

Unfortunately, Baldacchino and Milne (2000) are not able to arrive at a comprehensive analysis of the economics of sovereignty themselves, which is not surprising, given the problems associated with this daunting task. They do, however, present an anecdotal assessment of the issue by examining the effects of sovereignty for several North Atlantic territories with different degrees of sovereignty. The problem of their analysis is also its strength. As a result of choosing island economies in the North Atlantic as objects of examination, the results are very limited due to the special problems of islands in this region, ranging from the high dependency of their economies on natural resources and fishery to their relative remoteness. The VSC or autonomous territories examined, therefore, can hardly be compared to, e.g., Liechtenstein or Luxembourg. On the contrary: the strengths of their analysis lie in the homogeneity of the territories examined, which allows them to single out the impact and benefit of jurisdictional power, since the territories exhibit different degrees of autonomy. Nevertheless, Baldacchino and Milne (2000) are not able to go beyond the more or less trivial result that sovereignty has enormous economic consequences. The important questions on the driving forces and the necessary degree of sovereignty remain largely unanswered.

Of course, we are not able to arrive at a comprehensive economic theory of sovereignty either. The advantage of our analysis is the comparison of more than 20 VSC with regard to the impact of sovereignty on economic success, which allows us to detect similarities and possible transmission sources from sovereignty or law-making authority to economic impact, viz. wealth and living standard.

We proceed along the following lines: Section 5.1 presents an overview of the economic situations in VSC by supplementing results of prior chapters. In Section 5.2 we then analyze the sources of welfare in the wealthy VSC and try to estimate which role sovereignty plays as a determinant of wealth. If, e.g., a country's wealth is mainly based on industrial production, sovereignty should play a minor role (although location factors like tax policy, political stability etc. are sometimes results of decisions, which require a certain degree of law-making authority). On the contrary, there are a few economic activities which are often directly linked to the level of autonomy, like, e.g., a tax haven policy. Section 5.3 is devoted to a comparison of sovereign VSC with small territories with a considerable degree of autonomy in order to get an impression of