

**Andrew Phillips, J.C. Sharman, *Outsourcing Empire. How Company-States Made the Modern World*, Princeton University Press, Princeton-Oxford, 2020, pp. 253.**

This original contribution to the history of globalization analyses European commercial and political expansion as an overseas projection of the dialogue between sovereign power and the interest groups that recognize it as their supreme mediator.

In essence, the two authors describe a case of leapfrogging *ante litteram*: threatened by the Habsburg hegemony in Europe and by the monopoly of international trade resulting from the dynastic union between the Spanish kingdoms (endowed with a vast colonial empire in the Americas) and Portugal (enriched by its overseas *Estado da Índia*), the Protestant powers seized the opportunity to come to the fore in Europe's trade with Asia and Africa. Sovereign power in Holland and England needed affordable means to pursue overseas expansion – then the hallmark of any great power – in order to procure fiscal revenues not subject to the approval of local representative assemblies and to secure commercial resources like those supplying Spanish war efforts, at least from the second half of sixteenth century onwards. They acquired these by adopting a different organizational formula and introducing a dependable instrument: delegation of the exploration of unknown territories, of the management of relations with indigenous potentates and of the defence of the new domains' government – all functions closely linked to the profitable trade in African slaves, In-

donesian spices and Indian fabrics – to Company-States of merchants, financed through the issue and sale of stock, and endowed with legal personality and monopoly privilege. The newcomers' formula – actually a return to the past, compared with Portuguese and Spanish centralized state management – soon prevailed over that of their competitors. The latter included Portugal's declining commercial empire, which had been born as a branch of the state bureaucracy and was therefore subject to the sovereign dynasty's priorities, shaped often by the constant threat to the metropolitan territory's independence. The outcome of competition in international trade ultimately called into question the link between centralization and efficiency and thus the very concept of "modernity."

A complex phenomenon, therefore, which the authors place at the centre of an informed and innovative argument, analysing the role of Company-States in defining the relationships between the public and private spheres in Western political thought and in shaping the European attitude towards overseas cultures, together with the global system of relations established by Eurocentric international law in the late nineteenth century.

The traditional periodization adopted by academic historical studies displays all of its limits starting with the term chosen to define these collective actors, coined by Philip Stern to emphasize their hybrid nature. Characteristics such as legal personality, limited liability, financing through stock sale and separation between ownership and management, in fact, mark a close resemblance between the Company-States and the leading corporations of the Second Industrial Revolution, so-called big business – a contemporary phenomenon produced by an integrated world economy closely linked to the advance of the technological frontier. But the roots of these same features, along with others, such as the monopoly regime granted by sovereign privilege and the delegation of sovereign powers – namely, the exercise of government prerogatives, the stipulation of treaties and the managing of armies – can be found in the specific legal culture of the middle ages.

The authors rightly recall the jurisdictional powers of *universitas* with legal personality (associations of students and teachers, corporations, guilds), but also the authority, granted by the Christian monarchies to the border lords, to manage relations with the neighbouring powers' subjects almost independently, or the privileges of self-government granted to peasants, bourgeois and petty nobles willing to settle in newly conquered lands (in the Iberian peninsula of the *Reconquista*, as well as in medieval Germany of the *Drang nach Osten*). The Company-States of the seventeenth and eighteenth centuries, if associated with these remote cultural, legal and political antecedents, do not seem so significant a break with the past as were more recent innovations, such as British and Dutch ad hoc privateer associations, each created for a single expedition against Spain's Atlantic convoys.

Analysing the Company-States – the reasons for their success, their decline, and then their revival in the late nineteenth century during the Scramble for Africa – requires a multidisciplinary approach embracing different geographical areas (Africa, America, India and the so-called Far East) that English and Dutch historians of colonialism in the modern age have mainly studied separately.

