10. Politics of the four European microstates: Andorra, Liechtenstein, Monaco and San Marino

Wouter P. Veenendaal

INTRODUCTION

With less than 100,000 inhabitants and territories of less than 500 square kilometres each, Andorra, Liechtenstein, Monaco and San Marino stand out as the four microstates on the European continent.[1] In terms of their population size, these countries are considerably smaller than other European small states such as Cyprus, Iceland, Luxembourg, Malta and Montenegro, which all have more than 300,000 citizens. And while the latter small states are either fully-fledged members of the European Union (EU) or have in the past or present applied for EU membership, the four microstates are generally not regarded as viable member states of the EU (Dósza, 2008), even though their economies, politics and societies are closely intertwined with the Union and its members. The four microstates have among the highest GDP per capita (or PPP) figures on the continent and in the world, providing a formidable challenge to theories that highlight the lack of development opportunities in small states. Perhaps most intriguing, however, is the fact that these four microstates have existed as independent, sovereign entities for a very long period of time. While small European states like Cyprus, Iceland and Malta only acquired full statehood in the mid-twentieth century or later, and after a prolonged period of colonialism, the attainment of political sovereignty by San Marino (in the year 301 AD) Andorra (1278), Monaco (1489) and Liechtenstein (1866) occurred at a much earlier point in time. Even during the nineteenth century, when Europe was almost entirely composed of large multinational empires and kingdoms, these microstates survived as autonomous entities, albeit often under the suzerainty of a larger power.

Reflecting their diminutive size and protracted existence as sovereign states, the political systems of the four microstates contain various idiosyncratic elements, as well as some unique political institutions that cannot be observed elsewhere. Many of their contemporary institutional arrangements were quite common in Europe in the Middle Ages or the Renaissance, but have elsewhere disappeared as a consequence of nationalism, political liberalization and democratization, and the emergence

[1] Vatican City, which has a territory of 0.44 square kilometres, is sometimes regarded as the smallest sovereign state in the world. However, since it lacks a permanent population and is not a member state of the United Nations, it is not included in the present analysis.

Table 10.1 Descriptive statistics of the European microstates

Country	Population	Area (km^2)	GDP per capita	Government
Monaco	31,000	2	$116,000	Principality
San Marino	34,000	61	$60,000	Republic
Liechtenstein	38,000	160	$139,000	Principality
Andorra	77,000	468	$49,900	Principality

Source: CIA World Factbook (2018).

of large nation-states. The political system of San Marino, for example, closely resembles that of Renaissance-era Italian city-states like Ferrara or Lucca, meaning that San Marino offers a fascinating glimpse into how politics in these jurisdictions functioned (Bacciocchi, 1999, p. 17). In similar fashion, while monarchy has long been the most common regime type across Europe, at present only the microstates of Liechtenstein and Monaco retain royals with extensive executive powers, while other European monarchs have been relegated to playing a mostly symbolic, ceremonial role (cf. Corbett, Veenendaal, and Ugyel, 2017).

The present chapter offers an in-depth analysis of the political systems, international relations and economic and societal characteristics of the four European microstates. In Table 10.1, some initial descriptive statistics on these four cases have been presented, showing not only their smallness and political characteristics, but also their extraordinary levels of economic development and wealth.

Recognizing that small states are generally excluded from comparative political analyses (Veenendaal and Corbett, 2014), the chapter highlights the analytical significance of these four under-researched cases to (European) comparative politics. In doing so, it builds on some excellent and rich case study publications on these microstates (e.g. Beattie, 2004; Becat, 2010; Duursma, 1996; Grinda, 2007), but also adds insights that were gathered during two stages of field research in San Marino and Liechtenstein, which primarily consisted of semi-structured interviews (Veenendaal, 2014a, 2014b). The analysis of these four microstates occurs against the backdrop of a broader – and rapidly expanding – body of academic work on small states (Archer, Bailes, and Wivel, 2014; Baldersheim and Keating, 2015; Cooper and Shaw, 2009; Corbett and Veenendaal, 2018; Ingebritsen et al., 2006; Maass, 2017), in which the particular characteristics, challenges and opportunities of this group of countries are underscored. In doing so, the chapter links up with the themes and dilemmas that have been discussed and identified in the introductory chapter of this volume (Baldacchino and Wivel, 2020). The analysis commences with a brief overview of the political history of the four microstates, followed by an investigation of their contemporary political systems. Subsequently, the microstates' socio-economic dynamics and international relations are analysed in more detail.

POLITICAL HISTORY OF THE FOUR MICROSTATES

As mentioned above, the four European microstates have prolonged political histories as independent states. Due to the fact that these countries' contemporary political dynamics continue to be strongly shaped by their particular state formation processes, this section provides a synopsis of the key historical and political developments in each of the microstates.

