

tries, the disadvantage of openness diminishes and the advantages can be fully exploited. It is therefore obvious that the high level of welfare of European VSC could only be achieved in the comparatively very stable European post-war era, in which the degree of openness has gradually been increasing, although initial levels of openness between VSC and their most important adjacent countries (Andorra – France/Spain; Liechtenstein – Switzerland; Monaco – France; San Marino – Italy) have traditionally been high. Note that for all European VSC with the exception of Iceland, transport costs should be very low and not different from larger countries.¹¹⁶

5.2.2.9.3 Political systems

It should not be disregarded that the stability issue is not an exclusively external one, because it is a fact that stable political conditions within a country can boost growth unless the political system is petrified in the sense that progress is obstructed. We refrain from assessing internal political situations because of difficulties in judgment. It is not enough to evaluate the frequency of government changes or the frequency of elections. One would have to go into the details of political fractionalization with regard to the total number of parties and, much more importantly, with regard to the ideological differences between consecutively ruling parties or coalitions.

At first glance, the political systems of the eight high-income VSC do not differ from other VSC or from larger countries. With the exception of Brunei, where a party ban exists, all high-income VSC have at least one (Monaco) or more competing parties, as can easily be verified from Table 4.11. The distribution of votes among parties displays a few peculiarities: There are slightly fewer parties with a considerable proportion of the votes in all VSC and in the set of high-income VSC, compared to larger countries. Given the small number of possible candidates for political positions and the small electorate in VSC, there is a good

¹¹⁶ High levels of openness have been found to be of considerable importance for VSC on their path to very high levels of welfare. They however may contradict niche strategies of VSC if a too high degree of openness is aimed at. The balance between a level of openness which is as high as possible and the preserving of niche strategies by means of protectionist measures is of the utmost importance for VSC. This highly relevant tightrope walk of VSC will be dwelled upon in detail in Section 5.4.