



Outsourcing Empire: How Company-States Made the Modern World

by Andrew Phillips and J.C. Sharman.

Princeton: Princeton University Press, 2020. Pp. viii, 253. ISBN 978-0-691-20351-5.

Review by Nicholas J. White, Liverpool John Moores University (n.j.white@ljmu.ac.uk).

International Relations (IR) meets History in this insightful and wide-ranging study of company-states. Its authors, Andrew Phillips (Univ. of Queensland) and J.C. Sharman (Univ. of Cambridge)¹ focus on chartered enterprises like the Dutch East India Company (VOC²), the English East India Company (EIC), and the Hudson's Bay Company (HBC). At their zenith in the seventeenth and eighteenth centuries, they bridged the gap between “grasp” and “reach” (10) and gave early-modern Europe an “anemic capacity” (17) for imperial expansion. Company-states were thus “hybrid entities” (1)—neither sovereign states nor true merchant firms. This was most evident in the right of chartered companies to make war and profits simultaneously. For the VOC of the 1620s, “war-making and profit-making were inextricably entwined” (42). Daniel Defoe cheered on the Royal African Company (RAC) because “Trade is carried merely by Force, and you carry on your commerce as Princes make Treaties, Sword in Hand” (84). The competitive advantage of chartered companies lay in their ability to “internalize protection costs” (45), while the security blanket attracted the long-term capital for long-distance imperial enterprise. Yet the authors argue that the company-states were “so important” because

they blazed the trail of European world empires in almost every region. That we can now speak of a world economy at all was in the first instance thanks in large part to company-states' inter-continental trade. From spices to tea to textiles, they drove a consumer revolution in Europe. In their business structures and practices they helped lay the basic foundations of financial capitalism. The company-state form was so widely emulated in Europe because for very long periods of time these hybrids worked so well as engines of self-financing corporate imperialism. (200)

Company-states were the “primary mediators” (2) linking Europe with the rest of the world, in a default corporate mode copied from Scotland through Scandinavia to Russia. Though chartered companies seem abhorrent today, they were once considered the norm in a context of blurred lines between public and private spheres. Until relatively recently, say Phillips and Sharman, the sovereign state in the non-European world was a rare thing. International politics in the early-modern era was not just an occupation for governments. This is made clear by the RAC's decision in 1705 to make its own peace with its French counterpart, even though the two metropolitan states were still officially at war.

1. Phillips's previous work includes *War, Religion and Empire: The Transformation of International Orders* (NY: Cambridge U Pr, 2011); Sharman is the author of *Empires of the Weak: The Real Story of European Expansion and the Creation of the New World Order* (Princeton: PUP, 2019) and *The Despot's Guide to Wealth Management* (Ithaca: Cornell U Pr, 2017). The two have also co-authored *International Order in Diversity: War, Trade and Rule in the Indian Ocean* (NY: Cambridge U Pr, 2015).

2. I.e., Vereenigde Oost Indische Compagnie.

The authors also stress the widespread revival of the company-state during the late-nineteenth-century scrambles for Africa, Southeast Asia, and the South Pacific, suggesting that there was nothing “new” about the “new imperialism.” Most shocking in this second wave was King Leopold’s Congo Free State (CFS), which was less a company-state than a “most devastating example of hybrid colonialism” (196).

Only in the early twentieth century did “a firm system-wide presumption against hybrid forms of sovereignty” (209) take hold. The imprint of company-states still persists in world politics and geographies. For example: the Dutch West India Company possessions constitute the former Netherlands Antilles, the British Overseas Territory of St. Helena was once an EIC outpost, and the bankruptcy induced by the Darien Company fiasco in central America helped inspire Scotland’s union with England after 1707. Meanwhile, international borders in south-central Africa, Southeast Asia, and the South Pacific are those that European companies carved out at the end of the nineteenth century.

Nevertheless, company-states ceased to exist before the post-World War II era of decolonization. As for their hybrid nature,

it was the combination of their powers that both accounts for much of their institutional success in conquest and commerce, but also was a major contributor to their later decline. In an environment where people subsequently came to see states and companies as fundamentally different sorts of actors with fundamentally different goals, company-states found themselves increasingly under pressure to fit a template of either a public or a private actor. Their hybrid institutional identity turned from an asset to a liability. (9)

The first generation’s “functional redundancy” (13) was apparent by the late eighteenth century, as increasingly powerful European states with equally “interfering metropolitan governments” (19) imposed restraints. Long before the Indian “Mutiny” of 1857, the EIC was subject to “creeping nationalization” (211) as it assumed territorial power and ruling took precedence over trading. Edmund Burke’s characterization of the EIC in 1788 as “a state in the disguise of a merchant, a great public office in the disguise of a counting house” (144) indicated a metropolitan environment intolerant of mercantilism and public-private partnerships (at least those that strayed into official domains). Meanwhile, the precepts of positivist international law, both Euro- and state-centric, questioned the “concessions to indigenous customs” and “corporate diplomacy and war-making” (151) that underpinned successful company-states.

