Introducing the Company-State

SOME OF THE most important actors in the crucial formative stages of the modern international system were neither states nor merchant companies, but hybrid entities representing a combination of both. For almost two centuries, "company-states" like the English and Dutch East India Companies and the Hudson's Bay Company combined spectacular success in amassing power and profit in driving the first wave of globalization. They were the forerunners of the modern day multinational corporation, but were at the same time endowed with extensive sovereign powers, formidable armies and navies, and practical independence. In some cases, company-states came to wield more military and political power than many monarchs of the day, as they exercised corporate sovereignty over vast territories and millions of subjects. The company-states were thus both engines of imperialism and engines of capitalism. Here we seek to explain the rise, fall, and significance of these hugely important yet often neglected actors in creating the first truly global international system.

To understand the creation of the modern international system we need a comparative study of the company-states. Yet such a study has been missing. Today we see rule, governing, and war as synonymous with states. But European states largely stood aloof from the initial wave of Western expansion that first made it possible to think of politics, economics, and many other forms of interaction as occurring on a global scale. As agents of exchange, company-states transformed the world through the inter-continental arbitrage of commodities, people, and ideas. A key theme of this book is that these actors were the primary mediators linking Europe with the rest of the world. Similarly, many European states were surprisingly reticent during the "new imperialism" of the late nineteenth century to directly assume the responsibilities of overseas expansion. Instead, of all the strategies and institutional expedients Europeans used to bring the rest of world under their sway from the seventeenth to the twentieth centuries, none was more common and consequential than that of the company-state. After initial spectacular successes, this form quickly became generic, being widely copied among diverse European states, from Scotland to Russia. Company-states dominated vast swathes of Asia and North America for more than a century, while also acting as the vanguard of European imperialism in Africa, much of the rest of the Americas, and in the South Pacific. While some company-states went on to great fame and fortune, many others were ignominious failures. Even now that company-states have gone, their legacies live on from Alaska to Zimbabwe.

By contemporary standards, these enterprises seem to be syncretic Frankenstein monsters in the way they combine quintessential sovereign prerogatives with the classic features of the modern corporation. But company-states and related hybrid actors were more the rule than the exception in European imperialism. Rulers that were unable or unwilling to provide the necessary fiscal, administrative, and military resources for extra-European expansion often created company-states via charters granting monopoly trading rights and endowing them with a brace of sovereign powers. By contrast, what we now take to be the normal way of exercising political authority, through the sovereign state, was comparatively rare in most regions outside Europe until quite recently. The great significance of this point is that international politics has long been a game played by a diverse range of actors, not just sovereign states, especially outside Europe.

The state and the company are the defining institutions of modernity. Rather than being somehow timeless or natural, what are now taken-for-granted conceptions of the different identities and roles of states in providing security, and companies in seeking profit, often reflect bitter historical struggles over the powers and prerogatives of the company-states. The consequences of these struggles extend to the bedrock divisions of modernity: "By serving as touch points between states, markets, and publics, the companies helped define the boundaries of what we now recognize as public and private."[1] Company-states epitomize a historical fluidity that is alien to us today, but entirely unremarkable to rulers and ruled a few centuries ago, when the division between *public* and *private* was blurred or entirely lacking. Functions now divided between private companies and the public authorities were in the past split, shared, swapped, and recombined. Core features of the modern corporation, like the separation of management from ownership, legal personality, limited liability, and joint-stock form were all pioneered by the company-states. To this extent, even hundreds of years later, company-states may share more with twentieth and twenty-first century multinational corporations than early modern contemporaries such as guilds and ad hoc merchant partnerships. The management of public debt, the foundations of later colonial empires, and current views and controversies regarding the state's monopoly on the legitimate use of organized violence were all shaped by or in response to the company-states.

What do the company-states tell us about big changes in the constitution of international society? These actors both helped form and were shaped by this society. A proper appreciation of their importance refutes the idea that the history of international politics can simply be understood in the same terms as the present, that is, that it can be reduced to interactions between sovereign states. As we show, it is impossible to see the company-states as merely mercantile concerns. Though they certainly were interested in profit, company-states were also inherently political actors, engaged in diplomacy, fighting wars, and governing substantial domains. What do the hybrid nature and motives of these actors mean for the conduct of international politics, and the character of the international society that they played such an important role in building? What does the rise and fall of company-states tell us about the broader forces that underlie and transform successive international orders? Disproportionately focused on Europe, scholars of international

1. Erikson and Assenova 2015: 11.

politics have had little to say in response to such questions—a lacuna that we rectify in this book.

