

# **Macroeconomics**

## **Norwegian economy's dependence on oil**

It is now spoken / written a lot of on two-division in the Norwegian economy. One part is oil related - and that goes well, and another part which is only moderately well - not to say bad.

In this thesis, one shall document the Norwegian economy's dependence on oil, prove dichotomy and analyze the consequences in the short and long run in terms of production, employment, wages and welfare.

The last part should probably be limited. It may be necessary to use modeling tools that Statistics of Norway and other research institutions have developed.

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## **The guideline**

Thesis will be based on the idea that oil wealth is to be shared by many generations. In this connection Parliament has adopted the Guideline that has limited the domestic use of oil revenues.

The oil revenue that are included in the state budget, are used for public consumption, public investments, tax cuts (and private consumption) and welfare and education. In the first part of the thesis one shall see how much is used on each of these purposes. This will show the extent to which oil revenues are used to create growth and development in the Norwegian economy - which was the original goal - and not used to remove the current political / economic gains.

In 2001, inflation in Norway was clearly less than the inflation target. This despite the fact that we according to the 4% rule has been using ever more oil revenues domestically, as a result of the oil fund become bigger and bigger. It is also claimed that there are investment projects in Norway with high returns - in part with a higher return than the one achieved by placing oil revenues abroad - which have not been realized. In the second part of the thesis, one shall check if this is the case - and discuss whether we in that case should use more oil revenues domestically.

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## **What determines the Norwegian exchange rate?**

The exchange rate is important for the competitiveness of Norwegian industry. During some periods competitive businesses claim that the exchange rate is too high.

The this thesis one should perform a quantitative analysis of the factors influencing the Norwegian exchange rate, including the price of our oil, the central bank's discount rate, the central bank's warning of future changes in interest rates, wages and costs, inflation etc.

Then one should consider the extent to which Norwegian authorities, in its monetary policy, can and should aim to influence the exchange rate.

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## **Norwegian monetary policy - inflation target**

Main issues to be studied are the following:

- The reason that Norway has an inflation target.
- Why the country after 2001 (when we got the target) had a markedly lower inflation than the target states?
- Does the gap between inflation and the inflation target means that there is a need to formulate a new inflation target?
- What should possibly be the new target?

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## **Norwegian inflation**

Thesis will conduct a quantitative analysis of the cause of inflation in Norway since 2001. Observed inflation in Norway after 2001, the average was low (even lower than our inflation). Based on the first task can now explain the main reasons for the low level of inflation.

What were the economic effects of the low inflation? What are the specific consequences of that inflation has been below target

Last thing that thesis should discuss is whether this main picture will continue - low inflation (and below target) - or whether it will be conditions that will increase inflation in Norway thus making inflation gap smaller.

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## **The Scandinavian model as a development strategy for poor countries**

The Scandinavian model, the egalitarian distribution and the generous welfare state, is introduced as a model for developing countries.

Thesis will assess and analyze if the model can serve as a pathway to growth and development in poor countries of today, for example, a country in Africa.

It will be necessary to establish cooperation with individuals / institutions, who have knowledge and expertise in developing countries in Africa (or elsewhere).

Both qualitative and quantitative methods can be used for the thesis.

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## **How can the Euro survive?**

The first part of thesis will clarify the situation in the Eurozone and the Euro's problem. Most appropriate will be to look at one of the countries.

It would be desirable to clarify the background of the situation, why large budget deficits, why such huge debts etc.

The next section will analyze what needs to be done in order to reduce / eliminate current

problems. Thesis will focus on economic policy. It is important to distinguish between what each country can / should do, and what must be the responsibility of the monetary union, including the policy of the Common Central Bank.

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