

Syllabus

Economics of Modern Israel

ECON 168 (Prof. Yuval Heller, University of California, San Diego)
(Last update: September 19th 2022)

COURSE AND CONTACT INFORMATION

Course: Economics of Modern Israel

Q: Fall 2022

Time: Tuesday + Thursday 9:30-10:50.

Location: CSB 001 (a few of November lectures will be taught through Zoom/hybrid).

Planned Zoom meetings: Nov 3rd, 22nd. Zoom links will be sent through Canvas.

Lectures will be podcasted (face-to-face attendance is highly recommended, though not mandatory).

Midterm exam: Oct. 25th (Tuesday, 9:30am).

Final exam: Dec. 8th (Thursday, 8:30am).

LECTURER

Name: Prof. Yuval Heller

E-mail: yuval26@gmail.com or yuval.heller@biu.ac.il or yheller@ucsd.edu

Please write questions/comments/discussions in Piazza forum (in Canvas).

Homepage: <https://sites.google.com/site/yuval26/>

Office hour: Tuesday 11:15-12:15, ECON TBD (please email in advance)

TAs:

- Aakash Bhalothia (abhalothia@ucsd.edu)
- Paula Donaldson (m1donald@ucsd.edu)

COURSE SITE

<https://sites.google.com/site/yuval26/teaching-ucsd>

The site includes exercises, presentations, and mock exam questions.

COURSE DESCRIPTION

This course explores economic processes that shape the Israeli economy. Topics include historical background about Israel, the Israeli economic growth, the economic costs of the Israel-Arab conflict, natural resources in Israel, the Israeli high-tech sector, and current challenges in the Israeli economy. We will try to take an applied approach and discuss day-to-day economic issues using economic theory. The Israeli economy is interesting as an economic success story, and as great case study to discuss economic issues like economic growth, inequality, labor market and international trade.

Course Prerequisites: ECON 1 and ECON 3.

COURSE REQUIREMENTS and GRADING

- 13%: Seven weekly **exercises** (Submitted in Mondays). Each student will have to submit 6 of these 7 exercises. Most exercises have 2 questions; each student should write a paragraph (at most 150 word) on each question. The entire exercise should be typed (i.e., not handwritten) and submitted as a 1-page pdf file in Gradescope. 2-3 of the exercises of each student will be randomly selected during the term and will get verbal feedback and grade from the TA. Typically the questions will be as follows:
 - 1 question on reading material (a chapter / paper you have to read to prepare yourself to the coming week).
 - 1 question to reflect about the material of the previous week
- 12%: Up to 2-page typed (i.e., not handwritten) summary + 1 paragraph of your own opinion of one of the guest lectures. Students can discuss the exercises and how to summarize the lectures, but each student should write the exercise/summary on his/her own.

Each exercise and each summary will get a numerical grade out of 10 (and the students will be informed about the grade distribution).

- 25% - mid-term exam (10-15 multiple-choice questions) – **Oct. 25th, Tuesday.**
- 50% - final exam (20-30 multiple-choice questions) – **Dec. 8th, Thursday.**

The mid-term exam and final exams will each get a numerical grade out of 100.

The final grades will be curved.

Multiple-choice questions in exams will be relatively straightforward. Practice exam questions will be in the course web site at least 2 weeks before the exam.

Exams: Students should present photo ID for the mid-term and final exams, and they will have to sit in the exams according to a specific seating arrangement.

Stay Honest: Even good students can be tempted to cheat. Here are tips to support you

<https://academicintegrity.ucsd.edu/take-action/covid-19-students.html>

READING

Main textbook: : **The Israeli Economy: A Story of Success and Costs**, Prof. Joseph Zeira (Princeton, 2021). [ebook digital access to all the course's students through UCSD library](#) + a reserved printed copy in Geisel library.

Additional textbooks:

- [The Israeli Economy, 1995-2017, Light and Shadow in a Market Economy](#), Eds. Avi Ben-Bassat, Reuben Gronau, Asaf Zussman, [ebook access through UCSD library](#).
- [The Israeli Economy from the Foundation of the State through the 21st Century](#) / Dr. Paul Rivlin.

Reading material about Israeli Hi-Tech:

- The [start-up nation](#) book (Dan Senor and Saul Singer)
[ebook digital access through the library](#)
- [The High-Tech Sector in Israel](#) (research paper, Gandal et al., 2019)
[ebook digital access through the library](#)

SPECIAL TALKS (GUEST LECTURERS)

Distinguished guest lectures with special expertise on the Israeli economy will give a few talks during the term. The content of these special lectures is part of the material for the final exam. Tentative plan:

- Nov 1st, Prof. [Eytan Sheshinski](#) (the Hebrew University), Natural resources and infrastructure in Israel.
Essay submission deadline: November 11th, 11:59pm PST.
- Nov 8th, Prof. [Ron Berman](#) (Wharton business school), The Israeli High-Tech.
Essay submission deadline: November 18th, 11:59pm PST.
- Nov 15th, Dr. [Aamer S. Abu-Qarn](#) (Ben-Gurion University), The economic costs of the Israeli-Arab costs.
Essay submission deadline: November 25th, 11:59pm PST.
- Nov 22nd (Zoom), Prof. [Joseph Zeira](#), Israel in 2022: 4 decisions and 2 dilemmas.
Essay submission deadline: December 1st, 11:59pm PST.
- TBD: Prof. [Avi Simhon](#) (the Hebrew University), TBD.
- TBD: Prof. Omer Moav (Reichman U. & Wawwick U.), TBD.

