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How many of you have stored canned food and drinking water in your basement in case of a crisis?

Yes, exactly. What I am more concerned with is the preparedness we need to have in our heads – mental preparedness.

Having thought about the fact that something we don't want to happen, can happen. Because then perhaps we won't be caught quite so off guard?

2026 is the Year of Total Defence in Norway. The idea is that we should be thinking about preparedness. We should be thinking through the question: "what if…?"

2026 is also the year we mark 30 years since the first money was paid into the fund. On 30 May 1996, 1 billion 981 million 128 thousand 502 kroner and 16 øre were deposited.

Since then, the fund has been the piggy bank for the whole of Norway.

Not just for those of us sitting here, but for everyone. Including those who come after us. We are saving part of our wealth for them.

Every year, we take out a small portion of it. 25 percent of Norway's national budget comes from the piggy bank. 25 percent – every fourth krone.

That is every fourth nursing home place, police post, school, stretch of road – perhaps even a battery factory or a ship tunnel.

To put that in perspective: 25 percent of the national budget is roughly equivalent to what we spend on all Norwegian hospitals, the entire Armed Forces, transport, and higher education and research – combined.

Perhaps more would have been spent if it weren't for the fiscal rule. It states that no more than 3 percent of the fund may be spent each year. No more than that.

Why 3 percent? Because that is the assumed real return on the fund, meaning we only spend the money we earn in the markets, not the wealth itself.

Ingenious, isn't it?!

It's like having a savings account and only spending the annual return. If a crisis arises and you need to spend a little more, you can – as long as you go back to spending less than 3 percent again before too long. In principle, that account will then last forever.

The fund is so large that even though we spend less than 3 percent of it, that amounts to 25 percent of the national budget.

I won't offer an opinion on whether that is too much or too little. My job is simply to earn as much money as possible for this fund, but its importance to the Norwegian economy cannot be overstated.

To earn a return, you need to invest in something – equities, for instance. That means taking on a certain amount of risk with your money. You must be prepared for the value to go up and down.

Perhaps especially prepared for it to go down, because that's what hurts the most.

Let's say it falls 40 percent. That means 40 percent less money to spend.

What I want to remind you of today is that it's a very good idea to have thought about the fact that this can happen.

So, I will try to contribute a little to our shared mental preparedness by asking the question: can the fund disappear?

The answer to that question is "yes" – and the worst part is that in the world we live in today, it is fairly likely.

There is no country in history that has managed to hold on to a large financial fortune over time. Fortunes are always lost in the end. So how does this happen?

Let's start close to home. In 1886, Arendal was Norway's richest town, built on sailing ships. Then the town's bank went bankrupt, and with it went both fortunes and jobs for the whole region.

Arendal was even more important than Kristiansand. But a world power? That, you were not. Not on a par with Spain or the UK, at any rate.

In the 1500s and 1600s, Spain became fabulously wealthy after colonising the Americas.

The wealth they brought home led to sharp price rises. They grew lazy and let the French and the Italians do the work.

Money also poured out of the state coffers in a steady stream to finance wars and pay foreign creditors. In short, they squandered their wealth.

To quote the book *The Wealth and Poverty of Nations*: "Spain became poor because it had too much money."

That's quite a paradox. The country that became too rich.

In the 1800s, and up until the First World War, the UK was the world's leading financial power. It was the largest creditor in the world, and British investors owned enormous fortunes abroad.

When the First World War broke out in 1914, it marked the turning point for this global dominance.

To finance the war, the British had to sell off large parts of their financial assets and borrow money instead, particularly from the US. What remained of the fortune once the war was over disappeared only a few decades later, when war broke out in the world again.

In the early 1900s, Argentina was one of the richest countries in the world measured per capita. It had substantial income from agricultural exports, but the wealth was not to last. Political instability, protectionism, inflation and repeated debt crises have largely been the recurring theme since.

Today, the country ranks 76th on the list of the world's richest countries (measured per capita, according to the International Monetary Fund).

These are historical examples, but let's move a little closer to our own time.

The Netherlands discovered large gas reserves in the North Sea in 1959. The revenues were used to finance ongoing public spending and a generous welfare state. Over time, the country was left with lower gas revenues, but still high spending commitments. This later became known as "Dutch disease".

Finding a major natural resource can end up being a curse rather than a blessing. It was precisely this experience that Norwegian politicians and civil servants wanted to avoid when we found our own oil.

