

arguments concerning the possible advantages of small size. We will discuss these advantages after having presented the traditional theoretical arguments, which establish a quasi «inferiority» axiom for VSC. Table 5.1 gives an overview on the most popular arguments in favor of or against VSC.

Obviously, this is a huge list of disadvantages¹⁰¹ with a lot of common arguments and based on well-known and empirically tested general economic concepts. It is far beyond the scope of this work to go into the details of the arguments on VSC economic «inferiority». As one can easily detect, the list in Table 5.1 is not much more than an enumeration of the most often quoted arguments against the existence of VSC¹⁰², and we are not able to dwell upon interesting interactions and causalities between some of the arguments in Table 5.1.¹⁰³ Note further that there are, of course, ideas, which can appear on both sides of the table depending on institutional frameworks and constitutions. Take for instance social homogeneity, which may either lead to a swifter decision-making process due to less diverse preferences and opinions or create a system of personal relationships – sometimes called elite connectivity – that may result in clan-like structures, corrupt practices and other adverse behavior.

In the previous chapters of this work we concentrated on one of the «inferiority» arguments, i.e. the problems associated with the public good provision in VSC, where public goods are defined in a relatively broad sense. It is important to note that this issue – although only one of many in Table 5.1 – is one of the most pressing for VSC, and many of the theoretical «inferiority» results in Table 5.1 may be traced back to public sector-related or diseconomies of scale-related questions. To recapitulate our main result, we found that a negative size effect clearly exists, but VSC are more adaptive and innovative than economic theory has been

¹⁰¹ We have the clear impression – given the results of this study – that some of the «inferiority» arguments concerning VSC are invalid to a certain extent, because they do not seem to be empirically confirmed. Note that most disadvantage arguments are strongly related to the private sector. The important exception is the diseconomies of scale argument in the provision of public goods.

¹⁰² These arguments were the basis of a rather widelyheld scientific opinion that denied the chance of survival of VSC between the two world wars and, especially, after the second.

¹⁰³ For the interested reader we provide some references in Table 5.1. Good overviews can be found in Armstrong et al. (1998), Robinson (1960) and Waschkuhn (1993).