Most governments know much about their debt but little about their assets. In the wake of the 2008 financial crisis, as governments mobilized to manage their public debt, they largely ignored their public assets. Some countries, such as the Baltic states and Portugal, took steps to appraise their wealth, but most did not. The United States, for example, chose not to participate in a 2011 initiative by the Organization for Economic Cooperation and Development to evaluate the size and composition of state-owned firms in member countries.

But a better understanding of public commercial assets—defined as government property that generates profit, such as state-owned firms, real estate, and forests—could help yield significant amounts of wealth for economies struggling to get back on track. According to our calculations, which draw on data from the International Monetary Fund and other public sources (and which will be published in our forthcoming book, The Public Wealth of Nations), central governments alone hold significantly more commercial assets than private equity firms, hedge funds, pension funds, sovereign wealth funds, or the super-rich. The value of public commercial assets is on the same order of magnitude as annual global GDP—and comfortably higher than global public debt. If central governments managed their assets better, they could generate annual returns of roughly $3 trillion, or more than the world's yearly investment in infrastructure including transportation, power, water, and telecommunications. Every percentage point of improvement on annual global portfolio returns would generate the equivalent of the GDP of Saudi Arabia.

A BROKEN SYSTEM

On average, however, governments are mismanaging their public assets. Although there are a few examples of well-run state-owned firms, for instance, such as Statoil, in Norway, and Volkswagen, in Germany, most earn lower returns than their privately owned counterparts. Most state-owned companies—such as the oil giant Petrobras in Brazil, state-owned banks in India, and state-owned enterprises in China—are reportedly wasteful and corrupt.

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Other types of public commercial assets, such as real estate, perform even worse. In the September/October 2014 issue of Foreign Affairs, Francis Fukuyama exposed the mismanagement of the U.S. Forest Service, which he called "a highly dysfunctional bureaucracy performing an outmoded mission with the wrong tools." Similarly, in 2009, Lithuania's government found that its forestry service was 30 times less efficient than those of foreign state-owned competitors.

Many economists see these inefficiencies as arguments in favor of privatization. But privatization comes with its own risks: crony capitalism, corruption, and dysfunctional

regulation. Luckily, there is a third way: governments can assign the task of professionally managing their assets to National Wealth Funds.

CONSOLIDATING WEALTH

National Wealth Funds are the perfect compromise: they keep public assets under government ownership while simultaneously preventing undue government interference. The state appoints the auditors and the board responsible for the portfolio, and decides which assets should be sold when sufficiently developed, but it cannot influence how the fund itself is managed. This strict separation guarantees that politics will not get in the way of good asset management. When governments control public commercial assets, opportunities for better management are ignored or fall prey to political meddling, clientelism, and corruption.

National Wealth Funds also enable governments to consolidate their commercial assets, which allows professional managers to create an integrated inventory and business plan for the assets as a whole. The world's leading National Wealth Fund, Singapore's Temasek, established in 1974, boasts an average annual return of 17 percent, a track record that would be impressive even in the private sector. Another successful fund, Austria's Österreichische Industrieholding AG, established in 1946 to nationalize Austrian industry, became an independent holding company in the 1970s to prevent undue government interference. With politicians explicitly banned from the board, the fund has performed better than the Austrian stock market index ATX and pays considerable annual dividends to the Austrian government.

In recent years, more than a dozen other countries have established their own National Wealth Funds—Finland created Solidium in 2008, for example, and Vietnam created SCIC in 2005—but it is still too early to evaluate their success. Still, it is likely that the success of funds such as Temasek and ÖIAG will encourage more governments to establish such funds and to give them even more assets, such as real estate. The next logical step would be for governments to create similar funds at the regional and local levels, where there is an even larger concentration of assets.

Even if governments do not immediately establish National Wealth Funds, they should at least treat their public assets as listed companies by making information about their assets transparent. Countries such as Austria, Finland, Singapore, and Sweden, for example, publish annual reports, detailing the value, yield, and performance of government-owned enterprises. But they are exceptions. The vast majority of countries keep such information hidden, if they have collected the data at all. In the absence of reform, such countries will be forced to rely on tax increases and cuts to public expenditures to pay for vital infrastructure improvements and to restore their public finances to good health.