Phillips and Sharman's research properly begins with the specific characteristics of the trade in Asian products. This was an extremely profitable activity given the high value of spices on European markets, but it was also extremely risky and required the establishment and maintenance of permanent structures: emporiums and ports of call, permanent delegations at the courts of the main sovereigns and local rulers in the areas of trade or transit, networks of reliable informants about the geographical and political features of still unknown territories, permanently equipped war fleets and, sometimes, armies. The monopoly regime (blocking the way to homeland competitors), the political prestige bestowed by the sovereign charter, legal personality (and the consequently limited liability of the shareholders), authorization to engage in piracy, autonomy in stipulating treaties and above all independent management of the military defence of routes and trading posts allowed the Company-

States to attract abundant patient capital, which was locked up in the maintenance of the above-mentioned structures.

Having identified the premises of the chosen company form – distinguished from previous Dutch and English attempts at commercial expansion by its character of permanent enterprise, not an entity created ad hoc for a single operation – the authors underline how the success and decline of the Company-States depended on a combination of factors. The primary aim of the Company-States was to achieve that overseas expansion which neither the Stuarts nor the United Provinces could accomplish using state administrative structures and ordinary tax revenues. The disproportion between the political objectives of the European powers and the organizational and economic capacity of the states appears to be a constant in Western military history, with the remarkable exception of the early Venetian commercial empire. From the late middle ages to early modern times, the Serenissima financed the maritime and land defence of its commercial network in the eastern Mediterranean through public debt, linking war and government to the profits made by the Venetian merchant patriciate.

The same dynamics were reproduced by the rise, decline and fall of the main English and Dutch Company-States – the East India Company (EIC), Royal African Company (RAC), Hudson's Bay Company (HBC), Vereenigde Oostindische Compagnie (VOC) and Geotrooieerde West-Indische Compagnie (WIC): private structures delegated to perform the diplomatic, administrative and defensive functions necessary to guarantee shareholders' profits and protect the motherland's overseas interests. A light structure – efficient fleets, small land armies, without the financial burden of direct administration of large territories – guaranteed high profits. A more complex and invasive structure would have meant higher expenses and lower profits. Thus, the EIC's trade with the India of the Mughals proved to be extremely profitable, because agreements could be made with an authoritative dynasty that was able to guarantee political stability, leaving the company with the sole burden of protecting its convoys. But with the Mughal Empire's

decline in the eighteenth century, the EIC had to take over the direct administration of a large territory and its expenses increased substantially. Later, the need to ask the British government for loans brought the EIC under increasingly tight control of homeland political institutions, exposing it to attacks by independent businessmen. The enemies of the monopoly regime mobilized public opinion through the press and sought help from affiliated politicians, in order to attack the company in parliamentary debates (especially after the Bengal famine of 1770) in the name of free trade and humanitarian principles.

By contrast, the longevity and profitability of the Hudson's Bay Company find an explanation in the low profile maintained by an enterprise operating in the fur trade in a geographically peripheral area, semi-isolated by ice for much of the year. In fact, the HBC not only undertook to preserve the local political balance by discouraging the settlement of European or Canadian immigrants and avoided performing any government activity in the territory under its jurisdiction: British operators in northern Canada also renounced a theoretically advantageous vertical integration of their business, in order to avoid trouble with the combative and well-armed native communities, which in fact long remained the sole suppliers of the primary commodity.

The multidisciplinary perspective adopted by Phillips and Sharman succeeds in representing the complexity of long-term phenomena – cultural and political, as well as economic – produced both in Europe and overseas by the management of international trade by hybrid actors under a monopoly regime. This regime was more profitable, the greater the distance between the motherland and the theatres of commercial and military operations of the companies. In this respect, the Company-States operating in the Indian Ocean suffered far less from interference by their respective home governments than did those operating in the Atlantic (the Royal African Company and the *Geocrooierde West-Indische Compagnie*). In that theatre, the state apparatuses were able to exercise much closer control over their subjects' activities, and political and military competition between European

powers had greatly intensified starting in the late sixteenth century, sharply curbing the merchants' freedom of action. If the VOC and the EIC could, in some cases, even act contrary to the guidelines of Dutch and English politics in Europe, sacrificing the defence of national interests for profit, the RAC and the WIC were called upon strictly to abide by those same guidelines. The Atlantic Company-States were also forced to cooperate militarily in the struggle for hegemony in Brazil, in the Caribbean and along the North American coast; obviously, when politics, not economic calculus, dictated organizational strategies, it was the dividends of the shareholders that were sacrificed.

