Pros and Cons of Sovereign Wealth Funds: A Snapshot Analysis for Turkey

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ABSTRACT

State owned investment funds are called as Sovereign Wealth Funds (SWFs). Portfolios and financial activities are managed through these investment instruments. There are various types of SWFs that can be classified as: a) stabilization funds, b) saving funds, c) reserve funds, d) development funds and e) pension reserve funds without explicit pension liabilities.

Emerging countries such as Gulf states, China, Singapore, Russia and developed ones such as Norway are experienced actors that are active investors in the financial arena for almost one or more decades. Therefore, these countries are a kind of expression of new state capitalism in this regard.

After giving some definitions what wealth funds are about, this paper then will aim to frame characteristics of SWFs and their effects on the financial markets. In addition to all this, vital governance of these geopolitical funds will be examined in terms of transparency. With the fact that the largest one of these funds are not quite transparent and based in non-democratic states, it will be discussed via academics’ literature review.

Keywords: Funds, financial markets, transparency

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