The second wave of companies (c. 1880–95) were “pale imitations,” “crippled at birth” (4, 15) by governments loathe to cede the sovereign powers of previous epochs. Government by states became the norm as “western states assiduously guarded their relatively new monopoly on war, especially inter-state war” (201). The “powerlessness” (167) of the Russia-America Company vis-à-vis the Tsarist autocracy was driven home in 1867 when the cession to the United States was stitched up without the firm’s knowledge. There was an international ideological assault on the CFS for its “Red Rubber” regime, based upon the fact that the Belgian monarch’s fiefdom was clearly not a state. Government bailouts and de facto nationalizations demonstrated that sound government and big profits did not mix. Cecil Rhodes’s British South Africa Company made no returns to shareholders until 1923 after it was relieved of its charter and administrative responsibility as present-day Zambia and Zimbabwe fell to the ubiquitous colonial state. The failure of hybrid colonialism, then, reinforced the “universal sovereign state monoculture” (198).

Some historians may be on their guard against two IR specialists for applying present-day concepts to past circumstances. But Phillips and Sharman preclude this with their thoughtful in-

troductory chapter on the dangers of anachronism. In their concluding analysis of military contractors, sea-steading, and chartered cities, they maintain that the “normative stickiness of the state” (222), plus global allergy to suspected neo-colonialism, make comparisons with historical company-states highly unlikely. In short, IR specialists must know their history: “the current international system may be exclusively composed of sovereign states, but that does not mean it was built by them.... We study this system without really understanding where it came from or who built it” (21).

The authors also stress the limits of European power in the early-modern era. Company-states like the VOC had “a formidable in-house capacity for organized violence” (11) and used it, for example, in the Spice Islands. The chartered companies’ approach to the non-European world was saturated with Orientalism. For instance, the EIC’s ambassador dismissed the Mughal Empire in 1615 as an “overgrown Eliphant” (53). This cultural imperialism was apparent in the biased ordering of diplomatic relations that typically deployed company-states to non-Western, non-Christian states, while elsewhere governments dealt directly with governments. Nevertheless, the EIC remained pragmatic, supplicating the Indian rulers because it lacked firepower. As late as the mid-eighteenth century, “John Company” could muster only 1500 troops. In the Atlantic world, too, chartered companies were “working from a position of inferiority, dependence and vulnerability vis-à-vis local polities and traders” (94). Hence the Europeans relied on indigenous enterprises to supply slaves and furs in West Africa and North America respectively. In this, “the Europeans had to adapt to the non-Europeans at least as much as the other way round” (101) with “toe-holds ... generally held on the sufferance of local rulers” (108). A patchwork quilt of “customized compacts ... underwrote early modern globalization” (205).

The historical approach also recognizes divergences over time and space. British and Dutch chartered companies in maritime Asia were “able to inveigle their way into ... commercial networks and skim vast profits as arbitrageurs mediating the Europe-Asia trade” (11). In the Atlantic, however, geographical proximity allowed for greater intra-European competition and violence, which ate into profits.

The Protestant Europeans, though zealous nationalists, were not, like Spanish and Portuguese adventurers, obligated to proselytize. Moreover, Iberian monarchs would not delegate authority and integrate merchants into government as in England and the Netherlands. There was intra-Protestant diversity as well. The EIC were better able to manage principal-agent issues, while giving employees greater scope for private trade. And, too, the EIC and RAC were less trigger-happy than their Dutch rivals.

One wishes the authors had more fully addressed the historiography of the partitions—especially the “gentlemanly capitalism” thesis³—in their chapter on the late-nineteenth-century revival. The attitude of European states to full-blown colonialism is unsurprising given the geopolitical (not economic) underpinnings of the new imperialism. As Otto von Bismarck, an advocate of “colonialism on the cheap,” put it in 1884,

Our intention is not first to create provinces to be administered, but to take under our protection colonial enterprises and to aid them during their development, whether against the attacks of immediate neighbors, or against the annoyances that might arise from European nations. (168–69).

3. See P.J. Cain and A.G. Hopkins, *British Imperialism, 1688–2015*, 3rd ed. (NY: Routledge, 2016), esp. chap. 11.

On the other hand, “the primacy of geopolitics” is underlined by the withdrawal of the HBC’s charter in 1869 in the context of British fears about US irredentism.⁴ The claim that second-generation company-states had “neither the will nor the means to contest the state monopoly of organized violence” (201) needs modification. Leopold II did mount an efficacious counter-propaganda, “fake news” campaign in the western media, and enjoyed substantial international support, notably from the well connected Liverpool shipping baron, Sir Alfred Lewis Jones.⁵

Readers will miss a proper engagement with primary sources, and, irritatingly, precise dates for citations are often absent. But the strengths of this book are its comparative, interdisciplinary perspective and the originality of its argument. Couched in precise, often elegant, prose, supported by excellent maps, *Outsourcing Empire* is a joy to read. It will reward careful reflection by anyone interested in maritime, imperial, and global history as well as business historians and political economists.

4. See Ronald Hyam, “The Primacy of Geopolitics: The Dynamics of British Imperial Policy, 1763–1963,” *Journ. of Imperial and Commonwealth Hist.*, 27.2 (1999) 27-52.

5. See Dean Clay, “‘David vs Goliath’: The Congo Free State Propaganda War, 1890–1909,” *Int’l Hist. Rev.* (31 Aug. 2020) 457-74.