

*The Hebrew University of Jerusalem
Rothberg International School
Division of Undergraduate Studies
Spring Semester 2012*

48741: Israel's Economy in the Global Context

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Sunday and Thursday 12:30 – 14:15

Office Hours: Sundays: 14:15-15:15

Description: Over the past century Israel has transformed from an agricultural colony, to a welfare state and on to a globally integrated "market economy" characterized by great income disparities. What lies behind this transformation? How did egalitarianism give rise to inequality? What are the implications of a constant state of conflict on a country's economy? How does being an island of democracy surrounded by non-democratic regimes effect the development of a country's international economic relations?

This course will explore how different issues have affected the Israeli economy, including; periods of economic growth or stagnation, the governments' domination of capital and credit markets in the 1970's and 1980's, the stabilization program of 1985, the implications of peace processes and the wave of Russian immigration in the 1990's.

The course will conclude with an overview of the international economic relations between Israel and The European Union, The USA, and the global economic institutions (GATT and WTO, IMF and the World Bank and the OECD).

Student's responsibilities:

Student's participation (including an in class presentation): 20%

A Final Exam: 50%

A final paper: 30%

Principal books:

Avi Ben Bassat (ed) (2002) **The Israeli Economy, 1985-1998: from Government Intervention to Market Economics**, The MIT Press, Cambridge Massachusetts USA E330.9 B456

Assaf Razin and Efraim Sadka (1993) **The Economy of Modern Israel: Malaise and Promise**, The University of Chicago Press, Chicago Illinois, E330.9 R278

Jonathan Nitzan and Shimshon Bichler (2002) **The Global Political Economy of Israel**, Pluto Press, London England. E330.9 N733

Itzhak Harpaz (2008) **Globalization and its Impact on Israel's Society, Economy and Labor Market**. VDM Verlag, Saarbrücken, Germany. E330.9 H293

Sara and Meir Aharoni (eds.) (2005) **Industry and Economy in Israel**, Kfar Sava Israel. E330.9(08) A285

Important dates to remember:

1. **Lesson # 10 (3.25.2012): Selecting a Topic.**
2. **Lesson # 15 (4.22.2012): Submitting an Outline.**
3. **Lesson # 23 (5.24.2012): Students' presentations.**

Course Outline and Required Readings

Lesson # 1 (2.19.2012): Introduction: opening remarks.

Society and Politics in Israel.

Eva Etzioni-Halevy (2002) **Divided People: Can Israel's Breakup be stopped**, Chs. 1-5 pp. 1-62. E306.6 E85

Asher Arian (1998) **The Second Republic: Politics in Israel**, Chatham, N.J. pp.103 – 278. (skip through). E329 A696

Lesson # 2 (2.23.2012): The Role of the Government in the Economy.

"The Role of the Government in the Economy", Michael

Strawczynski and Joseph Zeira (2002) in Avi Ben Bassat (ed) **The Israeli Economy, 1985-1998: from Government Intervention to Market Economics**, Ch. 2: Reducing the Relative Size of Government in Israel after 1985 pp. 61-81. E330.9 B456

Lesson # 3 (2.26.2012): History of Israel's Power Structure.

Jonathan Nitzan and Shimshon Bichler (2002) **The Global Political Economy of Israel**, Ch. 3 The History of Israel's Power Structure pp. 84-136. E330.9 N733

Lesson # 4 (3.1.2012): The Economic Culture: The principal Israeli economic institutions.

Itzhak Harpaz (2008) **Globalization and its impact on Israel's Society, Economy and Labor Market**. 65 pps. E330.9 H293

Lesson # 5 (3.4.2012): The Business sector: The High Tech sector and the Tourist industry.

Moshe Justman (2002) "Structural Change and the Emergence of Israel's High Tech sector ", in A. Ben Basat (ed) **The Israeli Economy, 1985-1998: from Government Intervention to Market Economics** Ch. 6 pp. 445-483. E330.9 B456

"High Tech Industry" (2005), Sara & Meir Aharoni (eds.), **Industry and Economy in Israel** pp. 26-50, pp. 77-78 & pp. 89-150. . E330.9(08) A285

Purim vacation (3.8.2012)

Lesson # 6 (3.11.2012): The Financial Sector: The Banking System, Capital Market and the Insurance companies: the Central Bank - The Bank of Israel.

