ................................................................. 38

3 Bank ownership and financial stability .......................... 57
   3.1 Introduction .......................................................... 57
   3.2 Evidence ............................................................. 60
   3.3 Model ................................................................. 65
      3.3.1 Timing ............................................................ 66
      3.3.2 Utility ............................................................ 67
      3.3.3 Product market equilibrium .................................. 68
         3.3.3.1 Consumers ................................................... 69
         3.3.3.2 Entrepreneurs ............................................... 70
         3.3.3.3 Politician ..................................................... 70
         3.3.3.4 Social welfare ............................................. 71
         3.3.3.5 Politician’s utility ........................................ 71
   3.4 Bank control and instability ............................................ 71
      3.4.1 State banking ................................................... 72
      3.4.2 Private banking ............................................... 73
      3.4.3 Choice of bank governance ................................... 74
   3.5 Endogenous access to finance .......................................... 80
      3.5.1 Product market equilibrium .................................. 80
      3.5.2 State banking ................................................... 80
      3.5.3 Private banking ............................................... 82