Andorra

The Principality of Andorra can be seen as the last survivor of Charlemagne's *Marca Hispanica*, the buffer states that were created to prevent the Islamic invasion of France in eighth-century Europe. Until the thirteenth century, the territory remained in the hands of the Count – and later Bishop – of Urgell, but a conflict over the property arose when the Count of Foix (in contemporary France) married a girl from Urgell (Colliard, 1993, p. 378). The conflict was resolved with the 1278 *Acte de Paréage*, in which it was decided that Andorra was to be jointly ruled by the Bishop of Urgell and the Count of Foix (Colliard, 1993, p. 378; Duursma, 1996, pp. 344–345; Whittlesey, 1934, p. 149). This diarchic nature of Andorra's political system remains intact to the present day, even though the constitutional rights of the Count of Foix were transferred to the French head of state in 1607. In centuries that followed the *Acte de Paréage*, the Andorrans succeeded in preserving their autonomy by "the art of playing off their joint suzerains against each other" (cf. Catudal, 1975, p. 190; Whittlesey, 1934, p. 153).

In the beginning of the 1930s, political unrest emerged due to demands for universal suffrage and the seizure of power by Russian adventurer Boris Skossyreff, who proclaimed himself King Boris I of Andorra (Eccardt, 2005, p. 157; Klieger, 2013, pp. 33–34). After the arrest of Skossyreff, Spanish forces restored order and introduced universal male suffrage in 1933. In this year, a new constitution was implemented that transformed the country into a Parliamentary Principality, in which the Co-Princes from France and Urgell however retained significant executive powers. Andorra managed to remain detached from the Spanish Civil War because of its ties with France and remained neutral during the Second World War, thanks to its ties with Spain (Catudal, 1975, p. 191). After 1945, Andorra's relatively underdeveloped peasant society was swiftly transformed into a flourishing tourist and banking economy.

Because the Principality was always ruled by external forces and because the political status of Andorra has been uniquely undefined for a long period of time, domestic political institutions have been slow to develop (Colliard, 1993, p. 377). Although a preliminary legislature was established as early as 1419, universal male suffrage was introduced in 1933 and female suffrage only in 1970 (Eccardt, 2005, p. 56). During the 1970s and 1980s, Andorran demands for autonomy and independence increased and under the direction of the two Co-Princes, a process of political modernization was initiated (Colliard, 1993, pp. 378–379). This process culminated in the

writing and enactment of a new constitution in 1993, which established Andorra as an independent parliamentary democracy (Becat, 2010; Colliard, 1993, pp. 385–386; Duursma, 1996, p. 349). In the same year, Andorra's autonomy was reconfirmed by its accession to the United Nations, which concluded the modernization process that in less than 20 years transformed Andorra's medieval political system into a modern democracy (Eccardt, 2005, p. 74).

Liechtenstein

The Principality of Liechtenstein is named after its ruling dynasty; the Von und Zu Liechtenstein family. The (originally Austrian) Princes of Liechtenstein purchased the domains of Schellenberg and Vaduz in 1699 and 1712 respectively and in 1719 the Emperor of the Holy Roman Empire, Charles VI, recognized this territory as the Principality of Liechtenstein (Beattie, 2004, p. 6; Catudal, 1975, p. 189). After the 1815 Congress of Vienna, Liechtenstein became part of the German Confederation and as such in 1818 acquired its first constitution (Beattie, 2004, pp. 23–24; Catudal, 1975, p. 191; Duursma, 1996, p. 143). In 1866, upon the collapse of the Confederation, Liechtenstein disbanded its army, adopted a policy of political neutrality and became an independent state (Catudal, 1975, p. 191).

Although Liechtenstein managed to remain neutral during the two world wars, the country was seriously affected by both conflicts. After the end of the First World War and the collapse of the Austro-Hungarian Empire, Liechtenstein switched its political allegiance from Austria to Switzerland, with which it signed a monetary union (in 1920) and customs union (in 1924; Beattie, 2004, pp. 50–57; Eccardt, 2005, p. 103; Kohn, 1967, p. 553). In the Second World War, the Principality could remain neutral despite an attempted putsch by Liechtenstein's pro-Nazi party in 1939 (Beattie, 2004, pp. 98–102). In the latter half of the twentieth century, Liechtenstein managed to develop a profitable manufacturing industry[2] and strong banking sector, as a result of which it has managed to realize one of the highest GDP per capita figures in the world.

The first institutions of Liechtenstein's contemporary political system were created in 1862, when a national assembly (the *Landtag*) elected by universal male suffrage was established (Beattie, 2004, pp. 27–29). In 1921, a new constitution was put into force, in which the contemporary balance of power between the Prince and the people was instituted and a number of instruments of direct democracy were adopted (Beattie, 2004, pp. 174–176; Marxer, 2007, pp. 3–7). Due to pressure from politicians and the people, the Principality was transformed from an absolute monarchy into a constitutional one, but the Prince actually retained much of his power (Marxer, 2007, p. 1). In the 1990s, a constitutional crisis erupted that lasted for more than a decade, centring on the constitutional position of the Prince. The crisis culminated

[2] The dominant manufacturing products are electronics, metal, textiles, ceramics and pharmaceutics (Beattie, 2004).

in the 2003 constitutional referendum, in which a majority of voters endorsed Prince Hans-Adam II's proposals for constitutional revision. It is generally agreed that the 2003 constitutional modifications have enhanced the political power and influence of Liechtenstein's monarchy vis-à-vis the government and parliament (Marcinkowski and Marxer, 2011; Marxer, 2007, p. 13; Veenendaal, 2014a; Wolf, 2015).