Company-States: Their Rise and Fall, Failures and Successes

As hybrid institutions of expansion and imperialism, company-states were uniquely European institutions. This is not because, as is commonly thought, Europeans were the only, or even necessarily the most important, empire-builders of the era. Asian powers from the Ottomans, the Mughals in South Asia, and the Manchu Qing Dynasty in China constructed huge land-based empires in the early modern era. Yet none hit upon or mimicked the European company-state form.

Though the company-states in some cases amassed greater resources than the sovereigns that had initially chartered them (e.g., the English East India Company came to rule over a fifth of humanity), many more failed, or eked out a precarious, hand-to-mouth existence. Excellent studies of individual company-states (usually the success stories), or of particular regions, don't give us enough purchase to explain this variation in fortunes. Different chartered companies saw varied success across regions, within individual regions, but also across time. The greatest successes tended to be in the East rather than the Atlantic, but this was by no means uniform. After a period of decline and obsolescence in the late 1700s and 1800s, company-states seemed to enjoy a brief period of renewed popularity in the late nineteenth century, with the rise of the "new imperialism." Yet these later examples of the genre turned out to be pale imitations of their forebears, nowhere rivaling their early modern counterparts. Without understanding the reasons for failure, we may be blind to the true causes of success of some company-states relative to others, but also relative to other institutional forms, not least the sovereign state.

Closely related to the need to explain varying performance are unresolved controversies in accounting for the rise and fall of the company-states. What was the relative importance of functional concerns, like managing transaction costs, aligning the incentives of subordinates, and providing protection efficiently, versus broader shifts in the climate of opinion inimical to the authority and acceptance of company-states? Did this form fade and eventually disappear because it could no longer compete, especially with the increasingly powerful sovereign state and its extra-European imperial emanations? Or did the decline of the company-states occur because this form became delegitimated as an outmoded and troubling throwback to a previous era, out of keeping with modern divisions of public and private?

Company-States Defined

What were company-states, these strange (to our eyes at least) hybrid entities? How did they differ from more familiar institutions, like sovereign states or contemporary companies? Before we launch into our story of their rise, spread, fall, and resurrection, it is important to lay out the key features of the company-state, drawing closely on the pioneering work of the historian Philip Stern, who first coined this term.[2] The defining characteristic was their hybridity: company-states were granted what are now regarded as fundamental sovereign prerogatives, most notably the authority to wage war and make peace, while also being companies devoted to making profit through trade, owned by and answerable to private individuals. As we discuss later in the book, this hybrid identity, and the existential balancing act it entailed, was both a source of great strength and important vulnerabilities for the company-states at different points in their history. Although by today's standards it is incongruous for an institution to have such a combination of public and private prerogatives, it is important to understand that during the early modern period, sovereign powers were routinely delegated and shared, while companies in their modern sense were almost unknown.

Given that the concepts and divisions we take for granted today, especially public and private, were understood differently centuries ago, if at all, does it really make sense to apply these same terms in a time when people had very different understandings of these words? Acknowledging the dangers of anachronistic usage, we

2. Stern 2008, 2011.

nevertheless defend our use of these terms throughout this book on two grounds.

First, to fulfill our central goal of making an unfamiliar and historically distant phenomenon like company-states intelligible to a broad modern readership, we are compelled to use contemporary language and concepts. To a degree, the resulting risk of anachronism is both unavoidable and common in any study of historical international relations, where modern concepts like *globalization* and *international* are routinely invoked to communicate past realities to contemporary audiences.

Second, we have deliberately followed the standard practice of specialist historians. Thus Stern, from whom we take the term *company-state*, repeatedly and explicitly refers to these actors as being distinguished by their hybrid sovereignty.[3] The invocation of *public*, *private*, and *hybrid* in a manner consistent with our usage is likewise ubiquitous in a range of other specialist studies.[4] The trade-off between anachronism and accessibility is a challenge all students of the past confront, but is one that we have engaged here by following the best practice of the historians most familiar with the character and background of the company-states.

