

What is a sovereign wealth fund and why does President Trump want one?

Warm-up question: If you suddenly received a large amount of money to invest, what would you do with it? Would you play it safe or take risks?

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MICHEL MARTIN, HOST: President Trump recently issued an **executive order** to develop a plan for a **sovereign wealth fund**.

PRESIDENT DONALD TRUMP: We're going to create a lot of wealth for the fund. And I think it's about time that this country had a sovereign wealth fund.

MARTIN: But what exactly is a sovereign wealth fund, and why does Trump want one? NPR White House correspondent Asma Khalid explains.

ASMA KHALID, BYLINE: Trump first **floated this idea** when he was campaigning. Here he was in September, speaking at the Economic Club of New York.

TRUMP: Why don't we have a wealth fund? Other countries have wealth funds. We have nothing. We have nothing.

KHALID: Trump points to countries like Saudi Arabia that have large sovereign wealth funds, and Brad Setser, with the Council on Foreign Relations, explains why.

BRAD SETSER: So a classic sovereign wealth fund we sort of set up to manage oil wealth.

KHALID: Countries like Saudi Arabia or Norway make a lot of money from natural resources, and they want to put that revenue somewhere. They could put it into a savings account - low risk but also low reward. So Setser, who was previously an economist in the Treasury Department, told me instead, they created these government-owned government-run funds.

SETSER: They tend to invest in **equities** in companies. Sometimes, that's in traded equity, like the stock market. Sometimes, that's in actually owning domestic companies. Sometimes, that's investing in companies outside your home country.

KHALID: But Setser says if Saudi is Trump's guide, there are some **hiccups**. How does he fund this fund?

SETSER: The big constraint is that the U.S. doesn't actually have any money to invest in a sovereign wealth fund. We don't have an oil surplus. We don't have a budget surplus. Borrowing money to buy riskier assets is, by definition, risky.

KHALID: A White House official said one option being explored is **leveraging** current assets. Trump has also mentioned revenue from tariffs. And Setser does point out that this idea of a sovereign wealth fund has spread far beyond just oil-rich countries. China has one. So do G7 nations like France and countries with a lot of debt like Italy also have one. But Mark Sobel says people are focused too much on the financing and not enough on how this thing would actually be governed. Sobel is a veteran of the Treasury Department. He worked there for nearly four decades.

MARK SOBEL: If we were to have one, which I don't think is a great idea, but if we were to have one, who's going to decide what the money is for?

KHALID: When Trump announced his plan the other day, he **alluded** to TikTok. But experts question how it would be fair to other tech companies for the U.S. to have a stake in the profits of one social media site. But for all the questions, it is worth pointing out that the broad idea of an American sovereign wealth fund is somewhat **bipartisan**. Last year, the Biden administration was quietly working on a similar idea. Daleep Singh was behind the effort.

DALEEP SINGH: We're in this really intense geopolitical competition that's playing out through economics.

KHALID: Sing worked on international economic issues in the Biden White House, and their thinking was that this fund could **jump-start** investment in critical industries that the private sector might be **hesitant** to invest in. But industries, they felt, nonetheless, were vital for national security.

SINGH: If all of our competitors have strategic investment vehicles, if they can **stroke a check** to lock up a cobalt mine in Congo, that's going to be a critical node in an EV supply chain. And if it takes us months, we're going to fall behind.

KHALID: But the idea of a sovereign wealth fund is vague enough that it's not clear Democrats and Republicans have the same intention for its use. Trump has described it as a vehicle to invest in, quote, "great national endeavors." And for Sobel, there are still a lot of questions.

SOBEL: Do I trust the Trump administration to give them a huge pot of money that they can use **at their discretion**? No. I wouldn't trust the Biden administration either.

KHALID: And one big question. How do you prevent the fund from becoming a political **piggy bank** for the president in power? Asma Khalid, NPR News.

Vocabulary and Phrases:

1. **Executive order:** A directive issued by a president or government leader that has the force of law.
2. **Sovereign wealth fund:** A government-owned investment fund that manages national reserves, often derived from natural resources or trade surpluses.
3. **Float an idea:** To suggest or propose an idea informally to see how people react.
4. **Equities:** Stocks or shares that represent ownership in a company.
5. **Hiccups:** Small problems or delays that disrupt progress.
6. **Leveraging:** Using existing assets or resources to gain financial advantages or maximize returns.
7. **Allude to:** To refer to something indirectly without stating it explicitly.
8. **Bipartisan:** Supported by or involving both major political parties.
9. **Jump-start:** To take action to quickly improve or revive something that is struggling or slow-moving.
10. **Hesitant:** Unsure or reluctant to act due to uncertainty or doubt.
11. **Stroke a check:** To write and issue a check, often referring to making a large financial commitment.
12. **At (one's) discretion:** When something is left up to someone's judgment or decision.
13. **Piggy bank:** A metaphor for a fund or resource that someone can dip into for personal or political use.

Comprehension Questions:

1. What is a sovereign wealth fund, and why do some countries have them?
2. Why does Trump believe the U.S. should have a sovereign wealth fund?
3. What challenges would the U.S. face in setting up such a fund?
4. How does the idea of a sovereign wealth fund relate to national security concerns?
5. What concerns do experts have about giving politicians control over a large investment fund?

Discussion Questions:

1. Do you think the U.S. should create a sovereign wealth fund? Why or why not?
2. Should governments be involved in large-scale investing, or should they leave that to private companies?
3. If you were in charge of a sovereign wealth fund, what industries or projects would you invest in?
4. How can a country prevent government funds from being misused for political purposes?
5. Have you ever made a financial investment? How did you decide where to put your money?