

## Sovereign Wealth Funds and Global Justice

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### Abstract:

*Dozens of countries have established Sovereign Wealth Funds (SWFs) in the last decade or so, in the majority of cases employing those Funds to manage the large revenues gained from selling resources such as oil and gas on a tide of rapidly rising commodity prices. These Funds have raised a series of ethical questions, including just how the money contained in such Funds should eventually be spent. This paper engages with that question, and specifically seeks to connect debates on SWFs with debates on global justice. Just how good are national claims to the great wealth contained in SWFs in the first place? Using the example of Norway's very large SWF – derived from selling North-Sea petroleum – I show that national claims are at least sometimes very weak, with the implication that the wealth in many such Funds is ripe for redistribution in the interests of global justice. I conclude by offering some guidance for how the money contained in such Funds could best be spent, with the goal of advancing global justice.*

**Keywords:** Sovereign Wealth Funds – Natural Resources – Justice – Global Justice - Redistribution

### Introduction

Dozens of countries have established Sovereign Wealth Funds in the last decade or so, in the majority of cases employing those Funds to manage the large revenues gained from selling resources such as oil and gas on a tide of rapidly rising commodity prices. Rather than using those revenues for day-to-day government expenditure, Sovereign Wealth Funds ring-fence them for longer-term investments or to smooth expenditure over time in the light of impending pension

crises. In building diverse portfolios on international stock and real estate markets, states also reduce their vulnerability to fluctuating exchange rates, volatile commodity prices, or the likely exhaustion of natural resource supplies in the decades to come.

The existence and activities of such Funds (hereafter SWFs) has, though, prompted a number of ethical discussions: how should SWFs be organised, in order to ensure that their governance is at least minimally legitimate?<sup>1</sup> Should they avoid investing in ecologically-damaging or otherwise dubious industries overseas? When foreign SWFs provide much-needed sources of investment for countries such as the US, should this raise concerns about national security and political independence?<sup>2</sup> Though they have received far less attention to date, there are equally important questions about what these Funds are *for* – about how the money in SWFs should eventually be distributed, and to whom. Some Funds, as in the well-known Alaskan example, have been used to generate a (modest) Basic Income for all citizens. A few others are intended to ease shortfalls in pension entitlements. These cases, though, are rather exceptional.<sup>3</sup> Most SWFs, rather than ameliorating inequalities or subsidising the consumption of the poor, for example, are intended to finance unspecified future infrastructure projects, or, in some high-profile cases, to finance prestige projects for ruling families.<sup>4</sup>

Even insofar as ethical debates have begun to touch on how the money in the Funds should be distributed, they have tended to ask how these assets should be distributed *internally*, to citizens of the countries which have established those Funds. Sovereign Wealth Funds are the creation of sovereigns, after all, and we might think that the first virtue of a sovereign is to treat the citizens he or she is responsible for equally.<sup>5</sup> What, though, of the claims of *global* justice?<sup>6</sup> The money in the bulk of these SWFs, as already indicated, is derived from selling natural resources (usually of the petrochemical variety). But the distribution of natural resources has frequently been thought to raise issues of global justice. Isn't the distribution of natural resource wealth across the globe simply 'arbitrary,' from a moral point of view? Is it *just* that some communities should be so hugely advantaged simply because they have plentiful supplies of valuable resources? Would the proceeds of these Funds not be better used to attack global poverty, or to reduce global inequalities?<sup>7</sup>

The many discussions of SWFs within the field of international political economy have not yet addressed their potential to help ameliorate global injustice. Theorists of global justice, for their part, have not yet turned their attention to the significance of SWFs as vehicles of natural resource wealth – wealth which might, from the point of view of justice, be vulnerable to calls for redistribution. This paper seeks to remedy that mutual neglect. In section 1 I provide a brief overview of one of the world's very largest SWFs, established by the Norwegian government. There

are two reasons for focusing on the Norwegian case. First, Norway is one of the wealthiest countries in the world, and this fact accentuates the tension between pursuing goals of national and global justice. For a poorer country to maintain a SWF – and to use its proceeds to ease domestic poverty - might be less objectionable from the point of view of global justice. But Norway is a very rich country by anyone's standards and the projects of domestic justice which its Fund is charged to advance are less obviously compatible with the demands of global justice. Second, Norway's SWF is frequently held up as the world's leading example of good practice in terms of both its transparency<sup>8</sup> and its ethical investment strategy.<sup>9</sup> It has even been criticised for placing *too much* emphasis on procedural justice and ethical investment at the expense of long-term performance.<sup>10</sup> If Norway's SWF has moral faults, it is not on *those* grounds, but rather on grounds of global justice. All of these ethical achievements would be less impressive, I suggest, if Norwegians were not *entitled* to the revenues contained in their SWF in the first place.