Mindful of the risks of anachronism, we nevertheless try to guard against its greatest dangers. We do so by recognizing and highlighting both the divergences as well as the parallels between historical and contemporary understandings of the public/private divide where they are relevant to our argument. Thus, the late medieval opposition between what we would now see as "public" versus "private" spheres was less sharply drawn, and configured around different polarities. Accordingly, we stress this difference as a crucial condition enabling the company-states' later emergence. Conversely, by the late eighteenth century, we see the rise of a recognizably modern "grand dichotomy"[5] separating the public realm of sovereign authority from the private realm of the self-regulating market. This development was crucial for helping to explain the

3. Stern 2008: 257, 283; 2009: 1157; 2015: 27.

4. See for example Weststeijn 2014: 14; Cavanagh 2011: 27–28; Wagner 2018: 15; van Meersbergen 2019: 882.

5. Bobbio 1997: 1.

company-states' subsequent decline, as well as for understanding their abortive late-nineteenth-century resurrection.

Company-states were a type of chartered company, in that they were created by a charter issued by the monarch or the legislature, with this charter functioning much like a constitution in specifying rights, powers, and privileges. The category of chartered companies was, however, an expansive one, encompassing a larger variety of actors than just company-states alone. Thus, while all company-states were chartered companies, many chartered companies were not company-states.[6]

Early regulated companies, such as those formed in England to trade with Scandinavia, Muscovy, and the Levant in the 1500s, generally kept capital and trading accounts separate with individual merchants.[7] In this sense, then, they did not actually have the legal form of companies, being rather closer to partnerships, and the label *regulated companies* is therefore something of a misnomer.[8] Conversely, company-states *were* bona fide companies, in that their members pooled capital and trading accounts, and the company-state acted as a coherent artificial person with its own separate and perpetual legal personality.

The most fundamental marker distinguishing company-states from the larger genus of chartered companies, however, was the scope of their sovereign powers. Company-states possessed powers normally associated with sovereign states, including the capacity to mint currency and administer civil and criminal justice within their forts and factories, as well as to raise military forces, wage war, and conduct diplomacy with non-European powers.[9] Company-states' charters typically granted them monopolies over trade in particular commodities (for example spices or slaves) in a given geographic area. The prospect of monopoly profits was seen as necessary to provide a sufficient incentive for investors to pay the substantial

6. Most famously, though it was later nationalized, the Bank of England began its life in the seventeenth century as a chartered company—origins reflected to this day in the fact that UK currency is still issued in the name of "The governor and company of the Bank of England."

7. Davies 1957: 28; Mather 2009: 5; Wagner 2018: 45, 119.

8. Mather 2009: 60.

9. Wagner 2018: 8.

up-front capital required for such a risky venture as long-distance trade. The geographic area over which exclusive trading privileges was often immense, such as all the lands and seas between East Africa and the west coast of the Americas.

Not merely historical curiosities, company-states pioneered the defining institutional features of the modern corporation that help to underpin the architecture of contemporary capitalism. The first of these was legal personality: in law, the company-states were regarded as a person, distinct and separate from their owners, and a person that outlived any individual owners. Closely linked to this was the notion of limited liability: debts or losses incurred by the company-state could not be assigned against the personal assets of owners. A further piece of the ensemble was the joint-stock ownership form, the modern conception of shareholding, whereby portions of the enterprise could be bought and sold among private parties. Each of these attributes was notably distinct from the typical merchant partnerships of the day, in which capital was temporarily pooled for individual voyages, and the partners risked all in every mission.

Rather than management being undertaken by all shareholders, company-states were run by a governing board in the metropole, often assisted by specialized committees working on particular aspects of business and administration. These boards issued directions to subordinate officers in the field, who were responsible for day-to-day operations. Given the technology of the times, and the huge distances that separated central management from agents in the field, giving and receiving orders and reports might take many months in each direction. As a result, local agents enjoyed substantial practical autonomy. Managing this autonomy constituted perhaps the major governance challenge for company-states.

With their rather modern-looking corporate features, many scholars writing about the company-states have simply portrayed them as for-profit mercantile concerns. In contrast, we argue that it is essential to appreciate the importance of company-states' sovereign powers as well. Perhaps most obvious among these was the ability to declare and wage war. This power was often legally limited to fighting non-Christian powers, though in practice company-states often fought other Europeans. Another essential element was the ability to use violence to uphold their monopoly trading privileges against competing traders from Europe or elsewhere. Company-states often made enthusiastic use of these provisions of their charters, in some cases raising huge and potent armies and navies to carve out maritime and territorial empires. Relatedly, company-states had the authority to engage in diplomacy and make treaties with foreign powers, though once again reflecting the distinction between relations among and beyond European powers, this was often limited to non-Christian polities. Having conquered or settled territories, company-states had the powers to govern these areas and the inhabitants within them by administering criminal and civil justice, raising taxes, and minting coin.