Monaco

The political history of the Principality of Monaco starts in 1297, when the Grimaldi family took hold of the fortress at the Rock of Monaco and founded the Grimaldi dynasty, which still reigns over Monaco today (Duursma, 1996, p. 278; Grinda, 2007, pp. 1–2). In 1489, King Charles VIII of France recognized the independence of Monaco and accepted the Grimaldis as the legitimate rulers of the polity (Duursma, 1996, p. 278; Eccardt, 2005, p. 96). During the sixteenth and seventeenth centuries, Monaco switched its political allegiance from France to Spain and back again, but following the French Revolution the territory was annexed by French forces in 1793 and was renamed as Port-Hercule (Grinda, 2007, p. 4). After the breakdown of the French Empire and the Congress of Vienna, Monaco was destined to become a protectorate of the Kingdom of Sardinia (Catudal, 1975, p. 191; Duursma, 1996, p. 279), but in 1860 France regained control of the area.

The 1861 Franco-Monegasque Treaty, in which the independence of the Principality is reconfirmed, constitutes the first of three agreements in which the relationship between the two countries was negotiated. After the 1918 Monaco Succession Crisis, in which France prohibited the inheritance of the Monegasque throne by a German prince, a Franco-Monegasque 'friendship treaty' was signed, in which French protection of the territory was guaranteed in exchange for the Principality's "perfect conformity with the political, military, naval and economic interests of France" (Franco-Monegasque Treaty 1918, Art. 3; Grinda, 2007, p. 28). Additionally, the royal succession issue was resolved by deciding that in the case of a vacancy of the throne, Monaco would become a French protectorate. This regulation was abolished in the 2002 Franco-Monegasque Treaty, which established a much more balanced and equal relationship between the two countries and in which Monaco's sovereignty was also confirmed by international law (Grinda, 2007, pp. 32–35).

Monaco was governed as an absolute monarchy until 1911, when a new constitution was established in reaction to the so-called Monegasque Revolution that occurred one year earlier. The 1911 constitution provided for the foundation of a legislature (the *Conseil National*), of which the members were to be elected by universal male suffrage, whereas considerable powers remained in the hands of the Prince. In 1962, the constitution was revised, transforming Monaco into a constitutional monarchy (Catudal, 1975, p. 194; Grinda, 2007, p. 52). Additionally, female suffrage was introduced and a more balanced relationship between the Prince and the National Council was established. As a consequence of the 2002 Franco-Monegasque Treaty, Monaco's political system was further democratized, as the competencies of the legislature were enhanced (Grinda, 2007, pp. 89–97). Although the Prince is no longer

the absolute ruler of Monaco, he has a much more powerful political position than most of his European counterparts and is a "very active head of state" (Grinda, 2007, p. 57; Guillot, 2010).

San Marino

The Most Serene Republic of San Marino, which claims to be the most ancient republic in the world, was according to the legend founded by the Christian stonecutter Marinus the Dalmatian (later canonized as Saint Marinus – *San Marino* in Italian) on 3 September, 301 (Catudal, 1975, p. 189; Duursma, 1996, p. 216). Facing persecution for his religious beliefs, Marinus created his city-state as a place where people could freely practise their religion and since this time San Marino has been known as a bastion of liberty and freedom and a safe haven for political refugees (Bent, 1879). During the Middle Ages, the poor, agricultural Sammarinese community remained independent primarily by not attracting the attention of larger, more powerful neighbours (Sundhaussen, 2003, pp. 215–216). At some point in this period, communal rules were set up and an assembly in which the male heads of all Sammarinese families were represented (the *Arengo*) came into being. Additionally, in 1244 the duumvirate of the Captains Regent (*Capitani Reggenti*) was created, which persists to the present (Bacciocchi, 1999, pp. 28–29).

At the end of the eighteenth century, when Napoleon's forces invaded the Italian peninsula, San Marino signed a treaty of friendship with the French Empire. Appreciating the Republic's traditional values of liberty and equality, Napoleon reassured San Marino's independence, which was reconfirmed at the Congress of Vienna in 1815 (Casali and Crescentini, 2003, p. 74). Because the microstate had given asylum to Giuseppe Garibaldi and his supporters, the newly established Italian Kingdom in 1862 also respected the sovereignty and autonomy of the Republic in a signed agreement between the two states (Eccardt, 2005, p. 100; Sundhaussen, 2003, pp. 215–216). During the two world wars, San Marino's declared neutrality was largely respected, with the exception of an erroneous bombardment by Allied forces in 1944.

