

Sources of welfare in VSC

| Source | Obs. | Mean | St. dev. |
|---------------------------|------|--------|----------|
| Briguglio based on IMF | 114 | 0.39 | 0.27 |
| Baratta (1999) | 191 | 229.63 | 1234.71 |
| Baratta (1999) | 191 | 6.63 | 1.00 |
| World Bank | 147 | 54.17 | 23.02 |
| Barro-Lee, own | 195 | | |
| Barro-Lee, own | 195 | | |
| Barro-Lee, own | 195 | | |
| Barro-Lee, own | 195 | | |
| Barro-Lee | 118 | | |
| Barro-Lee | 118 | 0.08 | 0.18 |
| Barro-Lee | 133 | 0.18 | 0.28 |
| Freedom House | 189 | 3.53 | 2.01 |
| Briguglio | 114 | 0.45 | 0.14 |
| Baratta (1999) | 159 | 3.22 | 0.67 |
| Briguglio based on UNCTAD | 114 | 0.19 | 0.24 |

Note that one has to exercise caution in interpreting this result causationally, since it is at least as plausible that welfare is a determinant of urbanization.

The main purpose of model (6) is to test for the effect of country size by having as many observations in the regression as possible. We therefore had to exclude some variables which were only available for less than 100 countries, but the goodness of fit of the model is still remarkable. All variables in model (6) are highly significant with the exception of the logarithm of population, although trade openness does not appear in the model. We take this result as a further confirmation of our argument concerning the irrelevance of size. The effect of trade openness may be replaced by two variables which are highly correlated with openness, i.e. population density and vulnerability.¹¹⁰ Whereas the high correlation between vulnerability and trade openness is not surprising due to the definition of the vulnerability index, there is no apparent

¹¹⁰ Pearson correlation coefficients: 0.582 ($p < 0.001$; two-sided) for openness and popdens; 0.690 ($p < 0.001$; two-sided) for openness and vulnerability.