Given these prerogatives, the company-states cannot be reduced to just a for-profit commercial enterprise along the lines of the modern-day corporation. But given the corporate features, and the profit imperative, neither can these actors be seen as just a state. Indeed, 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.

The Argument Summarized

Why did company-states emerge in the seventeenth century as a qualitatively new means of advancing European expansion? Why did they then spread throughout Asia, Africa, and the Americas, and experience such variable success in these different regions? Having been vanguards for European expansion for over 150 years, why did the company-state subsequently slide into irrelevance and then extinction in the mid-nineteenth century? And finally, why did company-states then enjoy a late but abortive resurrection with the onset of intensified European inter-imperial rivalries from the late nineteenth century? In providing summary answers to these questions we foreshadow the broad brushstrokes of our argument.

THE ORIGINS AND RISE OF THE COMPANY-STATE

Company-states emerged from a particular historical conjunction: a permissive ideational environment, the spur of increasingly globalized European geopolitical competition, and European rulers' limited capacity to project power across the seas.

For company-states to emerge as a distinct institutional form, Europeans first had to be able to even imagine the idea of granting sovereign powers to profit-seeking entities. They could do so because such arrangements accorded with a composite conception of sovereignty as a bundle of separate privileges rulers could delegate, sell, or otherwise alienate to privileged subjects that was predominant throughout early modern Europe. Consequently, an exploration of this mental universe forms our starting point.

By the early seventeenth century, Europeans were thoroughly familiar with rulers' assignment of what we would now classify as sovereign privileges to merchant and aristocratic elites, and also with the delegation of rights and responsibilities of conquest. This medieval inheritance made the idea of the company-state possible. But it was the sustained uptick in geopolitical competition in early modern Europe, especially following the rise of the globe-spanning Habsburg imperial conglomerate, that sparked concrete Anglo-Dutch efforts to translate this possibility into reality.

European rulers scrambled to win control over extra-European resources to help meet the challenges of military competition. However, early modern European rulers lacked the means to project power across continents. Consequently, this period spawned diverse institutional experiments. Company-states emerged from the early 1600s as the most prominent and consequential means of bridging this gap between rulers' grasp and their reach. These entities assumed the financial risks and provided the military muscle for exploration and trade. In theory, if often not in practice, the extension of monopoly privileges to company-states underpinned their profitability.

Individual company-states varied dramatically in their longevity and profitability. The stunning early successes of the first company-states from the 1600s inspired widespread imitation among European powers. What accounts for these successes?

By dint of their hybrid character, company-states possessed a range of institutional advantages. In their limited liability corporate structure, company-states had the potential to mobilize the substantial sums of "patient" capital necessary to fund highly risky overseas enterprises. Company-states also innovated mechanisms for aligning the incentives of far-flung and self-interested individual agents with those of their corporate employer. Finally, in an age in which trading often required fighting, these institutions benefited from developing a formidable in-house capacity for organized violence.

Nevertheless, these institutional advantages needed the right kind of environment in which to fully flourish. Maritime Asia provided such a milieu. As it was more distant from the Atlantic locus of European geopolitical competition, maritime Asia provided company-states with a degree of insulation from the interference of home-state sponsors (both rulers and corporate boards of governors). The risk that company-states would have their profits destroyed by being co-opted into the disputes over their state sponsors was correspondingly reduced. Besides the empowering effects of distance, political conditions in early modern Asia also contributed to the company-states' early success. In exchanging local powers' protection in return for ritual submission, company-states were able to inveigle their way into Asian commercial networks, and skim vast profits as arbitrageurs mediating the Europe-Asia trade.

THE SPREAD OF THE COMPANY-STATE

How and why did the institutional form of the company-state diffuse so widely? As noted, one of the reasons that this form is so important is because it was so common: almost every major European ruler chartered at least one company-state at some point, and the resulting institutions were active in almost every region of the world. The early successes of the English and Dutch East India Companies served as a dazzling precedent and model. Rulers calculated that in replicating the form of these trail-blazing company-states, they could also replicate their success. The resulting multiplication of company-states was especially prominent in the Atlantic. On both the African and American shores of this ocean, Dutch and English rulers reproduced the same template they had used earlier to create new company-states, while many other nations made their own bids using this same model. Despite being almost exact institutional copies of the company-states of the East, the results were far more varied in the Atlantic. This variation reflected two main factors.