Over the centuries, the contours and institutions of contemporary Sammarinese democracy evolved. After the fourteenth century, the powers of the *Arengo* were delegated to the newly established Council of Sixty, as the heads of families who constituted the *Arengo* had come to see its compulsory attendance as a burden rather than a privilege (Bacciocchi, 1999, pp. 31–32). From 1906 onwards, members of the Council of Sixty (now known as the *Consiglio Grande e Generale*, or Great and General Council) are directly elected, although female suffrage was introduced only in 1957. Between 1926 and 1943, San Marino was ruled by the Sammarinese Fascist Party, which transformed the country into a single-party state (Duursma, 1996, p. 218). After the end of the war and the restoration of democracy, a coalition of communists and socialists was voted into office and for several years San Marino was the only Western European country that was ruled by (elected) communists (Bonelli, 2010, pp. 163–165). In 1957, during San Marino's constitutional crisis

and subsequent coup d'état (the so-called *Fatti di Rovereta*), the left-wing minority government was toppled by the opposition, supposedly aided by the CIA and the Italian government (Bacciocchi, 1999, pp. 117–118). Since then, San Marino's Christian-democratic and social-democratic parties have dominated the Republic's politics, but in recent decades the Sammarinese party system has fragmented and, just like in Italy, many new (populist) parties have gained parliamentary representation.

CONTEMPORARY POLITICAL INSTITUTIONS, DYNAMICS AND CHALLENGES

Reflecting their particular and often peculiar political histories, the political systems of the four European microstates contain a variety of idiosyncratic and sometimes unique features. Andorra and San Marino are the only countries in the world with two heads of state, and, occupying their position only half a year, the Sammarinese Captains Regent have the shortest periods in office of any head of state around the globe. The ambiguous position of the Liechtenstein and Monegasque princes has sparked debates about how to classify these monarchies (cf. Marxer, 2007; Veenendaal, 2014a; Wolf, 2015) and Liechtenstein is the only country in the world that combines the three elements of monarchy, representative democracy and direct democracy (Liechtenstein, 2009).[3] Both Liechtenstein and San Marino employ a number of instruments and mechanisms of direct democracy that are not observed elsewhere (Marxer, 2007). Among these, one finds the Sammarinese *Istanze d'Arengo*, occasions during which citizens can present petitions and requests of public interest to the newly elected Captains Regent (Casali and Crescentini, 2003). As these examples demonstrate, despite their smallness and dependence on larger neighbouring countries, the political systems of the European microstates have developed largely autonomously. In contrast to small states in other world regions, which mostly adopted the political institutions of their former metropolitan power(s) upon decolonization, the institutions of the European microstates were largely shaped by internal, endogenous processes. This also entails that the European microstates have traditionally been more nationalist than cosmopolitan, and before the Second World War they mostly abstained from participating in international affairs (Duursma, 1996).

Yet despite this important difference, the diminutive size of the European microstates entails that they share various political features with other small states, resulting in both political challenges and opportunities. In the first place, all four microstates have strongly cohesive and interconnected societies, in which "everybody knows everybody" (cf. Corbett, 2015). In terms of politics, this entails that politicians have

[3] While larger constitutional monarchies like Denmark, the Netherlands and the United Kingdom also allow for the organization of popular votes, in Liechtenstein both the monarchy and direct democracy play a much more prominent (or equal) role vis-à-vis representative institutions.

very close and personal ties with their constituents, producing overlapping and intersecting personal and professional relationships (cf. Ott, 2000). Relating to the democratization/group think dilemma highlighted in the introduction to this volume, these close connections produce mixed outcomes for democratic governance. From a positive perspective, such face-to-face politics and reciprocal communication between citizens and politicians enhances the capacity of politicians to adequately represent their constituents (Dahl and Tufte, 1973). In contrast to larger Western European democracies in which voters are increasingly cynical and detached from politics, citizens of the four European microstates are very much politically involved and active. According to one of the Liechtenstein ministers I interviewed:

> The politicians are quite close to the people. We are not a political elite; a political group of people who are far away from reality, but we are involved in daily life, involved in relations with the citizens. (Veenendaal, 2014a, p. 339)

The closeness between citizens and politicians thus produces a non-hierarchical society in which informal relations enhance citizens' involvement in politics (Baldersheim and Keating, 2015; Thorhallsson, 2019). Reflecting this notion, interview respondents in San Marino highlighted the importance of political participation to the survival of the microstate and its political system:

> Participation in politics is very important and it is one of the reasons why the Republic of San Marino has remained independent, while being so small. This collective participation in public life has determined the success of the Sammarinese republican model after all these ages. (Veenendaal, 2014b, p. 78)

The greater access of citizens to politicians in European microstates can be clearly observed when looking at the ratio between citizens and members of parliament (MPs). With 34,000 inhabitants and 60 MPs, on average each Sammarinese *Consigliere* represents less than 600 people, which is the smallest ratio in the world. In Monaco and Liechtenstein – which have 24 and 25 MPs respectively – this ratio is around 1,500, while parliamentarians in more populous Andorra each represent 3,000 citizens. Striking differences can be seen when these figures are compared to citizen/MP ratios in Western European democracies like Switzerland (42,000), the Netherlands (110,000), France (116,000) and Germany (130,000).

