# States, Markets, and Sovereign Wealth Funds

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**Abstract**

*The rapid growth of sovereign wealth funds (SWFs) in the last few years has important theoretical implications for scholarly debates concerning the political economy of global finance. It signals a reassertion of state authority in global finance, but in a manner that scholars did not anticipate in debates that dominated this field of study during the 1990s. Those earlier debates assumed that states mattered only insofar as they could regulate global financial markets or respond to their imperatives. But the growth of SWFs has increasingly placed states in the position of becoming part of the very structure of "capital mobility" from which they were analytically distinguished in earlier analyses. This phenomenon calls attention to the problematic nature of the "states vs. market" dichotomy that drove earlier debates, while at the same time highlighting the transformative capacity of the state in the context of globalization as well as the potential agency of powerful actors – both public and private – in influencing the imperatives of "capital mobility".*

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The rapid growth of sovereign wealth funds in the last few years has suddenly become an important topic in international policymaking circles. While these funds have a longer history, they have recently been growing very quickly. Of the forty plus funds in existence, twelve have been created since 2005 and a number of other countries are considering following suit (Kimmitt 2008). As they increase in size, such state-led funds are emerging as significant financial players in global financial markets. Their value is estimated to be somewhere around $2.5 trillion (up from around $500 billion in 1990), greater than the entire hedge fund industry. According to Stephen Jen (2007), the value of these funds could rise to roughly $12 trillion by 2015, and will surpass the total value of official reserves by 2011. These funds are also becoming more aggressive, shifting their investments from government securities into less liquid, higher risk assets.

The growth of SWFs should interest not just policymakers. In this article, we suggest that this phenomenon also has important theoretical implications for debates concerning the political economy of global finance. The growth of SWFs is widely portrayed in the popular media as signalling a return of the state within the global financial arena (e.g. Truman 2008a, Garten 2008, Wolf 2007). We do not disagree with this point, but we wish to highlight how the reassertion of state authority in global finance is taking place in a manner that scholars of international political economy (IPE) did not anticipate in the financial globalization debates that dominated the field during the 1990s. As we review in the first section of the article, those debates focused primarily on the extent to which global financial markets acted as an external constraint on state policy autonomy. In the second and third sections of this paper, we detail how the growth of SWFs has increasingly placed states in the position of being investors themselves within the global financial markets. In the fourth section, we argue that this phenomenon highlights some problematic features of the “states vs market” dichotomy that drove earlier debates. In this way, the rise of SWFs helps to move theoretical debates concerning the political economy of global finance forward in new directions that we highlight in the conclusion.

*The Earlier Debate*

The globalization of financial markets generated heated debates in the field of IPE during the 1990s. In a useful review of these debates, Benjamin Cohen (1996: 295) noted that “traditionally, in political economy studies of global finance, the central *problematique* has been the uneasy dialectic between states and markets…scholars typically focus on the challenge posed by mobile capital to the autonomy of national governments.” On the one side of this debate were those who saw heightened capital mobility undermining the policy autonomy of nation-states in increasingly severe ways.

From this perspective, capital mobility was becoming a *structure* of the international system which “systematically constrains state behaviour by rewarding some actions and punishing others” (Andrews 1994: 197). Capital mobility was said to be enforcing an “embedded financial orthodoxy” (Cerny 1994) by providing wealth asset-holders with a powerful ‘exit” option to exercise against governments that strayed from their preferences of low inflation, low taxation, restrictive government spending and more generally conservative politics. These new constraints—what Thomas Friedman (2000) called the “Golden Straightjacket”—were said to help explain why governments across the world shifted towards these kinds of policies since the 1970s.
On the other side of the debate were those who argued that the enduring power of states was understated by these arguments. One line of critique suggested that the constraints imposed by global financial markets were

exaggerated. If countries were willing to allow their exchange rates to fluctuate, they could retain a high degree of monetary policy autonomy. Many governments, it was argued, had also demonstrated that there was considerable room to manoeuvre with respect to tax policy, government spending and left-of-centre politics since financial markets were concerned primarily only with overall national inflation rates and aggregate levels of fiscal deficits (e.g. Mosely 2003, Garrett 1998). A second line of critique suggested that the structural view underestimated the extent to which global financial markets ultimately rested on a political foundation provided by states. From this perspective, the globalization of finance had been a product not just of technological and market pressures but also of deliberate state decisions to liberalize capital controls from the 1960s onwards, decisions that could be reversed in the future. Rather than acting as a new structure of world politics, capital mobility thus rested on fragile political foundations (e.g. Helleiner 1994, 1999). As Pauly (1995: 373) put it, "Capital mobility constrains states, but not in an absolute sense". Therefore, analysts should be "cautious when interpreting the current dimensions of international capital flows as constituting an exogenous structure that irrevocably binds societies or their states … a collective movement away from capital decontrol may be undesirable, but it remains entirely possible" (1995: 385).

