

Northwestern University

Econ 315: Topics in Economic History

The Israeli Economy

Professor Oren Levintal

Spring 2023

General Description

In this course, we will examine the Israeli economy and its evolution over the past seven decades since the establishment of the State of Israel. We will explore how the economy has navigated through various challenges, including the Israeli-Arab conflict and the inflation crisis. Through an application of core economic concepts and theories, we will analyze economic growth, balance of payments and stabilization policies. By the end of the course, you will have gained a comprehensive understanding of the Israeli economy and its place in the global economic landscape.

Course Teachers:

Professor Oren Levintal. Office hours: Tuesday 1-3pm, KGH 3329.

Email: Oren.Levintal@runi.ac.il.

TA: Genia Rachkovski.

Office hours: Friday 1-3pm on [Zoom](#) (Email if you would like to meet in person).

Email: evgenirachkovski2024@u.northwestern.edu.

Class Hours:

Class: Tuesday and Thursday, 11:00am to 12:20pm (Tech Institute LR5).

Discussion section: Friday, 10:00am to 10:50am (University Hall 122).

Requirements

There will be 3 problem sets during the course. The grades of the two best problem sets will be 20 percent of the final grade. In addition, there will be a midterm exam, which constitutes 30 percent of the final grade, and a final exam, which constitutes 50 percent of the final grade. The midterm exam will be held on April 27 (during class time) and the final exam will be held on May 30 (during class time).

Literature

The course textbook is:

Zeira, Joseph, *The Israeli Economy, A Story of Success and Costs*, Princeton University Press 2021. <https://press.princeton.edu/books/hardcover/9780691199450/the-israeli-economy>

Lecture slides will be available on the course website.

Structure of the Course

1. **Historical Background** (week 1) – Jewish immigration, Israeli-Arab conflict. (Zeira, Ch. 1)
2. **Economic Growth** (weeks 1-2) – Basic facts, sources of growth, the rise in productivity. (Zeira, Ch. 2-4)
3. **Startup Nation** (week 3) – The rise of Israel high-tech sector.
4. **The Israeli-Arab Conflict** (week 4) – The cost of the conflict, direct and indirect costs, peace with Egypt. (Zeira, Ch. 5-6)
5. **Midterm Exam (April 27, 2023)**
6. **The Public Sector** (week 5) – Expansion post the 1967 war and contraction post Israel-Egypt peace agreement, public finance in times of war. (Zeira, Ch. 12)
7. **Inflation in Israel** (week 6) – Inflation crisis in the 1980s, inflation tax model, disinflation policy. (Zeira, Ch. 9-10)
8. **The Balance of Payments** (week 7) – Intertemporal approach, opening the country to foreign trade. (Zeira, Ch. 8)
9. **Inequality** (week 8) – Inequality and the labor market, the role of fiscal policy, poverty. (Zeira, Ch. 13)
10. **Final exam (May 30, 2023)**