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**Israel National Defense College**

**47th Class 2019-2020**

**Economic Policy Course**

**Prof. Omer Moav (Coordinator of the Israel Defense Colleges: Brigadier General Eran Kamin)**

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Office hours: by email

**General**

The debate on economic policy in Israeli society is interesting and important, but is usually based on incorrect information. Politicians respond to public sentiment and therefore public debate and public attitudes have an important influence on the shaping of economic policy. The purpose of the course is to provide knowledge and understanding of the economic issues at the heart of the debate in Israel, and to expand knowledge of the world's long-term trends in growth, inter-country gaps, and policies to reduce poverty.

**1. Course structure**

The course has three parts:

**A. Economic policy in Israel: The roots of the debate**

We will discuss the social/social-democratic position with the capitalist/neo-liberal stance on policy on various controversial economic issues, and the political process of decision-making. We will try to understand the roots of the debate and distinguish between economic and ideological arguments, and learn about the gap between popular economic arguments about the various economic mechanisms and the understanding of economic scholars of economic reality. Topics include: Free International Trade, Employee Determination vs. Labor Market Flexibility, the Right to Strike, Privatization and Nationalization of Essential Public Services, Taxation, Poverty Reduction, Income Redistribution, Transportation Policy, Economic and Planning View, Housing, and more.

**B: The eradication of poverty in the world: hope, disappointment, success**

We will deal with the World Bank's policies and other bodies in developed countries to reduce poverty in poor countries. We will learn why faith has developed among the assisting bodies that can eradicate poverty, how the theories behind this belief led to a trillion-dollar aid, and learn about the bitter disappointment of the various programs. And finally, we will learn what lies behind the fact that, despite the disappointment with the aid programs, poverty rates in the world are shrinking dramatically**.**

**C. The big gaps in per capita GDP across countries: deep roots**

We will learn about the key factors that modern economic research identifies as central to understanding the disparities between countries in GDP per capita. We will deal mainly with the deep and historical differences that have caused different countries to adopt different economic institutions, which in turn have a great impact on economic growth**.**

**2. About the lecturer:**

Omer Moav is Professor of Economics at the Interdisciplinary Center in Herzliya and at the University of Warwick in England, Winner of the Landau Reconciliation Factory Award for his research achievements, was the economic advisor to Finance Minister Yuval Steinitz.

Prof. Moav holds a bachelor's degree, a graduate degree and a doctorate from the Hebrew University of Jerusalem. After a postdoctoral fellowship at MIT, Moav returned in 2000 as a lecturer at the Hebrew University, advancing there to the rank of Associate Professor within a decade, during which he earned an Oak scholarship for outstanding young scientists, and the Hebrew University's Rector's Award for Excellence in Research and Teaching. In 2014, he accepted a position at the Herzliya Interdisciplinary Center.

Moav's research deals with economic growth, inequality, immigration, poverty, the history of state formation, and the Israeli economy. His articles have been published in the world's leading economic journals and are ranked in the top two percent of economists in the world.

Prof. Moav writes and is widely interviewed in Israeli media and social media. He owns the blog "mostly economics" omermoav.com

**3 . Grade composition**

**A. Attendance at classes (10%)**

**B. Writing assignment (90%)**

**4 . Rules**

**A. Read the sources presented in the course plan before the lesson.**

**B. Turn off mobile phone before class (except for emergencies).**

**C. Office hours arranged in advance.**

**5. Course Plan**

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| Hour | Date | Topic |
|  | 25.2.20 | The Economic debate in Israel. Introduction, discussion of the relevance of economic research, and discussion of international trade. |
|  | 26.2.20 | The economic debate in Israel. Employee Rights: Employment Security, Legislation, and Strike. |
|  | 3.3.20 | The economic debate in Israel. Other topics: Privatization and nationalization of essential services to the public, taxation policies, poverty reduction policies, income redistribution, transport policies, housing, and more |
|  | 4.3.20 | The eradication of poverty in the world |
|  | 11.3.20 | Gaps in per capita GDP across countries |

**6. Reading Material**

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| Hour | Date | Reading Material |
| 1. | 25.2.20 | **1. "Easy Libel on Economics," Review: Omer Moav**  **2. Assaf Zimmering and Omer Moav, "Does the Capital Investment Encouragement Act contribute to the economy and achieve its stated goals?", Policy Paper 2016.01, January 2016**  **3. Omer Moav, "Is Sweden Capitalistic, God forbid,"on the website, February 17, 2019** |
| 2. | 26.2.20 | **1.** **Omer Moav and Hadas Gabay, "How to Solve the Strike Problem"**  **2. Omer Moav and Ofer Cohen, "Who Needs Employment Security?"** |
| 3. | 3.3.20 | **1. Hami Gottliebowski, Nir Jacobi, "Does differential VAT apply in Israel? Lessons learned from theory and practice in the world, "Position Paper 6, The Economics and Society Program, Van Leer Jerusalem Institute.**  **2. Omer Moav, "The Recession Will Come, How Will We Cut Back Then," on the December marker Website, December 3, 2007**  **3. Strategy for Economic Growth 2018, Zvi Eckstein and Avichai Lipshitz, https://www.idc.ac.il/en/research/aiep/Documents/strategy\_2018.pdf** |
| 4. | 4.3.20 | Microcredit was a hugely hyped solution to global poverty. What happened? [**https://www.vox.com/future-perfect/2019/1/15/18182167/microcredit-microfinance-poverty-grameen-bank-yunus**](https://www.vox.com/future-perfect/2019/1/15/18182167/microcredit-microfinance-poverty-grameen-bank-yunus) |
| 5. | 11.3.20 | HOW DEEP ARE THE ROOTS OF ECONOMIC DEVELOPMENT? Enrico Spolaore Romain Wacziarg (sections 1 and 2)  <https://www.nber.org/papers/w18130.pdf> |

**7. Writing assignment:**

A**.** Seminar participants will be divided into groups of three. Each group will write an original policy paper on a relevant economic issue for policy discussion. The paper will include: an introduction you will present, the relevant debate that includes the various positions, including identifying the relevant interests, comparing the policies taken around the world, and a recommendation.

B. Assignment will be submitted through Participation Secretariat until \_\_\_\_\_\_\_\_\_\_\_\_\_

C. The assignment will be submitted in a maximum 6000 word document.

**The article "Who needs job security?" English translation below:**

<http://azure.org.il/article.php?id=473>

**Who Needs Job Security?** Moav, Omer.

In: Azure, Vol. 34, 2008.

**And this is an English translation of the article "Easy libel on economics"**

<http://azure.org.il/article.php?id=555>

## A Theoretician's Quarrel with Theory

Reviewed by [Omer Moav](http://azure.org.il/authors.php?id=257)  
  
Economic Tales  
by Ariel Rubinstein  
Kinneret, Zmora-Bitan, Dvir, 2009, 206 pages, Hebrew.