This debate was a fascinating one, but it was also problematic. The problem was not that one argument clearly proved more accurate than the other; it was that the debate was too narrow. Although participants disagreed about many things, they shared a common assumption. State authority was seen by both sides to be significant only through its capacity to either regulate capital mobility or respond to the imperatives of global financial markets. One side believed these capacities were rapidly diminishing, while the other did not. This restrictive conceptualization of state authority reinforced the traditional state-versus-market dichotomy in IPE. The emergence of SWFs has highlighted how limiting this dichotomy is.

*The Rise of Sovereign Wealth Funds*

Sovereign wealth funds are notoriously difficult to define precisely, but the term is usually used to describe state-owned or state-controlled pools of capital that are actively invested, at least partially, outside the country. These investment vehicles have grown in recent years, particularly in parts of the world where the size of official reserves is increasing rapidly. Between 2001-07, official foreign exchange reserves across the world almost tripled from $2.1 trillion to $6.2 trillion, and the bulk of the increase was in two distinct groups of developing countries (Griffith-Jones and Ocampo 2008: 3).

The first was in countries exporting commodities, especially oil. With the current commodity boom, revenue from these exports rose sharply and in many developing countries this revenue largely accrued to the government. In this context, sovereign wealth funds have been seen as a tool to invest surplus funds abroad with the purpose of stabilizing fiscal revenue over time, promoting intergenerational saving, and/or avoiding "Dutch disease" by offsetting foreign exchange inflows (e.g. Kimmitt 2008).

The link between oil exporting, in particular, and sovereign wealth funds is longstanding. The very first SWF, the Kuwait Investment Authority, was established in 1953 by an oil exporter. In the wake of the 1973-74 oil price rise, the Abu Dhabi Investment Authority (ADIA) – now the world's largest SWF - was also created (as were two funds established by the Alaskan and Albertan governments in 1976). Norway also established its prominent SWF – the "Government Pension Fund, Global" (GPFG) - in 1990, to handle its sudden accumulation of oil wealth at the time. And many of the newly created SWFs since 2000 have also been in oil-exporting countries such as Algeria, Iran, Kazakstan, Libya, Qatar, Russia, and Venezuela. According to Aizenman and Glick (2007), approximately two-thirds of all assets held by SWFs today are held by oil and gas exporters, with the largest such holders being Abu Dhabi (somewhere between $500 and 875 billion), Kuwait ($213 billion), Norway ($375 billion) and Russia ($128 billion) (Truman 2008a: 2).

If the current commodity boom is behind the rapid expansion of SWFs today, is the latter trend merely temporary? Not necessarily. According to McKinsey Global Institute, petrodollar assets would continue to experience significant growth even if oil prices were to fall to $30 per barrel. If the price of oil fell to $50 per barrel, McKinsey calculates that petrodollar foreign financial assets would grow by $389 billion annually—more than $1 billion per day—to a total of $5.9 trillion in 2012. At $70 per barrel, petrodollar foreign assets would grow by $2 billion per day to reach a total of $6.9 trillion in 2012 (Farrell et al. 2007: 27).

The second group of countries recently experiencing a rapid accumulation of reserves has been East Asian countries with large current-account surpluses. As Griffith-Jones and Ocampo (2008) note, there have been both self-insurance and mercantilist motivations for reserve accumulation in this region. In the wake of the traumatic regional financial crisis of 1997-98, many East Asian governments have built up ever-larger war chests of foreign exchange reserves in order to guarantee that they would never again be vulnerable to international financial markets and the IMF. Reserve accumulation has become a method of protecting policy autonomy in place of, or in combination with, capital controls. This motivation has often intermixed with the more mercantilist objective of maintaining a low exchange rate in the context of export-led growth strategies. In this latter case, the cost of holding ever-larger reserves is justified as a price to be paid to guarantee external markets for export-oriented manufacturing sectors.