Another consequence of the close connections between citizens and politics is that programmatic forms of contestation in the four microstates are virtually absent, meaning that politics is mostly conducted on the basis of personal relations (Richards, 1982; Veenendaal, 2013). Because citizens know a considerable number of politicians personally, voting behaviour is strongly determined by these personal ties. As highlighted in the introduction to this volume, the absence of ideological pluralism sometimes results in a lack of (substantive) political alternatives, leading to the entrenchment of political elites and limited alternation in office. Monaco has essentially been a single-party state from 1962 to 2003, when the revised Franco-Monegasque Treaty ascertained pluralism within the National Council

(Grinda, 2007, p. 86). In the decades before this change, the National and Democratic Union (*Union Nationale et Démocratique*) had dominated Monegasque politics and sometimes was the only faction with representatives in parliament (Eccardt, 2005, p. 81; Guillot, 2010). Even though formal governing and opposition movements are now discernible in Monaco, as Grinda (2007, p. 72) argues, there are no significant differences between their platforms:

> Unlike many countries, here is no ideological confrontation in the usual sense of the word. Indeed, the political movements, although existing and very active, have nothing in common with party organizations in neighbouring countries, where an organized structure, a government programme and the conquest of power are the objectives.

In Liechtenstein, a somewhat comparable situation exists. Since the end of the Second World War, the Principality's politics have been dominated by the Fatherland Union (*Vaterländische Union*, VU) and the Progressive Citizens' Party of Liechtenstein (*Fortschrittliche Bürgerpartei in Liechtenstein*, FBP). Although their names might suggest differences in political orientation, both parties have a conservative, economically liberal and royalist political position and there is "little if any difference in their political and social philosophies" (Beattie, 2004, p. 189).

In Andorra, parties are "necessarily personalized due to the smallness of the electorate and the demographic basis of Andorra" (Becat, 2010, p. 155). The establishment of representative political institutions here in 1993 has not led to a decrease in person-oriented politics, "because a long tradition has forged solid alliances of interest between groups of families" (Becat, 2010, p. 156). The fragmentation of the Sammarinese party system after 1990 – which has led to a rapid increase in the number of political parties – was "guided by important personalities in Sammarinese politics" (Bacciocchi, 1999, p. 97). This conclusion is shared by Pelliconi (1995, p. 89), who points out that:

> [l]ike in the past, in San Marino, individual politicians, the leaders, have a decisive influence . . . especially in a microstate so susceptible to changes.

The lack of ideological politics and the focus on personal relations also make the politics of the European microstates more susceptible to conflicts of interest, patron–client linkages and corruption. The case study literature on all four countries reveals a tendency to favouritism and the exchange of votes in return for preferential treatment. This shows the downside of the accessibility of politicians: voters can exert formidable pressure by means of their political connections. As one high-ranking Sammarinese public official noted during an interview:

> Every citizen has access to political leaders; because they are friends, because they are related, or because they love each other. . . . And this closeness makes it difficult to respect the law; in this country it is very difficult to respect the law. Especially because of this reason, because everyone seeks a way to circumvent the law. . . . So the minister who one day of every week receives the public does not receive people who ask for respect of their

> rights, but he receives people who ask him to break the law in their interest. (Veenendaal, 2014b, pp. 90–91)

Like its larger neighbour Italy, San Marino has gained a reputation for clientelism and corruption, particularly after a large number of former high-ranking politicians from different parties were convicted for bribery, corruption and money-laundering in the still ongoing Conto-Mazzini process (La Repubblica, 2015). This legal investigation also exposed links between the Sammarinese political elite and the Calabrian mafia group *'Ndrangheta*, with the crime group using the microstate's banks for money-laundering purposes. While less prominent, corruption scandals involving microstate politicians and high-ranking criminals or transnational crime groups have also occurred in the other three microstates, indicating that this particular type of corruption indeed represents a considerable political challenge for these countries. In this sense, they sometimes tend to confirm Somerset Maugham's image of "a sunny place for shady people" (1941, p. 156).

