

«effective size».¹⁰ The private and social costs of a highly fragmented settlement structure are worth considering. Actually, problems of regional distribution would need to be considered independent of considerations concerning area as a proxy for country size. Still, they are no less a problem for large countries, so they are not comprehensively analyzed here. One should, however, bear in mind that issues concerning the regional distribution of population are of the utmost importance for some small, remote island economies, especially for island groups or archipelagos (e.g., Kiribati), since they doubtlessly raise transaction costs and costs in connection with the provision of public goods.

Fourth, and closely related to the former, the «effective size» is dependent on the geographic status of a small country. E.g., Andorra, Monaco or San Marino may almost be viewed as a region of larger countries, namely Spain, France or Italy, with special autonomy rights. The judgment from an economic viewpoint would certainly support this notion. In contrast, Iceland does not exhibit characteristics which are normally ascribed to a region. Generally, small landlocked countries are much more often and more intensely involved in cooperation with regions of adjacent larger countries due to lower transaction costs.

Analogous to the list of small countries according to the number of inhabitants, the list according to area measures is characterized by an astounding diversity of the countries listed.

2.1.3 Size and national income

National income may also be a proxy for country size because it can, on the one hand, give an impression of the size of a country's internal market and, on the other hand, provide a broad-stroke picture of a country's economic impact. To our mind, it is important to note that it would be insufficient to judge economic impact only by national income, since especially small countries' economies heavily rely on specialization and,

¹⁰ Note that the regional distribution, or the dispersion of the population, is an important determinant of the public good provision process and of costs. We will refer to it in the empirical parts of this study in greater detail. Interestingly, countries which are generally considered very small differ profoundly with regard to the regional distribution of their population, ranging from city states (e.g., Monaco) to island groups (e.g., Kiribati).