Should the money contained in this and similar SWFs be used to advance goals of global justice? In this paper I will suggest that it should. But before that, section 2 argues that the depiction of natural resource wealth as entirely 'arbitrary' or undeserved is a little too quick. Several arguments can be produced which *might* support the conclusion that local citizens are in fact entitled to the revenues contained in their SWF. These arguments need to be engaged with individually to establish whether they have any prospects of success. If one or more of them holds good, then using the proceeds from a SWF to benefit a state's own citizens will be less objectionable than we might suppose. I show in section 2, however, that all these arguments fail in the Norwegian case, with the implication that the money contained in the Fund *should*, from the point of view of justice, be seen as vulnerable to global redistributive claims. Section 3, finally, examines the extent to which our argument should generalise to other SWFs, and offers some suggestions as to how the resources contained in many SWFs could best be used to serve global justice.

## **1. Norway's Sovereign Wealth Fund**

The Government Pension Fund (Global) is a fund which collects various proceeds from Norwegian petroleum sales. Norway has large reserves offshore on the Norwegian Continental Shelf, the bulk of it in the North Sea. It currently produces approximately two million barrels of petroleum per day, the vast majority of it in the form of crude oil. In European terms, its production of both crude oil

and natural gas are only matched by Russia.<sup>11</sup> The Norwegian government claims ownership of all petroleum resources under its Continental Shelf, and the Fund therefore accrues revenues from taxing Norwegian oil companies, from selling exploration rights, and from the part-state-owned oil and gas company Statoil. The Pension Fund was established by the Norwegian government in 1990. By law, it is governed on behalf of Norway's Ministry of Finance by Norges Bank Investment Management, a specialised division of the Norwegian Central Bank. Despite its title the Fund holds not pension funds, but, principally, general stocks bought with petroleum revenues – all of them in foreign currencies - with a smaller proportion of its assets comprised of overseas real estate holdings.

The Fund is the second-largest SWF in the world, second only to the Abu Dhabi Investment Authority, which it is expected to outstrip in coming decades. As of the last quarter of 2012, its value was 3,723,000,000,000 Norwegian Krone, or 672 billion US dollars, and its size is expected to almost double by the end of this decade.<sup>12</sup> Its performance has not always been the best, precisely since its Council on Ethics holds to firm principles of accountability and ethical investing.<sup>13</sup> Nevertheless, it now holds a little over 1 percent of the total value of global equity markets.

Successive Norwegian administrations have affirmed their intention to use the money contained in the Fund to save for the future, and to smooth out vulnerability to fluctuating commodity prices and foreign exchange rates. It is, moreover, feared that spending the revenues from petroleum sales as it came in would fuel rapid inflation, and result in an unfavourable exchange rate which would then damage other native industries. Levelling the expenditure of petroleum revenues over the long term should avoid such problems. A 'fiscal rule' dictates that no more than 4% of the returns on the Fund should be used for government expenditure in any given year. The Fund, as suggested in the Introduction to this paper, has been unusually vigilant in avoiding investment in companies associated with human rights abuses, companies which are involved in the arms trade, and which are associated with very harmful effects on the environment.<sup>14</sup> It has also shown a degree of interest, as befits a Fund which derives its wealth from fossil fuel production, in encouraging environmentally-friendly business practices.<sup>15</sup>

But the Fund has also shown an unusually explicit concern with issues of distributive justice. Its declared concern is to ensure that future generations of Norwegians are able to enjoy the same very high standard of living as the Norwegians of the present. Although the final form of its expenditure has yet to be decided – and the details are the subject of on-going political debate – there is broad consensus that the priority should be insulating Norway's ageing population from the looming pensions crisis facing many mature welfare states: hence the otherwise puzzling 'Government Pension Fund' element of its formal title.

But from the moral point of view, do the Norwegian people have a *claim* to its wealth? The idea that Norwegians in thirty or fifty years' time ought to enjoy standards of living no worse than Norwegians presently do – that current generations should not fritter away the windfall of North Sea gas and oil - sounds like an admirable one. But it would, presumably, be considerably less admirable if Norwegians are presently enjoying a standard of living to which they are not fully entitled, or if this project of intergenerational justice is to be bankrolled using resource wealth to which Norwegians have weak or non-existent claims from the point of view of justice. In the next section I address just how strong or weak Norwegians' entitlements to the money contained in their SWF might be.

## 2. Assessing Norwegian Claims over the Fund's Natural Resource Wealth

The argument that the distribution of natural resources is morally arbitrary is commonplace in the literature on global justice, but it is a little too quick. It tells us, in effect, that since no-one created natural resources (which is, for many, precisely why we *define* them as natural resources<sup>16</sup>), and since no-one did anything to bring about their haphazard allocation across the globe, then no-one has any special claims on them. Our claims on them must, to the contrary, be symmetrical.