The political institutions of Andorra and San Marino are fully compatible with principles of modern democracy; however, the position and role of the Liechtenstein and Monaco monarchies continue to spark both domestic and international debates. The Council of Europe's Venice Commission has published reports criticizing the powerful political role of these unelected monarchs (Venice Commission, 2002, 2013) and also in international media, the political role of the Liechtenstein and Monegasque Princes has been portrayed as anachronistic and undemocratic (cf. BBC, 2012; The Independent, 2012).[4] Yet while Monaco's population seems united in its support for the royal family, in Liechtenstein the actions and role of the Prince have created sharp political divisions and polarization, with a vocal minority calling for a limitation of the Prince's powers (Veenendaal, 2014a; Wolf, 2015). As one minister indicated during an interview, such tensions can run quite deep during referenda on the constitutional position of the monarchy:

> The emotional fight that we had for the vote on the constitution was so troubled that there was a real fight in families, in marching bands, in choirs, in all these social events where people gather they were fighting so hard. And people that got along with each other well suddenly really emotionally fought about the future of our state. And there was no party, there was no funeral and no wedding and no Christmas party, no birthday party where people did not get into fights. (Veenendaal, 2014a, p. 344)

As this quote underscores, the entanglement of public and private spheres in small societies entails that political conflicts can have a direct impact on people's personal relationships. Under such circumstances, there can be strong pressures to conform to "unitarist values and practices" (Baldacchino, 2012), with those who voice a dis-

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[4] Both Liechtenstein and Monaco are classified as 'free' in the Freedom House dataset (which is the only aggregate index of democracy that includes these microstates). However, they have a lower score on the dimension of political rights due to the dominant position of the unelected monarch in their political systems (Freedom House, 2018).

senting opinion running the risk of social exclusion and ostracism. As the following section on socio-economic dynamics will demonstrate, in all four microstates this is a recurrent phenomenon.

SOCIO-ECONOMIC DYNAMICS

Coming out of the Second World War, the European microstates were relatively underdeveloped agricultural societies which in the absence of industrialization and natural resources appeared to lack any solid basis for economic growth (cf. Sundhaussen, 2003). Their societies consisted mostly of a small number of peasant and merchant families, which in the cases of Andorra and San Marino maintained a lengthy tradition of self-governance and in the cases of Liechtenstein and Monaco had long been governed by a well-respected princely family. The establishment of the Monte Carlo Casino in 1856 had already produced a steady flow of income for Monaco, but in the other three microstates opportunities for the exploitation of such niche markets emerged only in the latter half of the twentieth century. Over the course of less than 20 years, the development of banking sectors propelled these countries from economic backwaters into the most prosperous per capita jurisdictions in Europe. As Table 10.1 indicates, all four microstates have GDP per capita levels of US$50,000 or more, which is higher than any of their neighbouring countries except Switzerland. While small states are generally "characterized by the limited capacity of their political, economic and administrative systems" (Baldacchino, and Wivel, 2020, pp. 2–18), their affluence entails that the European microstates are to some extent exceptions to this rule.

The unusual combination of economic growth without industrial development (*pace* Liechtenstein) produces a number of noteworthy societal dynamics. First, in the absence of a class struggle or labour movement, the societies of the European microstates have remained politically conservative, which is indeed a general feature of very small states and microstates (Guidi and Ferrari, 2003; Sutton, 2007). Indications of this pattern are the continuously dominant role of the Church; restrictive laws regarding abortion, euthanasia, LGBTQI rights and soft drugs; and an enduring gap between men and women regarding employment, wages and political representation. The microstates were also among the last countries in Europe to implement female suffrage. In 1957 San Marino was the first of these four microstates to extend voting rights to women; but, due to a slow implementation of laws, women could only vote for the first time in 1964 and passive electoral rights were granted to women in 1973 (Bacciocchi, 1999, pp. 123–124). Whereas Monaco introduced female suffrage in 1962 and Andorra in 1970, in Liechtenstein women could only vote since 1984. In this latter microstate, equal rights between the sexes were only realized in 1992 (Beattie, 2004, p. 176).

Having long remained generally shielded from international affairs and outside influences, rapid economic growth from the 1960s onwards resulted in the influx of significant numbers of migrants. In all four microstates, resident foreigners now

constitute a large proportion of the population. Monegasque nationals comprise less than a quarter of the population of Monaco, with French, Italian and British citizens together forming more than half of the inhabitants of this Principality. Andorrans make up about one-third of the population of this microstate, with French, Spanish and Portuguese citizens together constituting a majority. Two-thirds of the inhabitants of Liechtenstein are citizens of the Principality, while over 80 per cent of the inhabitants of San Marino possess the Sammarinese passport. The proportion of national citizens to foreign residents thus differs strongly per microstate; but, in all four of them, in-migration has had a strong societal impact and has sparked debates about belongingness and national identities. Migration has therefore rapidly raised the significance of the nationalism/cosmopolitan dilemma (Baldacchino and Wivel, 2020), which perhaps plays an even more prominent role here than in other small states. Resistance towards immigrants has become a common feature of most Western European societies; but, in the four microstates under review, the fear of losing national identity and becoming a stranger in one's own country due to the overwhelming presence of foreigners (a sensation called *Überfremdung*, or 'over-foreignization' in Liechtenstein) is even more profound (Grinda 2007; Marxer, et al., 2017).

