

THE NORWEGIAN EXPERIENCE

ON GOVERNING A SMALL OPEN ECONOMY

Content

1. Some important concepts
2. Brief history
3. Some economic topics
4. Ukraine enters the picture

1. Some Important Concepts

Separation of powers

- The three branches of government (executive, legislative and judicial) are separated
- Power corrupts and need for checks and balances
- **Stortinget (Parliament)** – passes the law of the land
- **The Government** runs the country, i.e. executive power
- Consent of the Storting to do so, i.e. parliamentary system. Not the case in, say, France and the US, where the president is elected directly by the people



- **Judicial – high court at the top** – decides on whether people and institutions abide by the laws

Mr. Trump on a judge ruling against him: He is an "Obama judge".

Chief Justice Roberts: ["We do not have Obama judges or Trump judges, Bush judges or Clinton judges,"](#).

"What we have is an extraordinary group of dedicated judges doing their level best to do equal right to those appearing before them."

- Then there is the fourth source of power – **a free press**

On the distribution of power;
what is the case in the Ukraine?

In Russia?

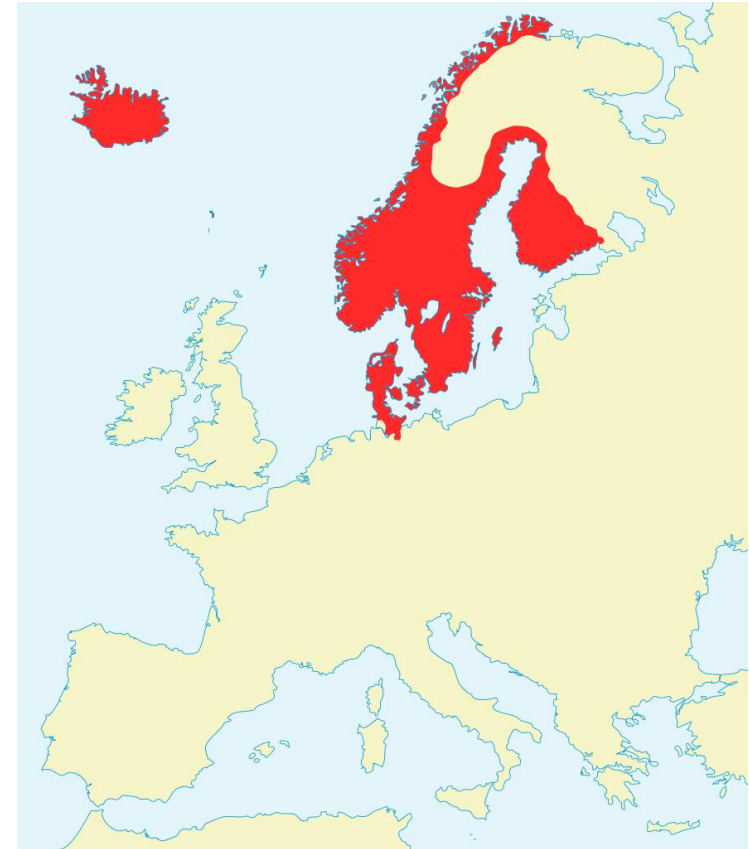
In China?

The Importance of Alternatives

- **Democracy** – the people of the country elects the Parliament (and the president)
- Different political parties, i.e. there are alternatives.
- **Market economy** – many producers competing, and the consumers have alternatives.
- Monopoly - do we need monopolies in certain kind of activities?
- Wine monopoly in Norway. Why is that?
- Used to have a railway monopoly, i.e. NSB. Now there is Bane NOR and Vy. What happened? And why? Success?
- Why – in general – do you think the existence of alternatives is a good idea?

2. Brief History

- The **Kalmar Union** was a personal union in Scandinavia that from 1397 to 1523 joined under a single monarch the three kingdoms of Denmark, Sweden and Norway. Then Sweden exited.
- 1523 – 1814: Norway under the Danish crown. Napoleon is defeated at the battle of Leipzig in 1813
- Denmark on the wrong side.
- Sweden on the winning side. Norway gets “taken over” by Sweden – but not before passing the Norwegian constitution of May 17, 1814.