But even if it is the case that particular communities have not created natural resources, this does not establish that communities have done nothing to generate special claims over them in the real world. Imagine we know that two communities began with equal shares of coal, but one community has frivolously burned its own share up. The current distribution between the two countries then begins to look something *other* than purely arbitrary. Even if communities have not created their resources, they may have conserved or protected them, or indeed laboured over them in ways that have made them more valuable. Others, to the contrary, may have squandered, neglected or degraded theirs. Consider, alternatively, that a particular resource holds a special cultural or symbolic significance for a particular community (imagine, for instance, the great significance of Ayers Rock - or Uluru - for aboriginal Australians). Are theorists of justice too quick to treat natural resources as interchangeable goods to be distributed between us all, or should we accept that some agents have claims on *particular* resources?

I suggest, in fact, that there are three reasons why we might believe that any given agent – which could in principle mean an individual or a community – has a special claim over particular natural resources. First, it might be the case that they have done something to significantly increase its value. In some cases we can say that a resource would not be the resource it is – or at least that

its economic value would be lower – unless a particular agent had acted on it by excavating it, refining it, or otherwise transforming it. When this is the case, it produces what we can call a *special claim from improvement*. Second, someone might have formed central life-plans or projects which are dependent upon secure and continuing access to a particular resource. Think of Hindus devoted to scattering the ashes of their dead on the water of the River Ganges, for example: for them, no other water can simply be substituted as a support for that project; it is *that* water which has special significance to them and which they desire continued access to. Where this is the case, it produces what we can call a *special claim from attachment*. Third – and this argument especially applies to collectives such as states or, potentially, indigenous communities – it might be the case that *without* control over a particular resource or set of resources a community would no longer be able to exercise effective *self-determination*. And if we have reason to value collective self-determination we will have reason, in turn, to allow at least some communities to control at least some of their resources.

Any or all of these three arguments could potentially give us reason to reserve rights over particular resources for specific individuals or communities. Those reasons would then need to be balanced against – and might plausibly constrain - the broader claims of global justice which focus on the symmetrical general claims which all of us have on natural resources. The question that concerns us in this section, though, is whether any of them apply to the case of Norway's SWF, such that they might over-ride any calls for global redistribution.

### *Improvement*

Some nationalist theorists – including, most prominently, David Miller - have suggested that individual nations might deserve (at least some of) their resource wealth if they have, as a community, laboured over it and in so doing increased its value.<sup>17</sup> One obvious way of improving resources would be to change their properties so as to make them more useful for agriculture, industry or energy production. Raw materials might be smelted, or hardened, or purified and afterwards – because of their greater usefulness - command higher prices. To *count* as improvements, we expect any such activities to result in increases in market value. Thus since extracting or transporting resources can also lead to increases in economic value, such activities are plausible sources of special claims too. Perhaps this provides a basis on which Norway might have a claim over the money contained within its SWF. The market value of refined petroleum products such as gasoline and kerosene is notably higher than that of crude oil, for instance. And Norwegian companies refine much of its own crude oil before selling it on global markets. Even where

petroleum is sold in its unrefined state, Norwegian companies may have sunk considerable money into locating, extracting and transporting it. Surely this must generate a rather strong claim on the proceeds?

There has been considerable debate, within the literature on global justice, on how such claims should be limited. For instance, is it just for agents to appropriate, improve and potentially sell on just whatever resources they can get their hands on? What about others who are less quick to appropriate? Or should we observe some kind of constraint or 'proviso' on appropriation? One view on this issue is that we ought not appropriate so many natural resources that we leave others unable to meet their basic needs.<sup>18</sup> Another would be that whenever we appropriate a greater than equal share, we owe others compensation.<sup>19</sup>

But we do not, in fact, need to settle this thorny question, because it is less than certain that an outstanding claim from improvement exists in the first place in the Norwegian case. Consider just what a claim from improvement is a claim *to*. Though this is again contentious, the most persuasive answer, I would suggest, is that when an agent increases the market value of a resource they generate an entitlement to *that increased value*. If a quantity of crude oil is worth \$10 but after I extract or transport or refine it is worth \$15, then it is plausible to suggest that what I have earned a claim over is the additional \$5 of value. Whereas I did nothing to create the original \$10 of value, the increased value is in some important sense attributable to my actions. That, in any case, is the claim made by Miller, as well as by several contemporary scholars of Locke, and I suggest that it is a plausible one.<sup>20</sup> In a reasonably competitive market with multiple buyers and sellers, economic theory tells us we can assume that allowing me to retain \$5 will see me recouping the marginal costs of production plus normal profits. The components of refined oil prices will represent crude oil prices (in practice comprising roughly two-thirds of total refined oil prices), plus the costs, including profits, of refining and transportation. Of course in reality there may be a third component of prices. In practice markets may be *uncompetitive* in the sense that a few sellers artificially restrict supply, driving up commodity prices and thereby gaining what economists call 'scarcity rents' in the process. Perhaps crude oil costs \$10, total costs are \$5, but sellers hold out for a price of \$25, thereby achieving 'rents' of \$10. World oil markets have frequently exhibited such behaviour. But economists and political philosophers have tended to agree that such scarcity rents are inefficient, unearned, and ideal targets for taxation.

