

2) The Committee on Real-Life Economics

Committee members: Mr. Victor Behar (Bank Hapoalim), Prof. Mark Gradstein (Ben-Gurion University), Prof. Michel Strawczynski (Bank of Israel and Hebrew University of Jerusalem – Committee Chairman), Mr. Eyal Raz (Bank Leumi), Dr. Sigal Ribon (Bank of Israel)

The Committee discussed the question of whether Economics studies provide an appropriate background and tools for economists involved in real-life economics. As part of their work, practical economists require broad knowledge in various areas connected with both public sector activity and business sector activity. Their work requires knowledge of a variety of tools used in day-to-day work, such as the ability to perform a cost-benefit analysis, the use of company reports, calculations that include a multi-period framework, econometric analysis of information, and direct knowledge of basic macroeconomic issues (inflation, interest rates, exchange rates, and so forth). In addition, employers expect their employees to have knowledge related to public sector involvement in the economy. Examples of the type of knowledge required in this context include government institutions and their functions, entities involved in the encouragement and regulation of competition in the economy, entities and issues related to infrastructure, and more.

To describe the existing situation, our point of departure is based on the outline set out in the work of Zussman et al (2011). This work identified significant problems in the university study programs of real-life economics in Israel. Such problems include a lack of tools obtained in practical areas (finance, capital market, reading reports, and so forth), and a lack of broad exposure to knowledge related to the economic reality in Israel (a lack of History studies in Israel and abroad, and a lack of current affairs studies)—as part of compulsory studies on the Israeli economy.

In view of our assessment that the recommendations of this study group will be implemented only partially, we decided to act in two main directions. First, we examined whether there were changes in the Economics programs at the universities during the 2017-18 academic year that reflected the tools required for working as a practical economist in Israel following the previous report. Second, a questionnaire was distributed among business and public sector managers to examine the updated requirements of employers in relation to economists they employ, and whether their expectations are being met.

The information we used to draw our conclusions was based on an examination of the course contents for BA programs in all universities in Israel (the Hebrew University of Jerusalem and the Environmental Management Program in Rehovot; Tel Aviv University; Ben-Gurion University; Bar-Ilan University; University of Haifa; the Open University, and Ariel University), which is presented in Appendix 1. It was also based on a questionnaire

we designed and sent to a number of large employers, the main results of which are presented in Appendix 2.¹

It is worth emphasizing that, as Sussman et al (2011) stated in the context of the curriculum, there are basic issues generally related to real-life economics that are also relevant to Economics programs abroad and not just in Israel. A classic (but by no means exclusive) example is the required scope of knowledge in finance / business management / government in order to deal with real-life economics.² We are not trying to deal broadly with this important question, which has already been analyzed in the aforementioned work, and which occupies many people abroad. Our objective is to provide general directions and common characteristics that have not yet been emphasized in relation to the universities' curricula, the raising of which may improve the acquisition of the necessary knowledge in the field of real-life economics in Israel.

It is also worth noting that our work did not include a direct examination of the college curricula. However, it is important to emphasize that the colleges' share of economics programs in particular, and real-life professions in general, has increased in recent years. It is important to emphasize that in recent years, the colleges have been playing a central role in bridging the needs of real-life economics and economics teaching. Among other things, this function is reflected in courses on the Israeli economy, preparing students in a way that will respond to the needs of firms while including contents such as reading reports, value assessment, and other ways of adapting the curriculum to the requirements of real-life economics.

The following are the conclusions drawn from our examinations:

- a. For many years, the universities have not designated policy courses as required studies to obtain a Bachelor's degree. The clear (and classic, compared to the historical situation) example is that the course on Public Economics stopped being a compulsory/core course, but we can also mention that completing the degree is also possible without any courses on Monetary Policy, Regulation, International Trade, Financial Stability, and more. In the past, some of these courses were in the form of "compulsory elective" (meaning – every economist had to choose some of these courses in his or her core studies). Doing away with the requirement to study such courses is leading to a situation where a significant portion of economists obtaining their Bachelor's degree have no real acquaintance with basic issues in these areas.