As the size of reserves has grown, some East Asian countries have chosen to establish SWFs to manage a portion of them. The most prominent has been China which carved off $200 billion of its enormous $1.6 trillion reserves to establish the China Investment Corporation (CIC) in 2007 (Chin and Helleiner 2008). South Korea also established a SWF in 2005 with holdings today of approximately $30 billion. Other East Asian countries had already established SWFs in previous decades and their size has now been increasing substantially. The most notable are the Singapore's two SWFs - Temasek (created in 1974) and the Singapore Investment Corporation (created in 1981) - which are among the largest in the world today with assets of $110 billion and $200-330 billion respectively (Truman 2008a: 2).

Both oil exporters and Asian exporting countries have been encouraged to allocate reserves to SWFs by the prospect of higher returns. The traditional instrument in which they have held foreign exchange reserves has been short-term US Treasury bills, an asset of unparalleled security and liquidity. But US T-bills are relatively low-yielding and have become even more so as the dollar has declined over 40% vis-à-vis the euro since 2002, and as the US Federal Reserve has lowered interest rates in response to the post-2007 financial crisis. In this context, other large reserve holding countries have looked to SWFs to invest a portion of the reserves more actively in riskier but potentially higher yielding investments across a diverse range of financial markets. The diversity is partly geographical: evidence suggests that an increasing proportion of SWF money is moving into emerging markets (Roy 2007). SWFs are also investing in a wider variety of assets. The ADIA has, for example, become one of the world's largest investors in private equity (Roy 2007). In addition to placing money with third party investors; SWFs are also

investing directly in firms themselves, including some prominent investments in Western financial institutions afflicted by the US subprime crisis. In addition, many SWFs have become investors in property and even commodities (e.g Blas 2007). Even the relatively conservative Norwegian fund is adding risk to its portfolio. In 2007, the fund announced that it would increase the share of equities in its portfolio from 40% to 60% and it has also suggested that it will soon move into real estate (Ibison 2007).
The fact that some close US allies have been slower to move in this direction may reflect strategic priorities. Analysts have long speculated – with some evidence from the past (e.g. Zimmermann 2002, Spiro 1999) – that US allies have sometimes viewed reserve holdings of low-yielding US T-bills as a way of signalling support for the US, partly in moments of dollar weakness (Helleiner 2008, Helleiner and Kirshner 2009a). Japan is one such case cited (e.g. Murphy 2006) and this may help to explain why Japanese policymakers have chosen to sit out the current wave of enthusiasm for SWFs, despite holding one of the largest dollar-dominated foreign exchange reserves today. The same may be true of Saudi Arabia which, despite its massive reserves, chose in 2008 to establish a SWF with only $5 billion.

By the same token, the creation of SWFs has no doubt been seen by some other countries as a way to reduce their dependence on the US-centred reserve system. Indeed, it is noteworthy that many of the SWFs created in the last decade have been set up in countries that are seen more as geopolitical rivals or potential rivals of the US, such as China, Russia, Libya, Iran and Venezuela. In case of oil exporters, the contrast with the 1970s is also interesting. In that decade, governments of many oil-exporting countries chose to deposit petrodollars with Western banks which were entrusted to recycle the funds to various borrowers worldwide. This time around, however, most developing country governments are repudiating the intermediation services of Western banks, preferring instead to control their investments more directly through SWFs. If they have lacked expertise in global investment skills, they have gone out and hired it. Arnold, Sender and Anderlini (2008) report how many newer SWFs are presently engaged in active international recruitment campaigns, complete with headhunters attempting to "help SWFs poach some of the most talented executives from western private equity and investment firms." The CIC is also outsourcing much of their activity initially to international fund management companies. Indeed, according to Kenneth Rogoff, "the big investment banks are salivating" at the prospect of doing business with these funds (quoted in Ewing 2007). Merrill Lynch estimates that SWFs are likely to fork over fees of $4 billion to $8 billion to asset managers worldwide over the next five years (Ewing 2007). In addition to this private sector expertise, Ibison (2007) notes how the Norwegian government also runs "an official program on how to run sovereign wealth funds and has worked with authorities in Kazakhstan, East Timor, Bolivia, the Faroe Islands and several African countries among others."

*The State as Market Actor*

These governments have thus become active and influential investors in global financial markets. This new identity as a powerful market actor is a particularly striking turn-around for those East Asian governments who just a few short years ago felt themselves to be victims of global financial markets. Now, they have become an important component of the very same market forces that they feared. Indeed, recent developments suggest that their SWFs are growing ever more confident and aggressive in their investment strategies.