Recall, now, that the money diverted into the Norwegian Fund has two sources. In one case, revenue streams are gained when Norway sells exploration rights over its non-improved crude oil. In this scenario it is not easy to see how any improvement-based claim exists, because the Norwegian state or the Norwegian people have simply done nothing to improve that oil. They have simply sold

pieces of paper allowing *others* to improve and sell that oil. In practice, of course, doing so may lead Norway to incur costs which it would be reasonable for it to recoup: even allowing others to locate and extract oil might require Norway to undertake health and safety precautions, to minimise or absorb some environmental risks, and so on. But even if Norway was allowed to recoup those costs it would be left with a very large profit on a deal which it is hard to justify on the basis of improvement. On the other hand, large sums of money are also raised by taxing the very large profits currently made by Norwegian oil companies. But these very large profits are, essentially, scarcity rents. They represent the money left *after* the costs of exploration, extraction, transportation and, if applicable, refining. As such there is no good moral claim on them *either*. That is precisely why Norway has seen fit to tax such large and unearned profits and in so doing to share that wealth with the Norwegian people. But the question at stake in this paper is why it is the Norwegian people who should be the recipients of such revenues, as opposed to anyone else. The argument from improvement does not provide any answer to that question, although the remaining two arguments conceivably might.

#### *Attachment*

Sometimes access to natural resources is crucial to projects which are in turn deeply important to people, and indeed to the way in which they understand their own identities. If I consider myself a fisherman first and foremost but am deprived of access to fish, a project which is crucial to my life is disrupted and before long I will experience a kind of dissonance in believing myself to be a fisherman but not, in fact, fishing. If we have reasons of justice to take seriously the projects which people are most deeply invested in – and a number of accounts of justice will offer us reasons for taking them seriously – we have a reason to favour continuing access to natural resources that people are attached to.<sup>21</sup> It has been thought that this provides a further reason for granting resource rights to communities such as nations. On David Miller's account, nations do not only labour physically over their resources, thereby increasing their economic value. They also incorporate them into their national projects, imaginations and histories, so that some *particular* resources come to be crucial props for communal identification and come to have, in that sense, great *symbolic* value to them in particular. Where this happens, we have a reason to allow such communities to continue to control the resources in question.<sup>22</sup> Crucially, we ought to consider such claims where the attachment is to a particular token of a resource – not to trees in general, for instance, but to *these* trees. Not to water in general, but to the water in *this* river. What we are looking to ground, in attachment-based accounts, are rights over particular rather than generic



resources, and to do so we need an argument about why particular rather than generic resources are necessary for an important project to come to fruition.

Attachment-based claims are perfectly coherent, and good examples of attachment are available which give us reason to endorse granting resource rights to members of some communities. Such claims may not establish that people are entitled to *more* resources than others, but they may provide an answer to the question of *which* resources they are entitled to. Some communities are deeply attached to resources (or to the integrity of the land they are contained in), and sending outsiders in to mine these resources would rob them of something they value and disrupt or destroy projects to which they are deeply committed. Egalitarians therefore need a method for accommodating those attachments (a method which I provide elsewhere).<sup>23</sup>

Might attachment provide a reason why Norwegians should be able to retain the assets contained in the Fund? That seems highly unlikely. It might well be that Norwegians are attached to the petroleum contained off their Western coast; we can afford to remain neutral on that. But the Fund is made up not of petroleum, but from the proceeds of *selling* petroleum to the highest bidder. If that petroleum was so non-substitutably important to Norwegians, we have to wonder why they did so. I suggest that other attachment-based accounts will be driven to the same conclusion. Avery Kolers has recently suggested, rather robustly, that there is a strong claim to control resources – indeed to disregard any countervailing claims of global justice – wherever those resources are not being treated as mere commodities.<sup>24</sup> But since Norway *has* already decided to extract, transform and sell its petroleum such an argument cannot begin. It *is* treating its petroleum as a mere commodity, a source of revenue alone.

It is perfectly plausible, of course, that the Norwegian people have structured their plans and expectations around control over the *money* in the Fund (see section 3). Perhaps the Fund will allow Norwegians to more securely pursue projects to which they are broadly committed – in particular, the pursuit of a variety of (moderate) social democracy which avoids the excesses of the Anglo-American model, and which might in turn allow Norwegians to enjoy pursuits they are deeply attached to individually. But it is not clear that money is the kind of thing one can become attached to in the sense required to generate a special claim, as opposed to a general one. In supporting these Norwegian projects just *any* money would do, and not only *this* money. Many other communities, for that matter, would be very pleased to have such funds at their disposal. We still appear to lack a reason why Norwegians should be entitled to the money in the Fund, and not anyone else.