In fact, they are basically the ones we should thank for the wealth we have today. Wise and far-sighted decisions have been crucial to Norway's oil wealth, and to the fund's success. And I must add that many of those decisions were also brave.

No one could have imagined how much wealth would come our way. In fact, the Geological Survey of Norway wrote to the Ministry of Foreign Affairs in 1958: *"One can disregard the possibility of there being coal, oil or sulphur on the continental shelf along the Norwegian coast."*

Just ten years later, the oil adventure began. And this laid the foundation for the adventure in the international financial markets for the fund.

It is difficult to be certain about what the future holds.

But the story of Norwegian oil production and the fund have shown that many brave decisions were made along the way, often under great uncertainty.

That kind of bravery is something we will need in the future too.

The fall of the Berlin Wall in November 1989 is often used as a symbol of the transition from a period in history marked by the Cold War to a US-led world order. This was a new and optimistic era, including the financial markets.

We saw increased globalisation, with growth in international trade and economic integration. This development moved at a tremendous pace – so fast that it was called hyperglobalisation.

One important reason was that China and India joined the World Trade Organization. Goods and services could flow across borders without tariffs or trade barriers. Car parts could be designed in one country, manufactured in another, and assembled in a third.

Technological revolutions contributed to greater efficiency and productivity growth. Information could travel around the world in a matter of seconds, whether you were in Seattle, Sydney or Strengereid.

Mobile phones and the internet became commonplace and turned into industries in their own right. From the first brick-sized mobile phone we used to lug around, to the smartphone you're holding in your hand right now.

Yes, a great deal happened in a short space of time.

You might remember the scene where Gordon Gekko is released after eight years in prison?

The largest and most valuable companies we have today were born in this period. There was a free flow of people, technology and capital.

For international financial markets, this was a fantastic time. It was, as we say in Kristiansand, thoroughly "bullish".

Add to that the deregulation of markets, lower taxes, low inflation and low interest rates, and we can sum up the last 30 years as abnormally good for a financial investor.

Let me pause for a moment on the word "abnormally".

It is during the period I am now talking about that the fund has grown up. Invested a little in everything, all over the world. We have largely followed the financial markets, and those markets have gone like a rocket.

That has produced growth from the first modest 2 billion kroner in 1996, to a value of more than 22,000 billion kroner today. 22,000 billion.

By the way, how many zeros are there in 22,000 billion?

That’s twelve zeros, folks.

It’s a figure that’s really impossible to grasp. In just the last four years alone, the fund has more than doubled in value. You can get speed-blind from less than that.

While much of what characterised the last 30 years is now being challenged, remarkably little of this is showing up in the markets. They keep rising, despite wars, threats, tariff walls and trade barriers.

That makes it tempting to think the upturn will simply continue. That an unbroken run of good times is what’s normal.

It is not. Let me state this clearly right away: the last 30 years have not been normal.

Why do I say that? Well, look at this chart.

It shows the performance of global equities over the last 15 years.

7 percent a year. The orange line you see is the expected performance of the equity market that we estimated in 2010.

11 percent a year. The black line is the actual performance in US dollars. It has, in other words, been much higher than we expected.

14 percent a year. In addition, a weak krone exchange rate has also worked in our favour. That is the blue line. Together, this has produced a far higher return than we expected. Multiply that over fifteen years, and instead of the expected 3,000 billion kroner, the return from the equity market has come to close to 9,000 billion kroner.

For a fund like ours, what can we attribute this fantastic equity return to?

Largely luck.

We caught a wave in international markets that we have been able to ride. No one knew that in 1996, or later for that matter.

Will it continue?

It is very difficult to predict the future, but perhaps there is something to learn from what we have seen before?

I have already touched on the fact that national fortunes rarely survive over time. Neither did Norway's first attempt to establish a state fund. And perhaps not everyone knows that we have tried this before.

The State Reserve Fund was established in 1904 "to avert dangers to the realm, or when the country has been struck by national disaster". It was nothing less than enshrined in the Constitution.

As is the case today, the money was invested abroad, in what were referred to as "first-class" securities. British, French and German government bonds were considered safe investments. In fact, the safest one could imagine – on a par with how we view US Treasuries today.

Then came the First World War, and to cut a long story short, this fund was wound up in 1925. By then it had fallen sharply in value but was formally kept afloat through what was known as "unrealistic accounting".

Could the same thing happen to the fund?

The fact that something has happened before does not necessarily mean it will happen again but let me nonetheless run a thought experiment based on history.

The greatest financial crisis we know of is the Great Depression of the early 1930s.