Some countries have in fact created more than one SWF in order "to spur better performance and impose checks and balances" (Sender and McGregor 2008). This has long been true of Dubai and Singapore. It is also a model that China appears to be moving towards. Analysts report a kind of rivalry emerging between the newly created CIC and the central bank-controlled State Administration of Foreign Exchange (SAFE) that manages most of China's foreign exchange reserves, with each trying to generate a higher return on external investments (Setser 2008b; Sender and McGregor 2008). Russia has also recently created two separate SWFs out of its Stabilization Fund, one of which is explicitly designed to take more aggressive and risky market positions (Belton 2007).

From the perspective of IPE theory, the transformation of these states into this kind of a market actor is important. While the rise of SWFs clearly represents a new assertion of state authority in global finance, this assertion is taking place in a manner not anticipated by the debates of the 1990s. The state is neither regulating capital mobility nor responding to its externally imposed imperatives. It has, instead, become part of the very structure of capital mobility from which it was analytically distinguished in earlier analyses.

This development reminds us that earlier debates held the implicit assumption that global financial markets are comprised of private investors. This assumption – derived from economists' models – may have been justified by the historical period when it was employed. But it needs to be recognized as historically contingent. As Truman has noted, we are now living through an era in which wealth is being redistributed towards countries "with different conceptions of the rule of government in their economic and financial systems" than the West (Truman 2007). Truman observes that "governments own or control a substantial share of the new international wealth. This redistribution of wealth from private to public hands implies a decision-making framework that is at variance with the traditional private-sector, market-oriented framework with which most citizens of industrial countries are comfortable" (Truman 2008a: 3; see also Wolf 2007).

If SWFs' "decision-making framework" is indeed different from those of private investors, then their rise has the potential to transform the behaviour of global financial markets. Put in more theoretical terms, states with SWFs would thus have agency to transform the *content* of the structure of "capital mobility". But to determine if this is true, two questions need to be addressed: 1) have SWFs become significant enough players to "move" the global markets and if so, 2) are their investment decisions sufficiently different from those of private actors? Both questions are empirical ones for future researchers to address, but let us briefly outline a few relevant points.

On the first question, not all SWFs are created equal. Many of those created in the last few years control pools of capital that are too small to have much of an impact on broad global market trends. This is not to say they can not be significant in specific markets or with respect to the specific companies in which they invest. But it is only the biggest funds that have the potential to be "market movers" at the global level; that is, to influence the content of the structure of capital mobility. In order of size, the seven largest funds are: Abu Dhabi's ADIA, Norway's GPFG, Singapore's SIC, Kuwait's KIA, China's CIC, Russia's new Reserve Fund, and Singapore's Temasek. Given the sheer size of these funds, they are increasingly seen as key power brokers within global financial markets. As a report by McKinsey Global Institute recently stated, "a new era of financial globalization has begun. For the first time since Japanese investors gained financial clout in the 1980s, investors outside the United States and Europe are shaping trends in financial markets" (Farrell et al 2007: 47).

What do we know about the investment patterns of these seven funds? The Norwegian fund is the most transparent and its investments have been traditionally in various corporate and government securities held for the longer term (e.g. Ibison 2007). But less is known about the investments of the others (see Helleiner and Kirshner 2009b). Their lack of transparency has raised some concerns in Western countries as SWF investments have grown in their markets. One worry has been about systemic risk: do these SWFs have adequate risk management systems and governance structures? Will they communicate effectively with foreign officials during times of instability? Will their lack of transparency encourage rumours that contribute to market instability?

But the more prominent concerns have been political, particularly as SWFs have invested in sensitive sectors such as banking and high technology. As US Treasury Deputy Secretary Robert Kimmitt (2008: 128) has noted, "profit maximization may not be considered the primary objective" of SWFs. In particular, questions have been asked about whether the investment patterns of SWFs from these countries might be driven by the desire to bolster national champions, or promote more political and strategic goals. The latter goals could be pursued through not just the acquisition of controlling interests in specific companies but even speculative attacks on currencies or markets (e.g. Aizenman and Click 2007; see also Kirshner 1995).