### *Self-determination*

Our third argument is rather different. It suggests that regardless of whether states have either improved or become attached to specific resources, we should grant them control over natural resources *if* we are committed to the idea of national self-determination. As Margaret Moore suggests, it is hard to see how any community could be properly self-determining if it didn't have the authority to make decisions about how resources can or cannot be used, exploited and so on.<sup>25</sup> And international law does indeed grant individual states 'permanent sovereignty' over the natural resources contained within their territories on something like this basis.<sup>26</sup>

Invoking self-determination cannot, of course, be a conversation-stopper. Presumably we will want to know just *why* self-determination is valuable, and *if* we are persuaded that it is valuable we will then want more detail on just how much control over how many resources it truly demands. Self-determination cannot, presumably, mean that communities can use their resources in just any way they please and to heck with the ecological consequences. Moreover if one community controlled all of the world's resources whilst other communities went starving, a mere appeal to the value of self-determination would not be the end of the story. Why, then, is self-determination valuable, and how much does it truly demand by way of resource control? The best available defence of territorial rights on the part of individual nation-states is probably the 'functionalist' argument, which states that we should value self-determination because self-determining communities are able to protect the basic rights of their citizens.<sup>27</sup> If there were no political communities capable of preserving order and securing minimal services, our basic rights would be seriously threatened. But to deliver those minimal services, some measure of control over the natural resources within a state's borders appears to be in order. It is hard to see how a state could secure the basic rights of its citizens, for instance, without access to freshwater. However, what is striking about this argument is that it demands relatively *little* in the way of resource control. It appears to demand control over resources whenever those are necessary to secure basic rights, but to have no particular implications for natural resources which are 'surplus' to this. Many nation-states – including Norway – are already very effective at securing the basic rights of their citizens, and clearly possess resource wealth above and beyond what is required to protect them. The functionalist argument gives us no particular reason to leave control over such resources with local states. Indeed, if what fundamentally matters – and what drives the concern with self-determination in the first place – is that people's basic rights are secured, it may make sense to use such surpluses to help states which currently *struggle* to meet the basic rights of their citizens.<sup>28</sup>

That might not be the end of the story from the point of view of self-determination, however. Even if control over a surplus of resources is not necessary for self-determining states to perform their core functions, the right to self-determination might still be violated if outsiders simply walked onto Norwegian territory in order to re-appropriate resources. Imagine a United Nations Natural Resources Taskforce descending on Norwegian territory with helicopters and siphoning off some of its oil for use in other parts of the world. Would we not say that Norway's right to self-determination would be seriously disrupted by such incursions? Shouldn't it be the decision of the Norwegians whether, when and under what conditions to make use of its oil? Is there any way in which Norway's hand could be forced without seriously impairing its ability to make its own decisions, and even to protect its territorial integrity? Of course, the location of the petroleum in question many miles off the Norwegian coast might do something to alleviate concerns about territorial incursions.<sup>29</sup> But there will be cases in other states where the oil is buried under the ground, in which the worry would re-emerge.

However we should not allow this concern to lead us to exaggerate the tension between self-determination and global justice. There are, after all, many ways of sharing the benefits arising from natural resources without actually removing those resources. When theorists of climate justice debate how much greenhouse gas each country should be able to emit, for instance, one of the things they are doing is dividing up rights to make use of carbon sinks, at least some of which – like the tropical rainforests – are contained within particular nation-states. Making use of those sinks does not require incursions onto the territory of those states. On the topic of oil, we could simply say that whenever it is that a country *decides* to raise money from its oil – whether by selling it or selling rights to it - it should *then* pay a global tax. Significantly, in the Norwegian SWF case what is at issue is not whether Norway or anyone else should extract or sell on its oil. Norway is *already* extracting and selling its oil on global commodity markets. The question is simply whether Norway should, as a matter of justice, then share the *income* derived from selling those resources. Since the basic rights of Norwegians are not at stake – and neither is its territorial integrity - concern for Norway's self-determination as a community does not give us reasonable grounds for resisting the conclusion that it should share the money flowing into its Fund.

The claim that the distribution of natural resource wealth is morally arbitrary, that great unearned advantages are enjoyed by many countries, and that there is nothing much, from the point of view of justice, to be said in favour of leaving resources where they are *is* too quick. It has become apparent in recent years that there *are* sometimes cases where leaving resources put makes moral

sense. But the Norwegian case does not appear to be one of them. On closer analysis, it actually represents a relatively straightforward case for advocates of redistribution in the interests of global justice. The three arguments considered in this section fail, in this case at least, to support local claims. In the absence of good arguments to the contrary we therefore have every reason, from the point of view of justice, to consider redistributing the financial resources contained in the Fund both plausible and desirable.

### 3. Sovereign Wealth Funds and Global Justice

My goal in this paper has been to connect recent discussions of Sovereign Wealth Funds with debates on global justice. There are many potential targets for principles of global justice, and conceivably justice at the global level might best be served by a rather complex web of tax-and-spend schemes; according to various commentators these might include taxes on financial transactions, or environmental harms, or even political membership.<sup>30</sup> But the wealth contained in SWFs, I have suggested, bears examination in the same category. Theorists of global justice therefore ought to pay attention to their potential to fund progress towards global justice. At the same time, those interested in the role of SWFs in the contemporary economy should widen their discussions of the ethical implications of such Funds, and begin to debate their potential to deliver on projects of global, and not purely national, justice.

