

side effects, socio-economic factors and the advantages of small size (see Table 5.1). Small domestic markets, very limited basic research on the national level, vulnerability and high dependency on other countries as well as poor domestic resource bases, to name but a few of the general arguments against small size, seem to have no or a very limited and therefore negligible influence on the welfare of quite a few VSC. The most important lesson from our results is that standard economic theories on the impact of size on costs and economic activity can only explain some features of VSC. Economists should have exercised greater caution in deriving general results from these theories, which view VSC as not optimal, and they should have devoted greater attention to the many neglected factors that determine wealth in VSC.

In light of these facts, one might argue that VSC are a special case, that they exert only a small impact on the world economy, and that the general relevance of our results is, therefore, limited. We are of course convinced that – contrary to these arguments – the relevance of our results is much broader, in the sense that our findings also raise some important questions for larger countries: Should a middle-sized country – like Denmark or Norway – finance a broad range of different basic research areas, or should it specialize in a few very important ones and rely on larger countries' research output in other fields? Should defense issues be handled by the EU and, thus, the public good «external security» be provided on the EU level? Does a country – like Austria or Belgium – need to be represented in all international organizations and have embassies in many foreign countries? These and related questions cannot be answered *ad hoc*, but the answer clearly depends on country size and the possible extent of international outsourcing (or integration). In the course of this study we were able to highlight possible ways of analyzing them comparatively. Nevertheless future research on international outsourcing and its relevance is clearly required.

Furthermore, it is not a coincidence that many of the public goods like military security, foreign policy or research policy, the provision of which is outsourced by VSC, are in the course of being centralized in the European Union. We can conclude from our results that the concept of international outsourcing is intimately related to the concept of economic integration. It is, therefore, evident that the theory of integration should keep an eye on VSC to learn more about the indispensability and the integration suitability of single publicly provided goods. Hence,