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June 18, 2023

Press Release:

**Bank of Israel Conference Co-organized with Reichman University and Northwestern University: “Recent Developments in Macroeconomics”**

* **The Bank of Israel Research Department, in collaboration with the Tiomkin School of Economics at Reichman University and Northwestern University, held a professional conference at the end of last week that dealt with macroeconomic issues.**
* **Speakers included leading researchers from Israel and abroad, as well as the Bank of Israel.**

The Bank of Israel Research Department, in collaboration with the Tiomkin School of Economics at Reichman University and Northwestern University, held a professional academic conference at the end of last week (June 15–16). During the conference, leading researchers from abroad, along with researchers from the Bank of Israel and from universities in Israel, presented new research that dealt with various macroeconomic issues.

Governor of the Bank of Israel Prof. Amir Yaron opened the conference, speaking about the main issues and the open questions in macroeconomics that are currently being dealt with by economists and policy makers at central banks. One issue that the Governor mentioned was the process of returning to price stability in Israel and worldwide—how it will develop and what policy is required, and in particular, what interest rate level will be required over time in order to have price stability. The marked changes in the labor market in Israel and abroad, after the COVID-19 crisis, and against the background of the rapid technological changes (AI, etc.) is also a very interesting topic to examine and study. Additional issues noted by the Governor are the connection between monetary policy and financial stability, which has been a focus for the professional community since the global financial crisis in 2008, as well as the impact of monetary policy on income distribution and welfare. Reichman University President Prof. Rafi Melnick welcomed the attendees.

The keynote lecture was delivered by Prof. Lawrence Christiano from Northwestern University. In it, he described a slow process in which individuals adjust their expectations for inflation and policy based on actual developments.

Prof. Aysegul Sahin from the University of Texas presented a detailed model of various types of workers in the labor market. Prof. Cosmin Ilut from Duke University presented a theoretical model of borrowers and savers that explains the decline in real interest rates over time alongside an increase in the equity premium. Prof. Nir Jaimovich from the University of California San Diego presented a detailed model of production and consumption that explains the effect of technological changes on the income distribution.

Dr. Osnat Zohar of the Bank of Israel Research Department presented her research paper, which analyzes the different effect of uncertainty in the economy on activity as opposed to the lack of agreement regarding expected future activity. While greater uncertainty works to slow down activity, when there is more lack of agreement between various participants in the economy regarding expected activity the model actually forecasts growth in activity. Haifa University’s Dr. Assaf Sarid was the discussant for Osnat’s research paper.

The Bank of Israel’s Dr. Eyal Argov was the discussant for the paper by Prof. Gabriel Chodorow-Reich from Harvard University. The paper showed that the 2017 tax reform for large companies in the US contributed markedly to an increase in investment there. Among other things, Eyal suggested using a methodology presented in the paper to examine the international tax reform being promoted by the OECD, with its focus on setting a minimal corporate tax.

On the second day, Prof. Jesus Fernandez-Villaverde from the University of Pennsylvania presented a macroeconomic model that includes various details as well as the zero lower bound, Prof. Martin Eichenbaum from Northwestern University presented a model that describes the change in consumer behavior as the COVID-19 crisis developed as a result of learning. Prof. Eran Yashiv from Tel-Aviv University commented on the research. Dr. Oren Levintal from the Tiomkin School of Economics at Reichman University presented research that deals with the impact of the composition of the household asset portfolio on inequality in wealth distribution. The research showed that an increase in asset prices increases wealth inequality, and as a result household consumption as well. Dr. Eran Hoffman from the Hebrew University of Jerusalem was the discussant for the paper.