These concerns have led Western governments to consider the promotion of codes of conduct for SWFs – both unilaterally and multilaterally via the EU, OECD and IMF - that must be followed as a ticket to participation in Western financial markets. US officials have suggested that these codes cover issues such as: respect for host-country rules, fair competition with the private sector, effective communication with the official sector to address financial instability, and the quality of risk management systems, governance, transparency, and internal controls. Even more importantly, they have insisted that "SWF investment decisions should be based solely on economic grounds, rather than political or foreign policy considerations" (Kimmitt 2008: 127). These principles have already been embodied in an agreement that the US reached with Abu Dhabi and Singapore in March 2008 which included a clause requiring that investment “should be based solely on commercial grounds, rather than to advance directly or indirectly the geopolitical goals of the controlling government” (quoted in Dombey 2008). In return, the US agreed not to discriminate against these countries’ SWFs. Whether similar agreements can be reached with countries that are not such close allies of the US is an open question. In October 2008, however, twenty six SWFs did choose to embrace a set of non-binding principles – the ‘Santiago Principles” - to guide their investment behaviour internationally, principles which had been negotiated under the auspices of the IMF.

If the initiative to develop such codes is successful – particularly the attempt to restrict SWF investment strategies to strictly “economic” goals - the potential transformative impact of SWFs on the behavior of global markets might be minimized. But this seems unlikely. This is not say that SWFs will not be focused primarily on economic goals. It is simply to acknowledge that SWFs are accountable to governments with a variety of agendas and these agendas can change over time. For example, although Chinese officials have insisted that the CIC will be driven by commercial goals, its decision-making structure is deeply enmeshed within domestic politics; it includes representatives from various parts of the Chinese bureaucracy, and the fund reports to the State Council (Setser 2008a). Even Norway’s GPFG is mandated to promote – via its shareholding role and by excluding companies from its investments – the “ethical” goals embodied in conventions of the UN, OECD and ILO as they relate to “fundamental rights and the protection of the environment, human life and health.” (Halvorsen 2008).

*The Problematic State-Market Dichotomy*

If SWFs are indeed a different kind of market actor, their growing influence may increasingly inscribe various state priorities onto global investment patterns. This highlights the problematic nature of the state-market dichotomy at the core of theoretical debates of the 1990s. Neither states nor global markets are "ontologically distinct" (Wendt 1987: 360); rather each exists and evolves in various forms, and is entwined within and around the other. It is worth recalling that SWFs are in fact not the only government-controlled investment vehicles in global markets. Even before the recent rapid growth of SWFs, there were other institutions that had should have led IPE scholars to question this dichotomy.

One of these is public pension funds. As an increasing number of these funds begin to invest internationally, they are becoming significant players in international financial markets. Indeed, Truman (2008b: 2) notes that most of the international assets held by US public authorities (local, state and federal) are those of local and state government pension funds, and that these assets in total (excluding the United States' foreign exchange reserves) are close to $800 billion. This figure is larger than all but one of the seven biggest SWFs. The size of the California pension fund alone, CalPERs, would make it the fifth largest sovereign wealth fund in the world (Steil 2008). While the primary goal of public pension funds is profit maximization, their investment strategies can also be influenced by non-economic priorities. For example, CalPERs has government officials on its board and it sometimes links investment decisions to politically and foreign policy driven criteria. Recall, too, past campaigns to encourage Western pension funds to divest from South Africa during the apartheid era or current campaigns in the US to encourage divestment from China because of its involvement in Darfur (Rachman 2008).

Before its privatization in 2007, the enormous Japanese Postal Savings System provided another interesting example of a government-controlled pool of capital. Controlling over $3 trillion (and often described as the world's largest financial institution), it provided very useful financial support for various Japanese government priorities. For the most part, its focus was domestic, but as Japan's international financial influence grew in the 1980s, its potential significance as a source of funds to support Japan's international priorities was sometimes raised. At the sub-national level, another example is Quebec's publicly-controlled Caisse de Depot which was established in the mid-1960s with the explicit nationalist mandate of steering Quebec savings to support Quebec's economic development. Its depositors include not just Quebec's public pensions but also private pensions and insurance plans, and it has become a major player on international financial markets, controlling over $150 billion in assets.

The recent rise of SWFs, then, has simply been an intensification of a phenomenon – the involvement of governments as investors in global financial markets - that had already existed but had not received significant analytical attention from IPE theorists. Recognition of this development does, however, complement the insights of one earlier strand of IPE literature. Since the early 1990s, there has been growing interest in the analytical task of disaggregating the structure of "capital mobility" in order to show

that the global investment community is not simply a collection of millions of atomistic individual investors responding automatically to price signals. Scholars that have identified various "private authorities" – such as hedge funds and bond raters – within the global "electronic herd" of investors have suggested that their behavior can not be explained entirely by neoclassical economic models (e.g. Sinclair 1994, 2005; Harmes 1998, Porter 2005). In particular, considerable attention has been devoted to the study of the distinctive normative frameworks that can influence such authorities, a point reinforced by recent sociological and anthropological studies of global financial traders (e.g. Pixley 2004, Zaloon 2006). This analysis has implied that there is a greater potential for agency to transform the priorities of global markets than conventional structuralist models imply.