The question remains, of course, of exactly *which* account of global justice we ought to favour. If we were to tax the wealth contained in at least some SWFs in the interests of global justice, say, should we target the revenues at eradicating severe poverty, as Thomas Pogge would have it? Pogge's view has to date endorsed the taxation of natural resources at the point of extraction, but the argument I have presented in this paper suggests that supporters of Pogge's view would do well to (also) examine the potential of SWFs to assist in poverty alleviation. Strikingly, the Norwegian Fund for instance contains roughly double the (annual) amount of money which Pogge reckons necessary to eradicate severe poverty worldwide.<sup>31</sup> My own view is that we should set our sights even higher, and try to minimise global inequalities. Taxing wealth derived from natural resource sales – including the money contained in many SWFs – offers one means of doing so. But a fuller defence of that view would be the subject of another paper.

There is also a question about how widely the lessons drawn from the Norwegian case generalise. The same conclusions, I suggest, will follow for other wealthy countries with SWFs

derived from selling natural resource wealth. In the case of poor countries which happen to be resource-rich, global justice might recommend that we leave revenues where they are, *if* doing so proved to be an effective means of tackling serious poverty. But this is a large *if*, since many resource-rich but otherwise poor countries have proven very ineffective at using the proceeds of natural resource sales to seriously attack domestic poverty. That is one important lesson, for example, of Leif Wenar's recent work on the international resource trade.<sup>32</sup> But Wenar's suggestion is that we cease to trade with illegitimate regimes seeking to sell natural resources from under the noses of their citizens. His account is silent on the question of how the funds *already* gained from this morally repugnant trade should be governed or disbursed between citizens. This is a question on which we urgently need guidance. Most likely, even if we should favour the use of these particular SWFs to tackle *domestic* poverty, there is a strong argument for independent, transparent and accountable governance of such SWFs, accurate public reporting of resource revenues, and mission-statements aimed much more clearly at spreading the wealth derived from natural resources.

As for the many natural resource-derived Funds which are managed on behalf of wealthier countries, there is a clear argument in favour of using some form of global taxation in order to better share their wealth. My goal is not to provide an account of how, institutionally, any such taxation scheme should be organized. But I will, briefly, indicate some ways in which the revenues which could be derived from such taxation might be best spent. There is considerable resistance from those currently tasked with managing SWFs to disbursing their assets to individual citizens, because of a fear that dividends will simply be 'blown' on short-term consumption rather than long-term investment, and we might expect resistance, as a result, to the idea that money should be spent by way of simple transfers to the global poor.<sup>33</sup> At the global level, we might also fear that money remitted to poorly-governed and imperfectly democratic countries would be mis-spent, exacerbating the 'resource curse' to which those countries are already often subject. This concern, of course, provides no objection to using those assets in the interests of global rather than domestic justice. If it is a valid concern it counsels, in *both* the domestic and the global case, in favour of using the money contained in SWFs to sustain longer-term investment programs. There are, in fact, a number of global infrastructure projects that could provide appropriate targets for such money. There is no particular reason why these should be projects connected with natural resources, and money could no doubt usefully be spent on developing educational infrastructure in developing countries, enhancing health-care provision or combatting tropical diseases or HIV. But there are also a number of projects more closely connected with natural resources that would seek to enhance local capacity, resource conservation and long-term economic development. Money could

be spent, for instance, on developing capacity to harness rainwater and hence to reduce dependence on unsustainable forms of irrigation in agriculture. It could be spent on developing (and spreading) green technologies to reduce the dependence of emerging economies on fossil fuel use. Or it could be spent on funding the protection of terrestrial carbon sinks such as rainforests. I have argued elsewhere that there is a pressing claim of global justice that the costs (including opportunity costs) of protecting rainforests should be shared between all of us and not borne solely by those who happen to have rainforests within their territories, and who are therefore asked to sacrifice their own economic development in the (broader) interests of the security of the climate.<sup>34</sup> If we believe that countries with rainforests should refrain from cutting them down (and we may well be right to demand this), we should nevertheless be prepared to investigate opportunities for spreading the costs of such sacrifices more fairly. Taxing natural resource-based SWFs would provide an excellent source for the major flows of revenue that would be required to make such 'payments for protection.'