First, to be commercially successful, the company-states had to have enough autonomy from their chartering home states to focus on commercial success, including the use of violence in achieving this end, rather than being subordinated into unprofitable strategic missions at the behest of rulers. Without this autonomy, company-states tended to fall into a vicious circle. A lack of autonomy meant that they were used as instruments of rulers' geopolitical and military aims, which meant that the companies were commercially unviable, which made them more financially dependent on rulers, who were then even more likely to use company-states as instruments of national policy in loss-making missions.

The second major factor was the international political context in which company-states operated, which was different in the Atlantic compared with in the East. In particular, geopolitical competition among Europeans in the Atlantic region was more intense at an earlier stage than in the East. This environment of intense military competition complicated the existential balancing act inherent in company-states: reconciling the pursuit of profit and power. After all, for company-states, violence had to be a means to a particular end, specifically commercial success. To the extent that company-states pursued war or geopolitical aims for their own sake (as a matter of choice, or as was forced upon them by circumstance), they made losses, which ultimately meant they went broke, or were bailed out by the state, with a corresponding loss of autonomy.

THE FALL OF THE COMPANY-STATE

Whereas the early modern period was dominated by the company-states' rise and worldwide spread, from the late eighteenth century onward they progressively vanished from the international stage. The forces that conspired to destroy the company-states were geopolitical as well as ideational, but also reflected the company-states' increasing redundancy in the face of European states' growing capacities for direct overseas expansion and rule.

From the mid-eighteenth century, the global dimensions of European inter-state rivalries intensified, complicating company-states' trade-off between power and profit. There was also a more general ideational shift in European (especially British) conceptions of political legitimacy from the mid-late eighteenth century. With the East India Company's metamorphosis into a power ruling more people and territory than the British monarch, British elites had to rethink the character of sovereignty, and with it, the legitimacy and limits of company-states' exercise of sovereign powers. Sharper, more rigid, and more recognizably modern demarcations between the public and the private sphere consolidated, leaving ever less legitimacy for hybrid sovereigns such as the company-state. From their very beginnings, company-states had faced their share of critics jealous of the company-states' enjoyment of lucrative monopoly privileges. But from the late eighteenth century, the legitimacy of the companies themselves became an object of controversy.

Finally, the company-states declined as a result of their growing functional redundancy. In the early 1600s, rulers' powers for governance and transcontinental power projection were positively anemic. By the late eighteenth century, however, successive waves of European warfare had helped forge military-fiscal states, which could mobilize credit to pay for powerful national navies and armies that served as an instrument of the sovereign's will. At the same time, company-states had ironically helped hasten their own redundancy through their successes. The infrastructure company-states had built throughout Asia, Africa, and the Americas lay ripe for the plucking by aggrandizing and increasingly powerful European states. This combination of geopolitical competition (and a resulting sharpening of company-states' existential trade-offs), delegitimation, and creeping redundancy thus pushed the companies to seemingly permanent extinction by the mid-nineteenth century.

THE RESURRECTION OF THE COMPANY-STATE

With the fading out of the company-states, it might have been expected that this form vanished forever. In fact, however, a second wave of company-states was created in the context of the "new imperialism," the scramble for colonies in Africa and elsewhere in the late nineteenth century, a comeback that surprised even many observers at the time. Yet these second-wave company-states turned out to be only shadows of their early modern predecessors. None had anything like the commercial success, still less the military power or political influence, of the Dutch or English East India Companies. Although some second-wave company-states managed to survive for decades, they did so only at the expense of relinquishing their governing powers to in effect become "normal" private companies, or as a result of de facto or de jure nationalization. Why was there a new wave of company-states? Why were the achievements of these new company-states so modest by comparison with the earlier era?

Though there were many idiosyncratic, one-off factors at particular times and places, the primary answer to the first question was the combination of the new geopolitical environment both reflected in and produced by the scramble for colonies, and the corresponding promise of using company-states to exploit these new opportunities via imperialism on the cheap. Analogous to the early modern period, once again a new geopolitical environment created the opportunity, for some observers perceived as a necessity, to acquire extensive extra-European holdings. Governments sought to satisfy this perceived imperative, and gain the prestige and security benefits of overseas empires, while deflecting the costs to self-financing chartered companies. The reasoning, or at least the hope, was that the prospect of profits on the frontiers would draw in private capital to fund the new empires, in lieu of direct government spending.

