

which are simply not provided or which are internationally sourced out in VSC. It is even more puzzling that especially the non-provision option does not seem to reduce happiness or welfare in VSC, although hard facts or comparable data on this issue are very scarce. Although international outsourcing has been largely neglected in economics, it doubtlessly plays an important role for VSC. Note that the economics of international outsourcing is intimately related with the economics of integration, but the point of view is different, since the economics of integration focuses on the private sector and generally deals with countries of equal size. On the contrary, the concept of international outsourcing in this chapter concentrates on the public sector and analyzes the possibilities and constraints of international outsourcing from a VSC to one or more larger (adjacent) countries.

Based on the selection of public goods with (very) high economies of scale in Table 4.3, Section 4.3 investigates the organizational choice of the 21 VSC for those publicly provided goods for which data were available for all countries. Table 4.12 presents the results of the case studies at a glance. Note that for every group of publicly provided goods in Table 4.3 we have at least one empirical example in Table 4.12. Seven public goods could not be analyzed due to lack of data, but there is no sign that the results for them would not comply with the overall picture in Table 4.12.⁹⁴

One can conclude that international outsourcing in VSC is widespread. It is also an organizational option for publicly provided goods with a high emotional value for a country's citizens, like having an own currency or running a full university. Note that it seems that VSC citizens do not perceive those public goods, which are generally ascribed a high emotional value, as indispensable. Infrastructure is highly dependent on geographic circumstance, which makes it less useful for an analysis of organizational choice. One can however easily discern from the analysis that VSC try to avoid costs associated with expensive infrastructure whenever possible. International outsourcing approaches its constraints when the security of the VSC is at stake. More VSC than expected maintain their own army, although many of these armies are not

⁹⁴ These «missing» publicly provided goods are namely: courts and judicial branch, legal system, secondary education, hospitals, social security, highways, tax levy.