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*Edwin Truman*

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# **SOVEREIGN WEALTH FUNDS Threat or Salvation?**

**Edwin M. Truman**

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**Edwin Truman : Sovereign Wealth Funds: Threat or Salvation? (Peterson Institute for International Economics - Publication)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Sovereign Wealth Funds: Threat or Salvation? (Peterson Institute for International Economics - Publication):

1 of 1 people found the following review helpful. Sustainable Production of Oil with a Sovereign Wealth Fund (SWF)By laurens van den muyzenbergSustainable production of oil sounds like a crazy idea. Yet that is precisely what

Norway is doing with a sovereign wealth fund. The answer of Edwin Truman to the question about these funds is: "Threat or Salvation?" is "Salvation" if you organize and manage it the right way. What is the right way? Sovereign Wealth Funds had together in 2008 assets of US\$3.7 trillion as compared with the GDP of India in that year of US\$ 3.3 trillion and Germany of US\$ 2.9 trillion. Given this importance the G7 in 2007 asked the IMF, the World Bank and the OECD to prepare a policy for these SWF. The result is the "Santiago Principles" issued in 2008. These principles are lucidly explained in the book. They were used to develop a fund scoreboard with which each of the existing funds have been evaluated, presented the book. The Norwegian Sovereign Wealth Fund scored highest score. The Norwegian government decided soon after oil was discovered to create a sovereign wealth fund in which it deposits the government income of production licenses, special taxes on oil producing companies and the dividends from the Norwegian oil company Statoil of which it is the 67% owner. This fund's assets were US\$ 587 bn in 2012. The fund acts as a long-term responsible investor with a target of annual 4% return investing in bonds, shares and real estate outside Norway. The fund transfers every year the 4% return to the government to reduce the taxes to be paid by the Norwegians. The fund is therefore perpetual and sustainable even after the end of oil production. It will continue to deliver benefits to future generations. You can find excellent descriptions of how it is set up and works under [...] nbim.no. This fund is popular with the people as it proves that the government cares about their future and those of their children. The other benefits are (1) that the government avoided the "commodity curse" of other oil producing countries where the oil benefits are captured by an economic elite with or without corruption and the economy stagnates, (2) avoided overheating the economy, (3) increases the knowledge and power of the government concerning the economy and (3) is a reserve that can be used when oil runs out to develop alternative sources of income and employment. The fund increases the security of the Norwegian citizens in a practical and tangible way. Sovereign Wealth Funds also have the secondary effect of the government becoming more knowledgeable about the way the economy works and how to create an environment in which business can thrive and help to see to it that businesses act responsibly. 2 of 2 people found the following review helpful. Belongs in any economic studies collection, highly recommended. By Midwest Book Review Sovereign wealth funds are perhaps one of the most misunderstood things in modern economics. "Sovereign Wealth Funds: Threat or Salvation?" discusses this enigmatic topic and its place in the globalization of the world. Drawing on his decades of economic experience, Edwin M. Truman gives a complete and comprehensive explanation to Sovereign Wealth funds and what they mean in the bigger picture. "Sovereign Wealth Funds" belongs in any economic studies collection, highly recommended.

Sovereign wealth funds (SWFs) are not a new phenomenon in international finance. Governments of a few countries have used similar entities to manage their international financial assets for several decades. Moreover, countries have always held international reserves, and government-owned entities have made cross-border investments for many years. However, with the rapid increases in international reserve holdings and in revenues from the export of nonrenewable resources over the past decade, total holdings of international assets by SWFs have grown to at least \$3.5 trillion, and international reserves, which can be used for similar purposes, have risen to nearly \$7 trillion. This timely book first traces the origins of SWFs and the buildup of international reserves. It then describes the issues raised by these large governmental holdings of cross-border assets for three entities: the countries that own them, host countries, and the international financial system. The author describes what is known about the 50-plus SWFs of various countries. Principally, Truman presents a 'scoreboard' consisting of 33 elements in four categories: structure, governance, transparency and accountability, and behavioral rules. This ground-breaking 'scoreboard' is widely acknowledged as a key contributor to the development of a set of generally accepted principles and practices: the Santiago Principles for SWFs by the International Working Group of the International Monetary Fund. Finally, Truman discusses the evolving role of SWFs in the context of the global economic and financial crisis and its aftermath. This volume offers recommendations for the policies of countries that manage funds and those that expect to receive investments from them in the future.