Finally, let us return briefly to the Norwegian case which has been discussed at length. Though I have singled out Norway's Fund as an example of the kind of SWF that theorists of global justice would do well to devote more attention to, singling this Fund out should not be taken to mean, of course, that it would be fair to target Norway's Fund to the exclusion of others. The point is not that we should simply raid Norway's Fund to gain money with which to tackle global injustices, however pressing those goals might be. There are two reasons for being sceptical about that idea. First, we might believe that Norwegians would only be obliged to give away their money if they knew that others would be targeted in the same way. It is an issue of considerable controversy within normative theory whether agents have a duty to 'take up the slack' when it comes to justice – to take upon themselves, that is, additional duties to make up for the inaction of others. But certainly some are sceptical that such duties exist.<sup>35</sup> Second, we might consider that Norway has developed legitimate expectations to use the money contained in its Fund, given that up to now, of course, there has been no scheme in place for taxing SWFs.<sup>36</sup> Allowing Norwegians to keep the money in their Fund would again be controversial, because it will be a matter of dispute how heavily we should weigh any legitimate expectations against the goals of ameliorating crushing injustices elsewhere. As Henry George once provocatively argued, it is no straightforward thing to say to the poor of the world that, since the rich have become used to excluding them from the world's resources, they should be allowed to continue to do so. The needs of the poor presumably also have some weight, unaccustomed as they are to having them satisfied.<sup>37</sup>

I do not aim to resolve these debates, though, because as I said it is not my intention to claim that we should target Norway's Fund alone. Still, even if it is not fair to single out particular countries, we can legitimately attempt to offer moral persuasion. It might not be fair to require Norway to give its money away in the absence of similar actions from others. But we might still agree that it would be *desirable* if they did, and we might also agree that it is perfectly legitimate for theorists of global justice to try to persuade them to place more emphasis on global, and not solely national, justice priorities. Here it is both welcome and worth noting that the Norwegian Fund, unusually among SWFs, has already made some tentative steps in the direction of global justice, in seeking to steer some investment towards green technologies and to encourage corporate ecological responsibility. It has encountered both praise and criticism for doing so, insofar as it has reached a shifting compromise between 'ethical investment' and maximising returns. But we might try to encourage the organizing council of the Fund to be *more* bold in funding such projects even where the expected returns are far from optimal. Even if schemes for taxing SWFs are unlikely to come to fruition in the near future, making a significant contribution towards the development of green technologies and subsidising their introduction in developing countries would be *one* way in which the activities of Norway's Fund – or indeed any given Fund - could be made more compatible with goals of global justice.

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<sup>1</sup> See Ashby Monk, 'Recasting the Sovereign Wealth Fund Debate: Trust, Legitimacy and Governance,' *New Political Economy* 14.4 (2009): 451-68; Edwin Truman, 'Sovereign Wealth Funds: the Need for More Accountability and Transparency,' *Peterson Institute Policy Brief* (2009).

<sup>2</sup> Amy Keller, 'Sovereign Wealth Funds: Trustworthy Investors or Vehicles of Strategic Ambition?' *Georgetown Journal of Law and Public Policy* 7.1 (2009): 333-72.

<sup>3</sup> Angela Cummine, 'Overcoming Dividend Skepticism: Why the World's Sovereign Wealth Funds Are Not Paying Basic Income Dividends,' *Basic Income Studies* 6.1 (2011): 1-17.

<sup>4</sup> Witness, for instance, the 2011 acquisition of the Paris Saint-Germain football franchise by the Qatar Investment Authority.

<sup>5</sup> Ronald Dworkin, *Sovereign Virtue: the Theory and Practice of Equality* (London: Harvard University Press, 2000).

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<sup>6</sup> There is considerable controversy, of course, about whether we owe duties of distributive to people outside of our own communities, and of what type. This paper is primarily targeted at those who believe we do have such duties. But for an overview of the relevant positions – defended both by those convinced that we have stringent duties of global justice, and those who are sceptical about their existence – see Chris Armstrong, *Global Distributive Justice: An Introduction* (Cambridge: Cambridge University Press, 2012).

<sup>7</sup> Charles Beitz, *Political Theory and International Relations* (Princeton: Princeton University Press, 1979); Thomas Pogge, *World Poverty and Human Rights* (Cambridge: Polity, 2002); Mathias Risse, *On Global Justice* (Princeton: Princeton University Press, 2012). Hillel Steiner also defends a global tax on natural resources, to be paid wherever anyone appropriates an above per capita equal share. Steiner, 'Just Taxation and International Redistribution,' in I. Shapiro and L. Brilmayer (eds) *Global Justice* (New York: New York University Press, 1999), pp. 171-91.

<sup>8</sup> Mehmet Caner and Thomas Grennes, 'Sovereign Wealth Funds: the Norwegian Experience,' *The World Economy* 33.4 (2010): 597-614.

<sup>9</sup> Kristin Halvorsen, 'Norway's Sovereign Fund Sets an Ethical Example,' *Financial Times*, 14<sup>th</sup> February 2008; Simon Chesterman, 'The Turn to Ethics: Disinvestment from Multinational Corporations for Human Rights Violations - The Case of Norway's Sovereign Wealth Fund,' *American University International Law Review* 23.3 (2008): 577-616.

<sup>10</sup> Gordon Clark and Ashby Monk, 'The Norwegian Government Pension Fund: Ethics over Efficiency,' *Rotman International Journal of Pension Management* 3.1 (2010): 14-19.

<sup>11</sup> <http://www.eia.gov/countries/cab.cfm?fips=NO> (US Energy Information Administration, accessed 14<sup>th</sup> February 2013).