¹ Unfortunately, due to a lack of resources, the sample is not necessarily representative. As such, it is not used to present a balanced picture, but rather to discover whether there are issues that repeat themselves as a common denominator.

² There are also important questions at the national level concerning the supply of degrees/courses in certain fields that are relevant to real-life economics. For instance, the Committee was told anecdotally that in the infrastructure field, which has been developing in Israel in recent years (water, energy, and so forth), the supply of courses in Israel is limited compared with other advanced countries.

- b. In view of the criticism in the previous decade (which is clearly voiced in the work of Sussman et al (2011)) about the lack of study of issues in the Israeli economy at the universities, we discovered that there has been only slow progress in this matter. A course on the Israeli economy is taught at almost all the universities, and at almost all of them (other than the Hebrew University) the course is compulsory. Relative to the situation in 2011, the University of Haifa and Ariel University currently offer a compulsory course, but it is still not so at the Hebrew University. In addition, all universities have a supply of courses at both the Bachelor's level and at the Master's level where the lecturers integrate content related to the Israeli economy. It is worth nothing that at the Hebrew University branch in Rehovot, the course on the Israeli economy has been halted for now, but significant content about the Israeli economy is taught in the core courses—Environmental Quality, Natural Resources, and Agriculture.
- c. The questionnaires to employers clearly show that Economics studies are good at the theoretical level and provide good preparation for thought and analysis, but there are clear disadvantages in the acquaintance with real-life economics. It is worth emphasizing that this characteristic is general to the study of economics, and not necessarily unique to the situation of Israel. However, it is clear that courses on the Israeli economy are not sufficient to overcome this gap.
- d. The questionnaires to employers from the business sector illustrate that they are not satisfied with the economists' knowledge in the fields of finance, capital markets, and acquaintance with institutions and policy procedures in the economy. In Appendix 2 we provide examples of statements made in the questionnaires.
- e. The questionnaires to employers from the public sector illustrate that they are not satisfied with the knowledge that economists have of the economic reality—from current affairs to relevant historical events. It is also clear that these employers are not satisfied with the economists' ability to implement econometric studies in their work.

In view of the disadvantages presented above, and further to the recommendations already made in the past, the Committee found it proper to make two concrete recommendations:

- a. We recommend that the method of core subjects be readopted, making it compulsory to teach basic courses on policy as core subjects—from which a significant number of courses must be selected. We also recommend that the implementation of the study of econometrics (preferably through data relating to the Israeli economy) be improved in order to ensure that the students have the ability to make useful applications immediately upon entering the real-life world.
- b. We recommend that the Israel Economic Association organize a practical course that will be based on the basic content of real-life economics—mainly in the context of policy areas. We recommend that third-year students from all universities and colleges in Israel be allowed to register for this course.

Introductory Course in Real-Life Economics

Our suggestion is to build a course that will be based on lecturers in real-life economics from both academia and those who work in relevant fields, who will lecture in their content area in order to provide students with a basic introduction to the field before they enter the labor market. The following is a potential (though not exclusive) outline of the relevant content for organizing such a course:

- Lecture by a senior official from the Ministry of Finance about preparing the State Budget.
- Lecture by a senior official from the Bank of Israel about instituting monetary policy.
- Lecture by a representative of the Central Bureau of Statistics on the topics of measurement, the Consumer Price Index, looking at seasonally adjusted data and the trend in analysis, and so forth.
- Lecture by a senior official from the hi-tech industry on the use of technology as part of the firm's development.
- Lecture by a senior official from the Banking Supervision Department and/or the Capital Market, Insurance and Savings Authority in the Ministry of Finance on imposing regulation on financial companies.
- Lecture by a senior official from the Ministry of Infrastructure on the importance of infrastructure in the economy and issues related to it.
- Lecture by a senior official from the National Insurance Institute on poverty and inequality in Israel and the policy being implemented to deal with these issues.
- Lecture by a senior official from the Ministry of Economy or a professor on the practical side regarding the State of Israel's trade agreements.
- Lecture by a senior official from the defense establishment on Israel's defense economy.
- Lecture by a professor on the practical side regarding the financial system in Israel.
- Lecture by a senior official from the Antitrust Authority or a professor on the practical side regarding the encouragement of competition in Israel.
- Lecture by a senior official from the Israel Securities Authority on the capital market in Israel.
- Lecture by a senior official from the Ministry of Health on the National Health Insurance Law in Israel and the main issues related to the healthcare system.
- Lecture by a senior official from the Ministry of Education or a professor on the practical side regarding the challenge of maintaining human capital in the Israeli economy.
- Lecture by a professor on the practical side regarding the labor market and the existing government policy tools in Israel.

