Northwestern University

Econ 315: Topics in Economic History

The Israeli Economy

Oren Levintal

Spring 2026

General Description

In this course, we will study the Israeli economy from its early period as a poor developing economy to current days as an advanced high-tech economy. We will explore how the economy has navigated through various challenges, including the Israeli-Arab conflict, the inflation crisis and the transition from a centralized economy to a market economy. 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 a comprehensive understanding of the Israeli economy and its place in the global economic landscape.

Course Teachers:

Instructor: Oren Levintal, Email: Oren.Levintal@runi.ac.il.
Office hours: Tuesday 1:30-2:30pm, KGH 3329 or by Zoom.
Guest lecturers: Prof. Martin Eichenbaum
Prof. Efraim Benmelech
TA: Tomer Novikov, Email: tomernovikov2027@u.northwestern.edu
Office hours: Monday 2-3pm, KGH 3198.

Class Hours:

Class: Tuesday and Thursday, 11:00am to 12:20pm (Locy Hall 301).

Discussion section: Friday, 11:00am to 11:50am (Kresge Centennial Hall 2-415).

Grading:

The final grade consists of three components:

1. **Midterm Exam (April 30, in class) – 45%**
2. **Final Exam (May 28, in class) – 45%**
3. **Problem Sets – 10%**

There are four problem sets, **due Apr 17, Apr 24, May 15 and May 22**. To receive full credit, you must submit at least **three out of four**.

Problem sets are graded based on a serious attempt. Full credit will be given to submissions that show real effort, even if some answers are incorrect. Submissions without a serious effort may receive partial or no credit.

Each exam will include questions based on the **material, concepts, and reasoning developed in the problem sets**. These questions will constitute **10% of the exam grade**.

Literature

1. 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
2. Ben-Bassat, Avi, Reuben Gronau, and Asaf Zussman, eds. *The Israeli economy, 1995–2017: Light and shadow in a market economy*. Cambridge University Press, 2021. https://www.cambridge.org/core/books/israeli-economy-19952017/62FB461430368DF64A961EC4ECA9A8D0
3. Lecture slides
4. Problem set material.

Structure of the Course

1. **Introduction** (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. 2-3, BGZ, Ch. 11)
3. **The Israeli-Arab Conflict** (week 3) – The cost of the conflict, direct and indirect costs, peace with Egypt. (Zeira, Ch. 5-6, BGZ, Ch. 6)
4. **Startup Nation** (week 4) – The rise of Israel high-tech sector. (Zeira Ch. 4, BGZ, Ch. 17).

Apr 30, 2026, 11:00am-12:20pm - Midterm Exam on topics 1-4, including PS 1-2.

5. **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 + pp.108-120, BGZ, Ch. 2)
6. **Inflation and money** (week 6) – Inflation crisis in the 1980s, inflation tax model, disinflation policy. (Zeira, Ch. 9-10, BGZ, Ch. 4)
7. **The Balance of Payments** (week 7) – Intertemporal approach, opening the country to foreign trade. (Zeira, Ch. 8)
8. **Inequality** (week 8) – Inequality and the labor market, the role of fiscal policy, poverty. (Zeira, Ch. 13, BGZ, Ch. 12)
9. **Arabs in Israel** (week 8) – economic and social challenges (Lecture slides).

May 28, 2026, 11:00am-12:20pm - Final exam on topics 5-9, including PS 3-4.