U3L4A3 | Managing wealth and building trust (6 min)

overview

In this activity you will watch a short video and complete a worksheet. The video features several Norwegian policy analysts speaking about the management of Norway's Oil Fund. Incorporate knowledge gained in the previous activities of this lesson to elaborate your answers.

learning goal

- To understand why Norway limits their spending to 4 per cent of the forecasted revenue of the Oil Fund.

success criteria

- Completion of video worksheet.

Inquiry question

- Why does Norway limit their spending to 4 per cent of the forecasted revenue of the oil fund?

Norway's oil fund is valued at close to $1 trillion. However, Norway still faces budget deficits and issues of unemployment and poverty. You may ask yourself, 'why don't they just use money from the oil fund to solve these problems?'

Watch the video clip and answer the following question:
Why does Norway limit their spending to 4 per cent of the forecasted revenue of the oil fund? Provide at least five different reasons.

1. ______________________________

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2. ______________________________

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3. ______________________________

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4. ______________________________

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5. ______________________________

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Terminology

Dutch disease

This term describes what happened in the Netherlands when they discovered natural gas in 1959. The Netherlands experienced a resource boom and shifted their economic focus away from other sectors (i.e. manufacturing and agriculture) to concentrate on the natural gas sector. The booming industry resulted in big profits, increased employment, high wages, and significant government spending—all of which contributed to rapid inflation.

Dutch currency increased in value due to significant natural gas exports. Although having a strong currency sounds like a positive thing, it had some negative results.

1. A strong currency made imports cheaper for the Netherlands, but their domestic manufacturing/agriculture sectors couldn't compete with the cheap imported goods.
2. A strong currency made it more expensive for the Netherlands trade partners to purchase exports from them. Their trade partners chose to purchase from other countries whose currency was weaker (negatively impacting the Netherlands manufacturing/agriculture sectors).