<sup>12</sup> According to the Norges Bank's own calculations: see <http://www.nbim.no/en/About-us/Government-Pension-Fund-Global/>

<sup>13</sup> See the Council on Ethics website: [http://www.regjeringen.no/en/sub/styrer-rad-utvalg/ethics\\_council.html?id=434879](http://www.regjeringen.no/en/sub/styrer-rad-utvalg/ethics_council.html?id=434879).

<sup>14</sup> Chesterman, 'The Turn to Ethics.'

<sup>15</sup> Danyel Reiche, *Sovereign Wealth Funds as a New Instrument of Climate Protection Policy?* Wuppertal Institute for Climate, Environment and Energy Working Paper 173e (2008). As Reiche notes, the Fund has not only dis-invested in companies with poor environmental records, but sought to exert pressure on companies campaigning against environmental protection legislation in countries like the US. Its leverage in this regard is attenuated by its policy of not holding more than 10% of the equity of any company.

<sup>16</sup> Risse, *On Global Justice*.



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<sup>17</sup> David Miller, *National Responsibility and Global Justice* (Oxford: Oxford University Press, 2007), at 217-8. Miller's argument here applies explicitly to rights over land, but he extends the argument to cover natural resources in his paper 'Territorial Rights: Concept and Justification,' *Political Studies* 60.2 (2011): 252-68.

<sup>18</sup> Risse, *On Global Justice*.

<sup>19</sup> Hillel Steiner, *An Essay on Rights* (Oxford: Blackwell, 1994).

<sup>20</sup> Miller, *National Responsibility*, p. 218. For a Lockean analysis, see e.g. Gopal Sreenivasan, *The Limits of Lockean Rights in Property* (Oxford: Oxford University Press, 1995).

<sup>21</sup> Chris Armstrong, 'Justice and Attachment to Natural Resources,' *Journal of Political Philosophy* (2013, EarlyView).

<sup>22</sup> Miller, *National Responsibility*, at pp. 218-9.

<sup>23</sup> Armstrong, 'Justice and Attachment.'

<sup>24</sup> Avery Kolers, 'Justice, Territory and Natural Resources,' *Political Studies* 60.2 (2012): 269-86. I critically examine Kolers's account in 'Resources, Rights and Global Justice: A Response to Kolers,' *Political Studies* (2013, EarlyView).

<sup>25</sup> Margaret Moore, 'Natural Resources, Territorial Right and Global Distributive Justice,' *Political Theory* 40.1 (2012): 84-107, at 88.

<sup>26</sup> Within the International Covenant on Civil and Political Rights, for instance, the clause on 'permanent sovereignty' over natural resources is contained within Article 1, which concerns self-determination. See <http://www2.ohchr.org/english/law/ccpr.htm>.

<sup>27</sup> For a functionalist defence of territorial rights, see Anna Stilz, 'Nations, States and Territory,' *Ethics* 121.3 (2011): 572-601.

<sup>28</sup> It may matter morally, of course, just why they struggle. On some accounts, if a community culpably failed to meet the basic rights of its citizens even after being given assistance from overseas, then the obligation to continue to provide such assistance might diminish. For two influential discussions of the grounds and limits of outsiders to help poor communities meet their citizens' basic rights, see John Rawls, *The Law of Peoples with 'The Idea of Public Reason Revisited'* (Cambridge: Harvard University Press, 1999), and David Miller, *National Responsibility*, chapter 9.

<sup>29</sup> See also Christopher Heath Wellman, 'Political Legitimacy and Territorial Rights,' unpublished ms, at p. 25.

<sup>30</sup> For an overview of such proposals, see Chris Armstrong, 'Proposals for Distributive Institutions,' in D. Moellendorf and H. Widdows (eds) *Acumen Handbook of Global Ethics* (forthcoming 2014).

<sup>31</sup> Pogge, *World Poverty and Human Rights*.

<sup>32</sup> Leif Wenar, 'Clean Trade in Natural Resources,' *Ethics & International Affairs* 25.1 (2011): 27-39.

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<sup>33</sup> Cummine, 'Overcoming Dividend Skepticism,' at 4-8.

<sup>34</sup> Chris Armstrong, 'Sharing the Costs of Rainforest Protection,' unpublished manuscript.

<sup>35</sup> For a sceptical view about duties to take up the slack, see David Miller, 'Taking Up the Slack? Responsibility and Justice in Situations of Partial Compliance,' in C. Knight and Z. Stemplowska (eds) *Responsibility and Distributive Justice* (Oxford: Oxford University Press, 2011), pp. 230-45. For a view that there can be such duties, see Zofia Stemplowska, 'Doing More Than One's Fair Share,' unpublished manuscript.

<sup>36</sup> A claim based on legitimate expectations might resemble an argument from attachment, but it would be different in form because - as I suggested in section 2 - attachment-based claims are claims to particular tokens or a resource, and not to fungible or substitutable goods like money.

<sup>37</sup> Henry George, *Progress and Poverty* (London: The Henry George Foundation, 1932 [1881], at p. 259.