

the effects should be in general most pronounced, viz. VSC with high levels of wealth or a high living standards. We continue to rely on our set of 21 VSC which was selected for Chapter 4, but we concentrate on high-income VSC. This section is, hence, designed to focus on the sources of welfare in wealthy VSC. The following section will analyze the second step in detail, which is the importance of autonomy or law-making authority to pursue certain strategies, which have been identified to lead to high levels of wealth or a high living standard. We sometimes have to rely on descriptive statistics, tentative evidence and case studies in the following sections, since we have too few observations in most cases for strict statistical testing.

Recalling Table A.14, it can easily be seen that there are eight VSC with a remarkably high per capita GDP. Note again that GDP/capita of four VSC, namely Iceland, Liechtenstein, Luxembourg and Monaco, exceeds the EU 15 average, and four other VSC, i.e. Andorra, the Bahamas, Brunei and San Marino, are not far behind. We try to concentrate in the following on the sources of welfare of these eight countries in order to get a better impression of possible welfare-enhancing strategies for other VSC. Due to the small number of observations we cannot rely on regression analysis. Even by using a larger sample of about 15 countries, significance results would most likely be unsatisfying. Hence, we start with a short characterization of the eight countries in question¹¹², where we consider socio-economic, political and historical factors as well as economic structure and specialization for each of the countries. The results of this comparison have to be treated with caution, because the number of analyzed countries is low, and we are not able to go into a detailed analysis of the eight countries. Hence, the comparison is designed to give a first impression of possible determinants of VSC welfare and success. Further case studies, which provide a finer-grained picture for each of the eight VSC, are clearly required for drawing definitive conclusions.

¹¹² Sources: Armstrong and Read (1995), Baratta (1999) and several webpages.