It began with the Wall Street Crash of 1929. It was a global economic crisis that had lasting consequences, both political and economic.

That was, of course, a long time ago, and the world today is completely different from a hundred years ago.

Or is it?

A little while ago, I recorded a podcast with Christine Lagarde at the European Central Bank. She pointed out that the world today is worryingly reminiscent of the early 1920s, which led to the Great Depression.

Back then, the world was seeing new and transformative technologies such as the combustion engine and the assembly line, combined with increasingly fragmentation.

It wasn't inevitable that this would end in crisis and war, but the world's leaders made many bad and dangerous choices at the time. Lagarde says we could easily see something similar today with the development of artificial intelligence, combined with decision-makers who are no longer able to find good solutions.

So let me be specific about what the similarities are.

In the 1920s, world trade was becoming fragmented. Countries built tariff walls and protected their own industries. Does that sound familiar?

In the 1920s, the new technology companies of the day were priced very highly, before they crashed in value. Today, many AI companies are priced as if they are going to earn enormous profits in the future.

At the same time as equity markets fall, we could also see large currency movements that amplify the decline in the fund.

How could this play out from here?

If the AI bubble bursts at the same time as a trade war between the US and China escalates, we could see what is known as a balance-sheet crisis – where businesses and households sharply cut debt and spending at the same time.

It was precisely that kind of spiral that led to the depression in 1929.

The big difference from back then is that central banks today have a toolkit they did not have in 1929: emergency lending, deposit guarantees, cooperation between central banks. That makes a new, full-blown depression a less likely outcome.

But it is not something we can rule out. Because debt levels and market pricing today do in fact share common features with back then.

How would the fund have fared if a similar financial crisis were to happen today? A simplified picture, of course, but we can assume that at least 80 percent of our equity values would disappear. At least.

Let's do the maths. Our fund consists of around 70 percent equities. If 80 percent of that value disappears, we are talking about a loss of more than 12,000 billion kroner. The fund would then be worth less than 10,000 billion kroner – more than halved.

With a fund of that size, the fiscal rule would only allow for spending around 290 billion kroner a year. Not 579, as of this year's annual state budget. A drop of more than 289 billion kroner. Every year.

That's the equivalent of taking away the entire defence budget and the running of every hospital in Norway.

In the title of this talk, I ask whether the fund could disappear – whether it could run out of money.

Yes, of course it can. A nuclear war or biological terrorism would render a financial fund worthless to us. At that point, we would be dealing with entirely different concerns.

But we don't need to go to such drastic lengths. We can just as well look at scenarios that are more likely than the worst catastrophes.

We have seen major falls in the financial markets before, and the fund has proven that it can withstand temporary downturns.

But what if the downturn and the crisis are prolonged? How do we deal with that? In the depression scenario, it could take a decade for the market to recover. A lost decade would be the ultimate test of the fund model.

In a prolonged crisis, we can imagine that it is not only transfers from the fund that fall – tax revenues could also decline, while spending on unemployment benefits and social security rises at the same time.

How long can we keep a fund for future generations if markets fall and we spend more than we should – for five years, ten years, or even longer?

The most important thing with a long-term investment fund is not to make bad decisions when markets are falling and turbulent. But that is precisely when it tends to happen, often in a bit of a panic.

The fund was born, and has grown large, during a period in history that has been exceptionally favourable to us.

It is easy to forget that a fund of 10,000 billion was a record-high sum as recently as 2019. My predecessor, Yngve Slyngstad, stepped down the same week the fund passed 10,000 billion – thinking at the time that he was leaving at the top.

I too was nervous about applying for the job as head of the fund, because I thought that from there, things could only go down. Instead, the fund has doubled, and the doomsday scenario I am presenting today is simply a fund back at its 2019 size.

In a short space of time, we have grown used to having an extremely large fund. Many good decisions have been made, but we also have to admit that we have had a great deal of luck. The growth in the fund has been quite extraordinary.

My job here today has been to remind you all that we cannot rely on the future being just as bright. It's something we should all have thought about.

That reminds me of the man who had built staircases his whole life. When he was about to retire, the mayor gave a speech: "Andersen, it's really quite incredible how many staircases you've built. If you joined them all together, they'd almost reach the sky." To which Andersen replied: "Well, yes, but most of them have been cellar stairs."

It's not especially popular to be the one pointing out that things can go down when they seem to be heading for the sky.

But perhaps that's exactly when it matters the most.

Thank you.

(Translation from Norwegian by AI)