Similar circumstances developed in the Indian Ocean in the second half of the eighteenth century, when that theatre was definitively incorporated into a competition for hegemony that had become global, and to an even greater extent in the following century. Thanks to the advances of the technological frontier (steamboats and the telegraph) and to the introduction of more complex and efficient bureaucratic structures, European state apparatuses increased their ability to wield long-distance control, an achievement also stimulated by the political demands for separation between the public and private spheres.

The inverse relationship between the size of dividends and the expanding governance tasks effectively exercised by the Company-States also underlines the importance of the non-European powers' attitude towards trade with the West, above all their willingness to cooperate with European entrepreneurs.

The authors do not appear to consider military force as a key factor in European expansion overseas, with the sole exception of the indisputable technological superiority of European navies. At least during the early modern age, no Company-State land force could compete with Indian and Chinese armies. Throughout the seventeenth and eighteenth centuries, the fortresses that defended the English trading posts in Africa were garrisoned by very limited European personnel and some local auxiliaries; to survive, they relied on good relations with the native warrior chiefs, whose armies made extensive use of modern firearms.

Even in the early nineteenth century, the Russian-American Company, which had assumed it could easily subdue the indigenous peoples of Alaska, counting on their supposed internal divisions and military weakness, had to cope with the natives' fierce resistance; the Tlingit, in particular, demonstrated political cohesion and unquestionable expertise in the use of firearms, including cannons.

Although Phillips and Sharman find that the great Asian empires were not very interested in overseas trade, as their financial resources came mainly from the taxation of agricultural revenues, when it came to bargaining with the Company-States, non-European peoples did not exhibit the ignorance of their own interests and naivety that some Western historians have ascribed to them. The economically self-sufficient Empire of China refused to exchange its manufactures and commodities (especially porcelain and tea) for any Western goods except gold and silver, thus pushing Britain to trade in opium and stimulating the expansion of the Russian fur trade beyond the Bering Strait. But the Africans were no less exacting; in exchange for slaves and protection of coastal outposts, they demanded valuable fabrics, suitable for satisfying the changing tastes of buyers.

More than assertive and self-referential, the Western attitude towards non-European peoples, modelled by the experience of Company-States, was pragmatic and flexible. Success in long- and very-long-distance trade exposed to unknowns and risks of every kind required the most detailed and unbiased knowledge possible of the indigenous counterpart and an ability to adapt to different ceremonial languages and customs, putting aside widespread prejudice – religious prejudices, first and foremost, as evidenced by the disinclination of Company-States (at least, those of the so-called first wave) to favour evangelization and by their hostility to third parties intending to convert indigenous communities to Christianity.

Certainly, in the name of profit, the Company-States were ready to resort to the most brutal violence towards indigenous peoples and European competitors. The sources regarding the VOC's activity, for

example, tell of English crews being beheaded and thrown overboard, and of entire Indonesian archipelagos being put to fire and sword, their inhabitants exterminated, and then repopulated with slaves imported from nearby lands. After the fall of the Mughal Empire and the defeat of its French competitors, the EIC in India was a ruthless tax collector, ready to saddle the local peasantry with the costs of its defence and government apparatus, in order to keep profits high.

Nonetheless, Company-States' agents found it much more expedient to pay homage to the leaders of the great empires who guaranteed order and stability, accepting formulas of submission and rituals that would have appeared humiliating to many Europeans of middling social level, and even declaring themselves servants of those sovereigns willing to grant military protection and extra-territoriality for trading centres. They also proved to be capable of dealing with local rulers as equals, proposing mutually advantageous agreements. Finally, they were able to insert themselves in politically fragmented environments torn by internal strife, gaining the status of mediators between the parties in conflict and even that of protectors of indigenous communities from other Company-States' voracious appetites.

Beyond that, the shortage of European personnel (poorly paid and decimated by tropical diseases) and the need for permanent brokers among the local populations – trained by Europeans and loyal to them, but expert in the language, the territory and its opportunities – spurred the Company-States to promote the development of an indigenous class of traders and bureaucrats in India and Africa – the same class that would be in the forefront of twentieth-century decolonization.

**Michele Rabà**

*ISEM – CNR, Milan*