

cent of GDP. In other word, VSC «tailor» their armies to their special needs, and armed forces are relatively small in comparison to larger countries. Hence, their armed forces are obviously not supposed to participate in wars against larger countries, but to fulfill, more or less, police-like functions. Most island VSC operate, e.g., coast guards under the heading «army». Since some Caribbean countries are said to be trade centers of illegal drugs, they operate special forces to combat drug dealing.

Note that there are only two NATO members among the selected countries, namely Iceland and Luxembourg. Their contributions to the organization are, though, low, and their gain from the increased security is very high. Note further, as already mentioned above, that no VSC is currently involved in a war or an open conflict.

4.3.3 Theoretical expectations versus reality – universities

Table A.11 in the Appendix provides a closer look at the educational systems of VSC. Since the highest degree of economies of scale, i.e. disadvantage, for VSC in education is generally associated with universities, we concentrate on them in the following. In passing, note that there should not be any difference between VSC and larger countries with regard to primary and secondary education, because both are assumed to be private or local public goods, without considerable economies of scale.

The operation of a university is another prime example of VSC coping with the provision of public goods, which exhibit considerable economies of scale. As can be seen from Table A.11, most VSC have their own university, but, generally, VSC universities are «tailored» to the size of the operating country. Thus, there are only a few of the selected VSC which operate an institution of tertiary education with a full spectrum of studies and fields, a so-called «full university». Five out of 21 of our VSC have a full university on their territory. Only two of them are of comparable size to universities in larger countries, namely the University of Iceland and the University of Malta. The Cave Hill Campus of the University of the West Indies in Barbados and the University of Brunei Darussalam are smaller universities, but they offer a relatively wide range of subjects. The University of the West Indies is a special case and