Each student has to choose one of the special talks and sign himself in a Doodle sheet (with a capacity constraint to allow each special lecture to have a similar number of summaries), and write a typed (i.e., not handwritten) 2-page summary of the talk. The last paragraph should be about the students' own thoughts and opinions about the lecture's topics. The submission deadline of each essay is 10 days after the lecture (submission should be done through Gradescope).

PRESENTATIONS:

Presentation 1: [Introduction](#)

Presentation 2: [Historical Background](#)

Required reading: Chapter 1 in Zeira (the main textbook).

Presentation 3: [Growth of the Israeli Economy](#)

Required reading: Chapters 2-4 in Zeira.

Presentation 4: [The Israeli-Arab conflict and its economic costs](#)

Required reading: Chapters 5-6 in Zeira

Presentation 5: Natural resources in Israel

Required reading:

Presentation 6: [The Israeli Hi-Tech](#)

- Reading: The [start-up nation](#) book, [The High-Tech Sector in Israel](#),
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Presentation 7: Current challenges in the Israeli Economy (Chapters 11-13)

EXERCISES

Exercises should be submitted till their deadlines through Gradescope in Canvas. Each exercise should be submitted as a 1-page pdf. Each question should be answered by a single paragraph (at most 150 words). Each student must submit at least 6 of the 7 exercises.

Exercise 1 (Submission deadline Monday Oct 3rd, 11:59pm PST):

- I) Which of the facts you learnt about Israel has surprised you the most (if any) and why?
- II) Read Chapter 1. Choose one historical fact presented in the historical background of Israel, which is unique to Israel, and has important impact on the Israeli Economy. Discuss the economic implications of this fact.

Exercise 2 (Submission deadline Monday Oct. 10th, 11:59pm PST):

- I) What is the main reason, in your opinion, which allowed Israel to have a long period of rapid growth till 1972?
- II) What is the main reason in your opinion, which has slowed Israel's growth after 1972, and prevented Israel from being as rich as the USA (in terms of GDP per capita, PPP)?

Exercise 3 (Submission deadline Monday Oct. 17th, 11:59pm PST):

- I) Propose and discuss a policy change that can help Israel achieving a faster growth rate, and catch up with the US in the coming decade.
- II) Read Chapters 5-6 in Zeira's textbook. In 2015 the conscription period for men was shortened from 36 months to 32 months. Estimate how much this change has decreased the total defense costs of Israel (in billion dollars/shekels and as percentage of Israel's GDP).

Exercise 4 (Submission deadline Monday Oct. 31th, 11:59pm PST):

- I) Oil is very common in the middle-east, but no oil was found in Israel. Some think it is very unlucky. Others think that if Israel had found oil when it was a poor country, it might be hit by the so-called "oil curse" (<https://www.vox.com/2014/4/10/5601062/oil-curse-explained>). How do you think the Israeli state and the Israeli economy would have been today if large oil field were found in Israel in 1950 (say, allowing yearly production of 1,000,000 barrels per day)?
- II) It is expected that the natural gas resources in Israel off-shore facilities will give an annual tax income of 1-2 billion dollar per year for the next 30 years (0.25-0.5% of Israel current GDP). What do you suggest Israel should do with this future tax income?

Exercise 5 (Submission deadline Monday Nov 7th, 11:59pm PST):

Read the book the "Start-Up Nation" ([ebook available through UCSD library service](#)).

- I) Which special characteristic of Israelis is most helpful to its hi-tech industry in your opinion? Do you think that other countries should try adopt this characteristic?
- II) While Israel is very successful in terms of founding start-up companies and selling them to multinational companies, some argue that it is less successful in

developing Israeli-based large multi-national hi-tech companies such as Nokia (Finland) or Samsung (South Korea). Discuss.

Exercise 6 (Submission deadline Monday Nov 14th, 11:59pm PST)

Choose an important advantage of the Israeli economy and an important disadvantage/weakness of the Israeli economy, and present a one-paragraph discussion of each: why Israel differs from most other high-income economies in this aspect, why it is an advantage/disadvantage, what should Israel do to better exploit this advantage / overcome this disadvantage.

Exercise 7 (Submission deadline Monday Nov 21th, 11:59pm PST)

Choose 2 ideas/arguments/stylized facts that you heard in one of the various guest lectures so far in the course: one that you agree with (preferably, one that you haven't thought about before the lecture), and one that you disagree. Present a one-paragraph discussion for each. In particular, discuss: (1) why the first idea is important in your opinion, and how it should affect Israeli economic policy, and (2) why you disagree with the second idea, and which counter argument/evidence you have about it.

Administrative Issues:

- Students requesting accommodations for this course due to a disability must provide a current Authorization for Accommodation (AFA) letter (paper or electronic) issued by the Office for Students with Disabilities (<https://osd.ucsd.edu/students/>) Students are required to discuss accommodation arrangements with instructors and OSD liaisons in the department in advance of any exams or assignments.
- Any student who violates UCSD's academic integrity policy will earn a failing grade for Econ 1. In addition, the Council of Deans of Student Affairs will impose a disciplinary penalty.

Additional UCSD Support Services:

- Basic Needs: [The Hub](#)
- Technical Support: [IT Service Desk](#)
- Mental Health and Wellbeing: [CAPS](#)
- Vice-Chancellor of Student Affairs: [student success resources](#)
- Teaching + Learning Commons: [services for students](#)
- UC San Diego Libraries: [services and resources](#)
- [TritonLink](#): find student services and support