- 1814 – 1905: Norway under the Swedish crown
- 1905: Finally, on our own. Prince Carl of Denmark becomes King Haakon VII of Norway, after referendum, 78,9 percent in favor
- 1940 – 1945: Norway occupied by Germany
- 1949: Norway joins NATO as one of the 12 founding members

- 1972: No to EEC, 53,3 percent
- 1994: No to EU 52,2 percent

1994, and the alternative is available, namely membership in EEA, that had already been negotiated. Therefore – having alternatives is not a bad idea

Ask the Brits these days

3. Some Economic Topics

- **Incomes Policy**

Make for an even distribution of income, retaining competitiveness for our export sector

Decide first on wage increases in export- and import-competing sectors. Then have more or less the same increase in the rest of the economy

- **The Petroleum Sector**

Discovering petroleum – learn the trade – in order to negotiate successfully with foreigners. Then, likewise become experts in managing the Oil Fund

What to do with the oil money? 2001 The Fiscal Rule established, see

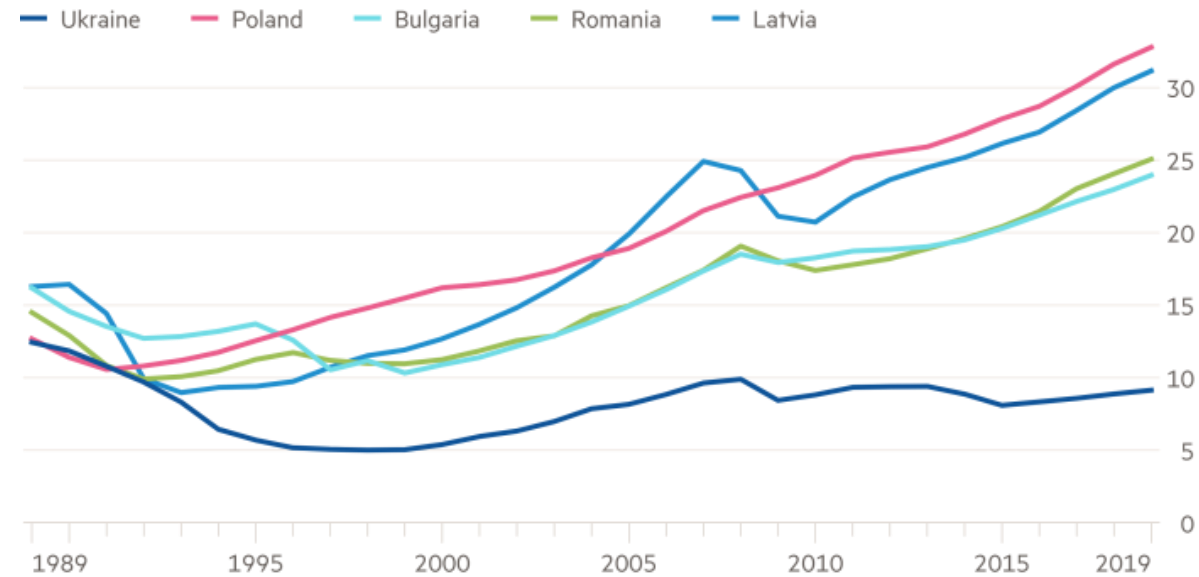
<https://www.nbim.no/en/publications/features/2011-and-older/2008/from-oil-and-gas-to-financial-assets--norways-government-pension-fund--global/>

What does the oil money do with us?

4. Ukraine Enters the Picture

Ukraine's experience has been different from many other ex-communist countries

Real GDP per head at purchasing power parity (\$'000 at constant 2018 values)



Source: The Conference Board
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GDP total (PPP), billion \$	1990	2018
USA	5 963	20 494
China	1 121	25 270
Ukraine	352	390
Norway	78	338

GDP per capita (PPP), \$	1990	2018
USA	23 852	62 641
China	987	18 144
Ukraine	6 769	9 286
Norway	19 500	67 600

Population, millions	1990	2018
USA	250	327
China	1 135	1 392
Ukraine	52	42
Norway	4	5

CO2 emissions per capita, tonnes	1980	2017
USA	20	16
China	2	8
Ukraine	15	5
Norway	9	9