

The negative implications of advances in search technologies for two-sided markets



Yair Antler

This paper reviews the negative implications of advances in search technologies for two-sided markets, such as the marriage market and the labor market. It is based on two recent papers. The first paper shows that if the participants are even slightly boundedly rational, advances in search technologies may lead to oversearching and prolonged singlehood. The second paper shows that advances in search technologies that improve the welfare of the market participants increase racial segregation in marriage. We discuss the implications of these insights and translate them to the labor market context.

Shadow banking – securitization, non-bank financial intermediation and the new liquidity crises



Sivan Frenkel and Michael Leshem

Shadow banking is financial intermediation involving entities and activities outside of the traditional banking system. Similarly to traditional banking, institutions in the shadow banking system issue short-term, liquid debt contracts to fund longer-term investments. Unlike traditional banking, shadow banking is not funded by public deposits but by other short-term debt instruments. In this paper we review the theoretical and empirical literature on shadow banking. We describe the main entities that engage in shadow banking and the common debt instruments in this sector: Repurchase Agreement (Repo) and Asset-Backed Commercial Paper. These debt contracts are backed by collateral produced through the process of securitization. We explain how securitization generates collateral that is necessary for the issuance of short-term debt instruments. However, securitization makes the shadow banking system prone to liquidity crises, which are similar to depositor runs prevalent in the traditional banking system. We explain why liquidity crises in the shadow banking system tend to be correlated and therefore pose a systemic risk that causes financial instability. Finally, we describe the liquidity crises that occurred in the shadow banking system during the 2008 financial crisis and the Covid-19 pandemic.