This suggestion has been reinforced by recent public policy initiatives to infuse greater social and environmental values into the functioning of global financial markets. As part of the broader corporate responsibility (CSR) movement, leading private investment vehicles have been encouraged by public authorities to embrace various voluntary codes of conduct relating to social and environmental issues to guide their international investment patterns (e.g. Wright and Rwabizambuga 2006). The impact of these initiatives needs to be researched further, but theoretically they signal a growing recognition of the possibility of transforming the content of "capital mobility" through an active engagement with leading authorities within the markets. And they provide yet another reason to be skeptical of the state-market dichotomy, as public authorities work to infuse their values into global markets via private actors in this way.

Put in this context, the theoretical significance of SWFs looks less dramatic. If we accept the "private authority" arguments, global investment flows are already influenced by distinctive normative frameworks held by key dominant private actors within the markets. Moreover, public authorities have already been attempting to infuse "non-economic" values into the global markets through their lobbying of these same actors (a development that highlights the double standards of Western government calling for SWFs to focus only on economic goals). And SWFs are not the only kinds of state-controlled investment vehicles that exist. The rise of SWFs, then, simply represents the arrival of a new set of "authorities" (at least in the case of the Big Seven) in the markets with agendas whose distinctiveness requires further study.

*Conclusion*

In sum, we believe that the rise of SWFs deserves the attention of IPE theorists concerned with the political economy of global finance for several reasons. First, this phenomenon calls attention to the limitations of the high profile debates of the 1990s that examined the extent to which heightened capital mobility acted as an external constraint on state autonomy. The debates assumed that states mattered only insofar as they could regulate global financial markets or respond to the markets' imperatives, but SWFs highlight how states can assert their authority in a different way. By creating a SWF, states are becoming members of the very same global investment community whose activities were seen to be imposing constraints on them. "Capital mobility" is thus no longer an external structure but rather one that states become part of and whose content they might be able to influence. In this way, the rise of SWFs highlights the need to move beyond the stark dichotomy between states and markets that was at the core of these earlier debates.

In large part, those debates were rooted in a discourse that fostered a theoretical oscillation between the classical liberal/neoliberal and "embedded liberal" *epistemes* that governed ages past. This bipolar debate was particularly prominent in Anglo-American scholarship that drew on the particular history of state-market relationships in finance of these countries. The rise of many SWFs is taking place in regions with quite different historical traditions in this sector, traditions that are now increasingly making an imprint on the global scene. Their new influence highlights the drawback of discussing states in general without specifying *which* states are being analyzed. The sudden systemic significance of many SWFs calls our attention to the capacity of a new set of states to influence the structure of global finance.

The backward-looking nature of the 1990s debates also prevented analysts from recognizing the enduring capacity of states to exploit and adapt in *new* ways to the continuously evolving structures of the world economy. As Linda Weiss has argued, debates concerning globalization should be “less about the *decline* of the state, and even less of its continuing potency, than of its *transformation*” (Weiss 2005: 529). The rise of sovereign wealth funds is the latest manifestation of this transformative capacity. But whereas Weiss focused on the capacity of states to reform their institutions and policies to benefit from capital mobility, we have focused on their ability to play the market by becoming investors themselves.

Finally, the study of SWFs reinforces the case for analytically disaggregating the more structuralist conceptions of “capital mobility”. As noted above, SWFs are not the only state-controlled funds which are participating in global financial markets. More attention needs to be focused on the ways in which SWFs and the other funds might be inscribing various distinctive priorities onto the patterns of global investment flows. Such work would complement analyses of various private authorities within the markets as well as the efforts of public authorities to influence their behavior with CSR initiatives. The study of SWFs thus strengthens the impetus for broader lines of inquiry that explore the ways in which the agency of powerful actors – both public and private – can influence the priorities of “global markets”.

To explore these theoretical implications of SWFs further, however, much more detailed empirical work will be needed. We still know relatively little about some basic issues concerning SWFs. What is motivating states to create SWFs? To what extent are specific SWFs able to “move” global markets? What factors are driving their investment decisions? How and why do these factors vary across countries? Will the growing concerns of countries receiving SWF investments influence the latter's behavior? These are the kinds of questions that we hope future IPE research will take up (see also Helleiner and Kirshner 2009b).

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