Aneta A. Teperek (2025). ***Economic development in the world's smallest economies: How geography, demographics, and culture define economic activity.*** **Palgrave Macmillan. ISBN-13: 978-3-0316-3809-1. £104.99.**

Traditional economic growth models, such as the Solow-Swan model or endogenous growth theories, rely on the advantages of large markets; they thus theorise away small state development. Yet, for small states whose domestic markets are inherently limited, diseconomies of scale are a fact of life.

When I came across this book, authored by the founder of the Organization of the World's Smallest Economies (https://www.osew.org/), I was reminded of the key insight from the niche 'growth economics' literature of small states: that differences in levels of economic development can, at least in part, be attributed to vulnerability, defined as a disproportionate exposure to shocks, and resilience, meaning the inbuilt ability to withstand such shocks. In this spirit, this book, likewise, fills an important research gap by shedding light on how smaller states grow under constraints that mainstream theories tend to overlook.

It does so by seeking to reposition the World's Smallest Economies (WSEs) within a broader narrative of global economic development. First, it categorises countries according to their economic potential, splitting the 193 UN-recognised states into three groups: the world's largest economies; the medium-sized economies; and the smallest, moving away from conventional metrics such as population size, land area, or GDP per capita. The economic potential is defined as the capacity of an economy, measured by the gross domestic product at constant prices. Second, after identifying the WSE group, the book explores the geographic, demographic, and cultural features that shape their developmental prospects. Third, it draws attention to the often-overlooked potential of WSEs, highlighting their population, human capital, natural and marine resources, strategic coastal locations, and their cultural heritage, as potentially unrealised capital in rethinking global development priorities.

The book offers a general overview of the 93 countries classified as members of the WSE group, collectively contributing to just 1% of the world's GDP. It describes how geographic factors are likely to influence the economic performance of sovereign states. These attributes are considered not merely for their material implications, but also for their effects on trade and connectivity, amongst others. This book notes that geographical neighbourhoods can generate positive economic effects; for example, states like Antigua and Barbuda, Barbados, and St Kitts and Nevis benefit economically from their proximity to the United States.

The book notes that island and coastal WSEs boast higher levels of economic development than landlocked WSEs. Ocean access allows to fisheries, maritime transport and trade, coastal tourism, and green (hydroelectric and wind power) energy generation. However, coastal WSEs bordering poor countries (e.g. The Gambia, Togo) appear not to have benefitted as much economically, suggesting that regional poverty can outweigh geography. Also, remote island WSEs (e.g. Micronesia, Kiribati) suffer from physical isolation, leading to weak economic ties and high transport costs. This contrasts with the experience of Iceland, showing that a country can still benefit economically if linked to strong partners: in this case, being part of the European Economic Area (EEA).

The book next delves into the natural environment. It turns to soils and land use, examining agricultural suitability and the economic applications of land. The economic implications of access to fresh water and Exclusive Economic Zones, which provide strategic and financial advantages to many of these WSEs, are also explored. For example, the book observes that the climate has influenced the development of WSEs directly by affecting sectors like agriculture, industry, urbanisation, and tourism, and indirectly by shaping the biosphere

and vegetation. Regions with less favourable climates, such as Iceland, have leveraged natural resources like hydropower and geothermal energy to fuel economic growth. The strategic use of renewable energy has led to remarkable economic progress: Iceland's per capita GDP grew from triple to almost five times the global average between 1970 and 2019.

The book also comments on demographic factors that are often assessed without due attention to WSEs. Given their small size, WSEs are more vulnerable to demographic pressure. With relatively low levels of economic development, most WSEs have not been host countries for immigrants; instead, outmigration has been a common response to slim domestic prospects. Only a few, developed small countries or mineral-exporting nations receive immigrants.

Cultural influences are also addressed in this book. These are often overlooked in the growth economics literature, treated as unobserved factors or simply as a 'black box' within social capital. The book discusses social norms, language, religious diversity, and cultural attributes with knock-on effects for economic behaviour and long-term development. The book then offers insights into how such intangible factors shape material outcomes.

For example, the book explains how cultural influences present both opportunities and challenges for WSEs. Cultural differences can exacerbate conflict or internal division, leading to an erosion of political and economic structures. Conversely, common cultural roots can foster countries to collaborate, such as the EEA, which has spurred the economic growth of member states, including WSEs such as Cyprus, Iceland, Liechtenstein, and Malta. The book further notes that cultural conditions have mobilized Western economies (e.g., Andorra, Cyprus, Liechtenstein, Iceland, Malta), delivering sustained long-term economic growth; while traditional principles of Buddhist (Bhutan, Laos), Hindu (Nepal), African (Benin, Burundi, Madagascar, Togo), and Islamic (Afghanistan, Chad, Comoros, Gambia, Yemen) cultures are identified as conducive to slower economic development. The reasons vary. For example, the Western (European) subgroup comprises Christian countries driven by Protestant values; these emphasise democratic principles, rule of law, gender equality, and economic freedom. Such norms nudge entrepreneurship, self-initiative, and the protection of individual privacy. The result?: such countries have achieved very high levels of economic development.

I would have liked to see more engagement with recent empirical literature on small state resilience. While the book adopts a clear and accessible linear progression of arguments, it could have better linked its research outcomes to the well-established literature on economic vulnerability and resilience indices (with scholars such as Biagi, Briguglio, Lindsay and Pereira). This would have strengthened the book's scholarly contribution and provided a clearer justification for its thematic choices.

Still, the book's strict narrative approach allows readers to appreciate the complex and often underexplored interplay between geography, demography, and culture in shaping economic trajectories. For students, researchers, and policymakers seeking a foundational understanding of WSEs, the book functions as an accessible publication and helps to ground theoretical discussions into concrete application. It has no rigorous statistical analysis or econometric methods; relying instead on descriptive techniques. Yet, its readers gain a solid background to understand why certain economies remain structurally constrained despite global integration. Teperek's book is particularly valuable to anyone working on small state development, island economies, or regional planning in peripheral nations.

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