Lesson # 7 (3.15.2012): The Financial Sector: The Banking System, Capital Market and the Insurance companies: the Central Bank - The Bank of Israel.

Lesson # 8 (3.18.2012): A visit to the Ministry of Finance/ The Ministry of Trade, Industry and Employment, and The Bank of

Israel.

Lesson # 9 (3.22.2012): The Military- Industrial complex

Yacov Lifehitz (2007) "Defense Industries" in Yaacov Lifshitz (2007) **The economics of Producing Defense** Chs. 8 or 9 pp. 143-224 or 225-244. Main library HC 415.25 L5313 2003

Moshe keret (2005) "Defense Industries" in Sara and Meir Aharaoni (eds) **Industry and economy in Israel** pp 23-32. . E330.9(08) A285

Lesson # 10 (3.25.2012): Selecting a Topic

Economic policy issues: Inflation – The Oil Shock and its Aftermath.

A Razin and E. Sadka, (1993) "From Rapid Growth to Standstill, Accelerating Inflation and Debt Crisis in Assaf Razin and Efraim Sadka (1993) **The Economy of Modern Israel: Malaise and Promise**, pp.15-22. E330.9 R278

Stanley Fisher and David w.h. Arsmund "Israeli Inflation from an International Perspective" in Ben Bassat (2002) **The Israeli Economy, 1985-1998: from Government Intervention to Market Economics**, Ch. 5 , pp 157-186. E330.9 B456

Avi Ben Bassat (2002) "The Obstacle Course to a Market Economy" in Avi Ben Bassat (ed) (2002) **The Israeli Economy, 1985-1998: from Government Intervention to Market Economics**, Ch.1 pp 1-58 (to be read in the next four weeks). E330.9 B456

Lesson # 11 (3.29.2012): Economic Policy issue: The Stabilization Program and its Aftermath.

Assaf Razin and Efraim Sadka (1993) **The Economy of Modern Israel: Malaise and Promise**, Ch 2: Stabilization pp.23-43. E330.9 R278

Passover Recess (4.1.2012)

Lesson # 12 (4.15.2012) Post-stabilization Recession

Assaf Razin and Efraim Sadka (1993) **The Economy of Modern Israel: Malaise and Promise**, Ch 3. A Recovery that Faded Away, pp. 41-48. E330.9 R278

A Razin and E. Salka (1993) **The Economy of Modern Israel: Malaise and Promise**, Ch 4: Anatomy of Recession pp 49-68. E330.9 R278

Jonathan Nitzan and S. Bichler (2002) **The Global Political Economy of Israel** Ch. 4: The Making of Stagflation pp. 137-197. E330.9 N733

Lesson # 14 (4.19.2012): Economic Policy issue: Immigration and its Impact on Israeli Economy:

Assaf Razin and Efraim Sadka (1993) **The Economy of Modern Israel: Malaise and Promise**, Ch. 7 The Current Aliya and its setting pp. 99-109. E330.9 R278

Zvi Eckstein and Yoram Weiss (2002), Integration of Immigrants from the Former Soviet Union in the Israeli Labor Market", in Avi Ben Bassat (ed) **The Israeli Economy 1985-1998 From Government Intervention to Market Economy**, Ch. 11 pp. 349-419. E330.9 B456

Lesson # 15 (4.22.2012): Submitting an Outline !

Economic Policy issue: Monetary Policy

Josef Djivre and Daniel Tsiddon (2002) "Monetary Labyrinth: Instruments and the Conduct of Monetary Policy in Israel 1987-1998", in Avi Ben Bassat (ed) (2002) **The Israeli Economy, 1985-1998: from Government Intervention to Market Economics**, Ch. 3 pp. 85-128. E330.9 B456

Asher A. Blass and Oved Yosha (2002) "Reform in the Israeli Financial System and the Flow of Funds of Publicly Traded Manufacturing Firms" in Avi Ben Basst (ed) **The Israeli Economy, 1985-1998: from Government Intervention to Market Economics**, Ch. 6 pp. 189-219. E330.9 B456

Memorial and Independence Day Vacation (4.25 – 26.2012)

Lesson # 16 (4.29.2012): Economic Policy issue: The Labor Market and Labor Policy.

