

# **Does Online Search Crowd Out Traditional Search and Improve Matching Efficiency? Evidence from Craigslist**

**Kory Kroft**  
**University of Toronto**

**Devin G. Pope**  
**University of Chicago**  
**NBER**

*November 2012*

## **Abstract:**

Ever since the seminal work of Stigler (1962), economists have recognized that information in markets is costly to acquire and can lead to “search frictions”. The remarkable growth in online search has substantially lowered the cost of information acquisition. Despite this, there is little evidence concerning the extent to which this has altered the search process and raised overall matching efficiency. To address this issue, we analyze the expansion of the website "Craigslist", which allows users to post job ads and apartment and housing rental ads at virtually no cost. Exploiting the sharp geographic and temporal variation in the availability of online search, induced by Craigslist, we produce three key findings: Craigslist significantly lowered classified job advertisements in newspapers, caused a significant reduction in the apartment and housing rental vacancy rate, and had no effect on the unemployment rate.

JEL Code: J22, J23, J24, J64, O33

Keywords: Internet, Craigslist, matching, unemployment, vacancies