In response to such feelings and perceptions, and by virtue of not being a member state of the EU and therefore party to its four freedoms, including freedom of movement, these four microstates have adopted very restrictive naturalization laws, which in some cases make it almost impossible for migrants to obtain citizenship and political rights. In Andorra, for example, prospective citizens must marry a resident Andorran, or live in the Principality for more than 20 years to qualify for citizenship; in Liechtenstein, this same process takes at least 10 years (Freedom House, 2018). Aside from the attainment of active and passive suffrage rights, citizenship commonly also carries a variety of other prerogatives, among which land ownership and access to higher wages and social security provisions. As a result, foreigners residing in one of the four microstates often express feelings of discrimination and (social) exclusion and feel like they are treated as second-class citizens. In recent years, this situation has come to the forefront due to emergence of populist, anti-immigrant parties such as *Die Unabhängigen* (DU – the Independents) in Liechtenstein, which exploit simmering feelings of xenophobia among the population.

As a consequence of the minuteness of their societies and the presence of a large foreign-born population, all four microstates exhibit a strong tendency towards "concerted political harmony" (Sutton, 2007), which translates into strong in-group and out-group dynamics and certain dominant cultural codes that members of society are expected to adhere to (Baldacchino, 2012). As Grinda (2007, p. 70) remarks in the case of Monaco:

> The fact that Monegasques are a minority in their own country only reinforces their sense of unity. . . . The community is reluctant to exhibit its divisions other than in the reduced setting of the press, since it is conscious of the risk of incomprehension from foreign observers.

The sources of national identity and belonging vary per microstate, but commonly centre on religion, language and family heritage. In the case of Monaco and Liechtenstein, a strong emphasis is put on support for the royal family and in the latter country those who do not support or criticize the political position of the Prince run the risk of social exclusion. As a journalist in this microstate indicated during an interview:

> I mean for many people it is at the heart of our identity. Liechtenstein is a monarchy and as a Liechtensteiner you identify with the Prince and if you don't you're not really a Liechtensteiner. It's as easy as that. (Veenendaal, 2014a, p. 342)

As in other small societies, pressures to conform to dominant cultural and communal norms in the four microstates can be formidable and the intimacy and social control may generate feelings of claustrophobia (Baldacchino and Veenendaal, 2018). Especially for younger people, pursuing education in a larger neighbouring country represents a welcome opportunity to (at least temporarily) escape from what could be a stifling, social straitjacket.

INTERNATIONAL RELATIONS: CHALLENGES AND OPPORTUNITIES

Having long successfully maintained their political independence and even surviving two world wars, the four European microstates appear to be remarkably effective in the management of their international affairs. The case study literature reveals that both in the past and present, political elites of these countries have successfully asserted their neutrality, exploited loopholes in the international system, and played off various European powers against each other (Eccardt, 2005). This shows that the microstates are successful in defensively securing a space for national actions and asserting their sovereignty, while they have not really had the ambition or capability to influence international affairs. In terms of the influence/autonomy dilemma highlighted in the introduction to this volume, the focus of the European microstates has therefore clearly been on maintaining their autonomy and independence. Certainly before the Second World War, but to a large extent also afterwards, they have opted for policies of abstinence and neutrality rather than to exert international influence (cf. Fox, 1959; Maass, 2017; Rickli, 2008). Yet, while their very survival can be considered remarkable, after the Second World War the European microstates have even thrived, becoming the wealthiest per capita countries on the continent due to their offshore finance and banking industries. Expanding European integration has offered the microstates far-reaching benefits and opportunities, although they have formally not been part of this process (Dósza, 2008). Cornerstones of EU policy, among which open borders, the free flow of people and goods and the single market have provided the microstates with a politically secure and economically highly profitable external

environment, offering them opportunities that are far out of reach for microstates and small states in other world regions (Frommelt, and Gstöhl, 2011).

All four microstates have very close relations with their immediate neighbours, which in various ways exceed regular interactions between sovereign states (Duursma, 1996). Swiss diplomats for example commonly represent Liechtenstein in international affairs and Liechtenstein relies on the Swiss army for military protection. The two countries also have a customs and postal union and Liechtenstein uses the Swiss franc as its national currency (Beattie, 2004). France continues to have a strong impact on domestic Monegasque politics, even providing candidates for important political and judicial positions in this Principality (Grinda, 2007). While relations between San Marino and Italy were very tense in the 1950s, even culminating in an 18-month blockade of the microstate in 1951–1952, at present the economies and politics of the two countries are closely intertwined, with San Marino hiring members of the Italian police force and judges to enforce and apply its law. Having close relations with both its French and Spanish neighbours, Andorra relies on these two countries for various services and before the introduction of the euro Andorra used both the French franc and the Spanish peseta.