Yael Artstein(2002) "The Flexibility of the Israeli Labor Market" in Avi Ben Basst (ed) **The Israeli Economy, 1985-1998: from Government Intervention to Market Economics**, Ch. 12 pp. 379-419. E330.9 B456

Lesson # 17 (5.3.2012): Economic Policy issue: Deregulation and Privatization

Assaf Razin and Efraim Sadka (1993) **The Economy of Modern Israel: Malaise and Promise**, Ch. 12: Deregulation and Privatization pp. 186-220. E330.9 R278

Lesson # 18 (5.6.2012): Economic Policy issue: Trade policy and commercial relations(including the FTA's map – The EU, The USA , EFTA and others).

Assaf Razin and Efraim Sadka (1993) **The Economy of Modern Israel: Malaise and Promise**, Ch 11: Israel and the World Market pp. 175-185. E330.9 R278

Yoram Gabay and Refael Rob (2002) "The Import Liberalization and Abolition of Devaluation Substitutes Policy: "Implication for the Israeli Economy" Avi Ben Basst (ed) (2002) **The Israeli Economy, 1985-1998: from Government Intervention to Market Economics**, Ch. 9 pp. 281- 307. E330.9 B456

Lesson # 19 (5.10.2012): The International links of Israeli Economy: Aid (USA and Germany) and FDI.

Young Warren (2001), **The Impact of American Jewry on the Israeli Economy**, Argov center for the study of Israel and the Jewish people, The Department of Political Studies Bar-Ilan University. April 2001 no copy available

Jonathan Nitzan and Shimshon Bichler (2002) **The Global Political Economy of Israel**, Ch. 6 pp. 274-353. E330.9 N733

Lesson # 20 (5.13.2012): The International links of Israeli Economy: Activities in Multilateral Organizations:

??? International Trade Organizations – GATT and WTO.

??? International Financial Organizations – IMF, the World Bank and Regional Financial Organizations (BID and EBRD).

??? OECD.

From foreign investors to transnational ownership, Israeli Participation in OECD Activities 2008: Ministry of Finance, May 2009.

Lesson # 21 (5.17.2012): Impact of Arab-Israeli conflict on Israel's economy:

a. Wars and their impact on the Israeli Economy.

- b. Defense Burden on the Israeli Economy.
- c. The Arab Boycott.

Yaakov Lifshitz (2007)

The Economics of Producing Defense Chs. 5-6, 10 -11 pp. 67-100 and pp. 245-326. Main library HC 415.25 L5313 2003

Assaf Razin and Efraim Sadka (1993) **The Economy of Modern Israel: Malaise and Promise**, Ch. 5: The Economics of the West Bank and the Gaza Strip pp. 71-79 and Ch. 6: the Economic Effects of the Intifada pp. 80-96. E330.9 R278

Lesson # 22 (5.20.2012): The Israeli Economy: The Current World Economic Crisis.

Students' presentations

Lesson 23 (5.24.2012): The Israeli Economy in the Future

Students' presentations

"The government says its perky: Israel's economy looks quite resilient" **The Economist** July 11, 2009, MIDDLE EAST & AFRICA **E-Journal**

Or: "Economic Miracles and Mirages" **The Economist**, April 3rd 2008.

And , Jonathan Nitzan and Shimshon Bichler (2002) **The Global Political Economy of Israel** Ch. 6: From Foreign Investors to Transnational Ownership pp. 353-357. E330.9 N733

Or : Yoram Blizovsky, (2005) "Israeli Industry in the 21th century" in Sara and Meir Aharoni **Industry and Economy in Israel** pp. 54-56. . E330.9(08) A285

Lesson 23 (5.31.2012) : Students' presentations

Exam Week	
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Term Paper

Students are required to write a 10 page paper on one of the following themes or on a topic of their own choice provided it is approved by the lecturer by the third week. Accepted forms of notation and bibliography are to be followed. Papers are to be printed on one side of the page using size 12 Times New Roman with 1.5 line spacing. Papers are due on Wednesday, June 16, 2010 at the end of class.

1. The role of the "Tycoons" in the economy.
2. The impact of terrorism on the economy.
3. The impact of education on the economy.
3. The role of foreign students on Jerusalem's economy.
4. The role of trade unions in the economy.
5. An analysis of a selected policy area such as privatization.

6. The impact of the environment on a certain sector or industry.
7. Any aspect of Infrastructure and its impact on the economy.
8. The economic relations between Israel and any foreign country (Except the USA and the EU).
9. The role of new immigrants on the export sector.
10. The impact of foreign workers on the economy.

Good Luck in Your Studies, Enjoy your Social life