- Lecture by a senior official from the Ministry of Environmental Protection or a professor on the practical side regarding the economy's challenges in the area of environmental protection.

We recommend that in this course, the students be exposed to study materials on the Israeli economy, particularly two new books: "The Israeli Economy" by Prof. Joseph Zeira, and a book soon to be published by the Falk Institute, edited by Avi Ben-Bassat, Reuben Gronau and Asaf Zussman, in which various areas of the Israeli economy are analyzed.

Appendix 1 – Curriculum: The Israeli Economy and Core Subjects

University	Public Economy – Compulsory course	Other Policy Course - Compulsory	Israeli Economy (being taught)	Israeli Economy – Compulsory Course	Elective courses with significant mention of the Israeli economy
Hebrew University of Jerusalem	No	No	Yes – for many years	No	There are
Hebrew University extension in Rehovot	No	No	Yes – Through core issues (natural resources, agriculture, environmental quality)	No (there was until three years ago)	There are
Tel Aviv University	No	No	Yes – began this year (before that it was compulsory to take an elective course)	Yes	There are
Bar-Ilan University	No	Monetary – Elective for Master's degree	Yes, there is also an additional elective course	Yes	There are
University of Haifa	No	No	Yes	Yes	No
Ben-Gurion University of the Negev	No	No	Yes	Yes	No
Ariel University	No	No	Yes (third year)	Yes	There are (obligatory to include practical articles – mostly about Israel)
Open University	Belongs to the group in which it is compulsory to select half the credit points	Belongs to the group in which it is compulsory to select half the credit points	Yes	Elective / Compulsory	Not much

Appendix 2 – Statements by Employers

The following is a list of statements made by recruiters from the business sector, illustrating the existing gaps:

- "Lack of connection between theory and the reality of the markets. Some lacked basic knowledge of finance. Deeper knowledge of the Israeli economy and the area of finance is required."
- "Lack of knowledge of the capital market and finance."
- "Greater exposure is needed to practice, knowing regulation in Israel, government ministries, national insurance, and more."
- "Emphasis is placed on macro studies and theories that are occasionally encountered during work."
- "Broader knowledge of the business sector; exposure to accepted practice in day-to-day work; dilemmas and issues from day-to-day life and less theory; and the use of and exposure to advanced analysis and measurement tools are all required."

The following is a list of statements made by recruiters from the public sector, illustrating the existing gaps:

- "I think that the course material in economics needs to include less formulas and more text. I think that they need to learn more broad knowledge that includes economic history, actual economic issues (inequality, the effect of globalization, environmental considerations, the effects of the financial system)."
- "They can't deal with practical problems."
- "They can't express themselves or present written or oral arguments."
- "They are generally quite weak in general knowledge, the ability to learn from the professional literature, and not strong enough in econometrics."
- "Too little knowledge of econometric analysis."

REFERENCES

- Ben-Bassat, A., R. Gronau, and A. Zussman (2019), “The Israeli Economy in the Past Twenty Years”, forthcoming.
- Sussman, N., R. Hacoheh, Y. Ofek, and T. Wolfson (2011), “Economics in Practice: The Teaching of Economics in Israeli Universities”, Position Paper 4, Van Leer Jerusalem Institute (accessible on the Van Leer Institute’s website).
- Zeira, J. (2018), “The Israeli Economy”, Yediot Books.