Yet, despite the very close links between Liechtenstein and Switzerland, Monaco and France, San Marino and Italy and Andorra and both France and Spain, these relationships have come under significant pressure at the dawn of the new millennium. First, in 1998, the Organisation for Economic Co-operation and Development (OECD) launched a global initiative against fiscal evasion and tax havens, in which it also specifically targeted the European microstates (Hishikawa, 2002; OECD, 1998; Sharman, 2006). In a second report that was published in 2000, Andorra, Liechtenstein and Monaco were explicitly listed as "uncooperative tax havens". Reasserting their political sovereignty and claiming the freedom to devise their own banking and taxation systems, the microstates initially repudiated the OECD initiative. However, the global financial and economic crisis of 2008 strongly increased the external pressures on the microstates, as countries like Germany, France and Italy launched their own initiatives against fiscal evasion, explicitly targeting the microstates and branding them as malevolent tax havens. Aware of the fact that their wealth largely depended on banking and taxation systems, the microstates forcefully defended their positions and did not eschew powerful rhetoric in doing so. In response to German pressures, Prince Hans-Adam II of Liechtenstein, for example, spoke about his "powerful northern enemies" and said: "in the last 200 years, we have survived three German *Reichs*, so I hope we will also survive a fourth" (Süddeutsche Zeitung, 2010). In San Marino, political actors stipulated that Italian businesses, parties and politicians had long used the microstate as their bank to store money, but now suddenly attacked San Marino for playing this role.

The fight against fiscal evasion posed a formidable threat to the economies of the four microstates. Confronting San Marino, the Italian government in 2008 announced a tax amnesty for Italians who repatriated their offshore assets, while concurrently announcing further legal action against those who maintained their bank accounts in San Marino (RTV San Marino, 2008). In addition, the Italian government explicitly

discouraged Italian companies to do business with San Marino (IMF, 2011). In response to these actions, the Sammarinese economy strongly contracted between 2008 and 2013, with a negative growth rate of −12% reported for the year 2009. More or less similar figures could be observed in Andorra, Liechtenstein and Monaco, but since 2013 all four microstates are showing signs of economic recovery. Already in 2009 the OECD removed Andorra, Liechtenstein and Monaco from its tax haven blacklist and in recent years the microstates have signed and ratified various tax agreements with the European Union and neighbouring countries (cf. Tanganelli, and Pou, 2012; Eggenberger, and Emmenegger, 2015). In 2017, the Andorran government even passed a law to fully criminalize tax evasion (France 24, 2017).

While representing an arduous economic and international challenge, the conflict over tax regulation paradoxically also presented some opportunities to the microstates' political elites. By evoking powerful sensations of external threats and vowing to protect their country's independence in this modern version of David versus Goliath, some microstate leaders were able to bolster their domestic political positions. This is particularly the case for the Monegasque and Liechtenstein monarchs, with the latter highlighting the fight against "powerful enemies" and "so-called democrats" both at home and abroad, thereby putting domestic critics squarely in the anti-Liechtenstein camp (Marcinkowski, and Marxer, 2011).

CONCLUSION

This chapter has reviewed the main political, economic, societal and international dynamics of the four European microstates, with particular attention to size effects. Throughout the chapter, various references have been made to publications on small states, showing the extent to which these four cases are similar to or different from small states in other parts of the world. While the majority of small states are island nations with low or middle income economies that have only fairly recently attained statehood, the four microstates under review are (extremely) wealthy continental jurisdictions with a long history as (semi-) sovereign entities. As a result, despite their small size, the four microstates' societies and political systems have developed in relative isolation and the Sammarinese (Latin) dictum *cogniti nobisque incogniti aliis* – "known to us, unknown to others" – was long a cornerstone of their foreign policies (cf. Sundhaussen, 2003, p. 217). In comparison to other small states, the European microstates have therefore traditionally been inward-looking and detached from international affairs. This all changed abruptly in the second half of the twentieth century, when rapid economic development, substantial immigration and European integration catapulted the microstates into the modern era. In the case of Andorra, this process culminated in the adoption of a completely new parliamentary democratic system and this microstate "transformed essentially from a medieval state into a modern one in less than twenty years' time" (Eccardt, 2005, p. 74).

European integration and the exploitation of niche markets have provided the microstates with great opportunities. Yet, as in other small states, such occasions

are always accompanied by risks and vulnerabilities. Immigration has reinforced the significance of the nationalist/cosmopolitan dilemma in the microstates, producing strong pressures to be more active and engaging in international affairs but also to protect the national culture and identity. The four microstates have only just recovered from the effects of the 2008 global economic crisis and the ensuing clampdown on fiscal evasion and tax havens, which has hit their finance-based economies disproportionally hard. Faced with ever stricter international laws and regulations regarding offshore finance and taxation, these countries must find new markets to exploit, of which tourism seems to offer the best opportunities. However, the economic crisis has also exposed some of the political challenges stemming from these countries' small size, as a result of which Sammarinese media for instance reported about a double crisis: one international and one domestic. The recent persecution and conviction of many key figures of the former Sammarinese political elite for bribery, corruption and money-laundering most accurately shows some of the perils of governance in small states (La Repubblica, 2015). In this sense, domestic circumstances nowadays appear to form an equal or perhaps even greater quandary to the political future of the four microstates.

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