

A summarizing evaluation of law-making authority and sovereignty

thority of VSC and SAR in those areas where they thereby can constrain their own country's policy options. It is questionable if the niche strategies of VSC and SAR would still be possible without this external support.

The benefits of sovereignty hence do not depend on country size, but the negligibility of VSC and SAR makes it much easier to pursue niche strategies. In principle, however, larger countries would be able to follow similar strategies, though they would have to face serious opposition from other countries. Negligibility therefore is a necessary but not sufficient condition.

5.4.4 A summary of the «secrets of success» of VSC

It is not easy to enumerate the «secrets of success» of VSC which play an important role from an economic viewpoint. A considerably large strand of empirical literature on the determinants of wealth has arrived at a great variety of welfare enhancing factors. These factors range from political ones – democratic systems have been found to be more successful economically than undemocratic ones – to socio-economic ones – think of the impact of religion or education on economic activity – to economic ones, like the consequences of the economic system or of the design of important economic institutions. All these determinants of wealth also apply to VSC, and we have mentioned some of them in our analysis. Our mission was, however, to single out those determinants which are especially important for VSC; more important than one would expect at first.

First and foremost, we found that sovereignty or law-making authority in certain key areas is economically important for VSC. By means of tailored law-making, important branches can be promoted and niche strategies can be pursued. Contrary to a widely held belief, successful VSC exhibit a differentiated economic structure, and it would be a bad strategy for a VSC to put all its eggs into one basket, thus concentrating on a single branch or a single sector.

Second, trade openness, a liberal global economic system and a good relationship to adjacent countries are prerequisites for the economic success of VSC, because their home markets are too small for economic development. Openness should, however, not proceed as far as to