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AMENDMENT # |

OFFERED IN THE HOUSE

BY REPRESENTATIVE GARDNER

TO: CSHCR 19(EDT)

1 Page 2, following line 21:

2 Insert a new paragraph to read:

3 “(13) Norway has developed a free, comprehensive and rigorous educational  
4 system spanning pre-school to graduate school that contributes to a vibrant national economy by  
5 providing professional expertise for the oil and gas sector; and”

6

7 Page 4, line 7:

8 Insert new material to read:

9 “**FURTHER RESOLVED** that the Alaska State Legislature shall explore measures to  
10 support in-state educational systems and training programs necessary to provide world-class,  
11 professional expertise in the oil and gas sector in Alaska, and potentially to other states and  
12 nations; and be it”

## Norway's wealth: Not just oil

Thorvaldur Gylfason

6 June 2008

*Norwegians enjoy a very high standard of living. Is it due to their oil? This column describes the country's impressive economic development during the twentieth century and highlights lessons from Norway's management of its oil wealth.*

Norwegian children are taught in school that Norway was Europe's most impoverished country in 1905, when the Norwegians unilaterally dissolved their royal union with Sweden and declared full independence. This is not quite true; Finland and Iceland were even poorer than Norway at the time. A hundred years later, the five Nordic countries form an economic cluster, sharing similar living standards, with Norway leading the pack. In Denmark, Finland, Iceland, and Sweden, per capita GDP (at purchasing power parity) in 2005 was between \$32,000 to \$35,000, compared with \$42,000 in Norway and the United States.

### How did Norway do it?

Many Norwegians believe that their natural resource wealth – first timber, then hydropower, now oil and natural gas – transformed Norway in one short century from a destitute place to one of the most affluent countries of the world. But is this a correct description? I have my doubts. Finland and Iceland's per capita incomes were only about a half of those of Denmark and Sweden around 1900. Yet, since then, Finland and Iceland have caught up without the gifts of nature offering a clear and decisive advantage, even if Finland had timber and Iceland had fish. Iceland had always had fish, but it was not until the natives had acquired the requisite education and technology that they were able to launch a fishing industry. An even clearer case is that of Ireland and the United Kingdom. The Irish were significantly less well off than the British in 1900, and now Ireland's per capita GDP has surpassed that of the mother country; yet neither nation possesses any significant natural resources apart from farmland (plus a dash of oil in the case of the UK).

It seems likely that Norway would have caught up with the rest of Europe with or without its natural resources, much as Ireland caught up with the UK without the benefit of natural resource wealth. This is also how Denmark, Finland, Iceland, and Sweden, which in the second half of the 19th century lost a quarter of its population to emigration, were able to lift themselves up from close to the bottom of the heap in Europe around 1900 to close to the top in 2000, despite benefiting to varying degrees from their natural wealth. The decisive factor was the people.

Norway, of course, always had its natural resources; but it was only with the advent of educated labour that it became possible for the Norwegians to harness those resources on a significant scale. Human capital accumulation was the primary force behind the economic transformation of Norway; natural capital was secondary. Human capital accumulation can lift living standards without natural capital (as in Japan and Singapore, for example), but natural capital is of little help or worse without the human resources necessary to harness it (consider Congo).