

quite small for single years, it might result in different growth paths. Why do we, then, observe countries like Liechtenstein, Luxembourg, Monaco and some more, which have a high degree of welfare and an outstanding standard of living? Without a doubt, they are among the richest countries of Europe without exhibiting traditional sources of wealth like, e.g., natural resources. Why has the number of sovereign VSC been growing during the last decades, and why do secessions seem to be more feasible now than a few decades ago, when theory provides an «inferiority» result for VSC?

We conclude from our results in the previous chapters and the remaining questions that there must be other factors driving wealth and welfare in countries apart from the «usual suspects» in economics. It is possible that the economic impact of sovereignty plays an important role for VSC, and we will lay out our understanding of the sovereignty-induced sources of wealth in this chapter. We will argue that it is the legislative framework for the private sector and the citizens of VSC which levels out the disadvantages of small size and can even turn smallness into an advantage.

Our main focus in this chapter is on whether and on how VSC are able to better exploit the advantages of sovereignty than larger countries. Furthermore, we are interested in the prerequisites for a successful economic policy of VSC and in the conditions of a favorable international environment for them.

It is not easy to analyze the questions raised above and their economic implications for VSC. To the best of our knowledge, there is no comprehensive theory of the economic implications and consequences of sovereignty.

For one thing, the discipline of economics is of little help. It has scarcely considered the question. [...] Even recent, more sophisticated economic theory that has turned to softer, more complex, and more elusive ideas such as the role of «trust», «democracy», or «the rule of law» in economic fortune has not taken up the idea. It is little better in legal theory. One searches in vain for an examination of the economics of full or partial sovereignty (or law-making authority), nor for that matter, of the economic implications of practices and conventions. (Baldacchino and Milne, 2000, p. 3).