Yet this revived enthusiasm for company-states was tempered by a deep ambivalence among governments when it came to delegating sovereign prerogatives. Unlike in the 1600s, understandings of the separate and distinct roles of companies and states, private and public entities, were much more clear and fixed by the late nineteenth century. Governments sought to deflect the costs of empire on to company-states, but were reluctant to cede powers of war, peace, diplomacy, and many other governmental prerogatives as they once had. Governments were now accustomed to conducting inter-state affairs and wielding monopoly public control of the means of organized violence. Both metropolitan government bureaucrats and frontier settlers were often hostile to the new chartered companies, challenging their authority and legitimacy.

The company-states themselves were often keen to pass the costs of protection and administration back to the public purse. Many sank under the burden of the costs of rule, or only survived as dependent instruments of their respective governments. In this sense, the new company-states were crippled at birth. States delegated fewer powers, and were much more willing and able to interfere even in relation to those they had. The company-states themselves were far more willing to slough off the responsibilities of sovereignty in favor of the single-minded pursuit of profit, or perhaps even more commonly the pursuit of government subsidies.

THE BROADER SIGNIFICANCE OF THE COMPANY-STATES

In combination, the arguments about company-states presented above force a major re-think of how we conceive international politics. First, we emphasize the company-states' centrality as cross-cultural mediators in the creation of the world's first global international system. Company-states pioneered distinct but parallel practices for mediating inter-polity relations among European polities, versus those between European Christian and "infidel" polities.

Important earlier scholarship has identified the bifurcation between relations among European polities, versus relations between Europeans and civilizational "others."[10] We build on this scholarship by demonstrating the indispensable role company-states played in managing the latter, and in overcoming the formidable barriers of geographic distance and cultural difference in European expansion. As they spread throughout the Americas, Asia, and Africa, company-states proved remarkably versatile in adapting their commercial, diplomatic, and legitimation strategies so as to best ingratiate themselves with local allies and patrons. Adhering to a divisible conception of sovereignty and to territorially non-exclusive conceptions of rule, company-states were relatively well suited to strike diverse bargains with powerful non-European polities. This chameleon-like ability to adapt to local circumstances yielded a variety of accommodations with indigenous political

10. See, for example, Keene 2002; Stern 2008: 270.

and commercial elites. It was via these bespoke bargains—not through the unilateral imposition of European diplomatic or legal practices—that company-states helped knit the world together into ever-tighter webs of interconnection after 1600.

The second fundamental implication concerns the changing constitution of international society. For centuries, company-states were a crucial component of international society. Now they are absent and almost unthinkable. Tracing the arc of these actors reveals the inter-play between evolving conceptions of the public/private divide, and shifting membership of international society. The most basic questions of international relations concern not so much the outcomes of particular games, or even particular rules of the game, but who counts as a participant. Early modern international society was a permissive environment in which various hybrids and semi-sovereign entities were prominent alongside sovereign states. In the course of the nineteenth century as a matter of law, political sentiment, and practice, international politics, especially war and diplomacy, was increasingly restricted to sovereign states. By the twentieth century this trend had resulted in the extinction of the company-states, and a more general prohibition on hybrid actors in international society.

Finally, and directly following on from the last point, the current international system may be exclusively composed of sovereign states, but that does not mean it was built by them. Despite a widespread amnesia, company-states were crucial in knitting together previously isolated regional international systems to build the first global international society. We now study this system without really understanding where it came from or who built it.

Plan of the Book

Having introduced the central puzzles and sketched out our answers, the rest of this book proceeds in a broadly chronological and thematic fashion.

Chapter 1 briefly examines the historical antecedents to the company-state. We analyze their constitutive features, and explore the reasons for the emergence of company-states as a discrete institutional form in early-seventeenth-century England and the United

Provinces of the Netherlands. Company-states sprung out of long-established traditions of delegating rulers' prerogatives. Nevertheless, company-states were precociously modern, and distinct from medieval antecedents.

Company-states emerged at a particular historical juncture in Western Europe's development. Their rise was facilitated by the conjunction of a permissive ideational context, powerful geopolitical pressures spurring European empire-building, and immediate functional needs arising from European rulers' anemic capacities for overseas expansion. For Europe's beleaguered Protestant polities in particular, the looming specter of Habsburg hegemony demanded an effective riposte. This threat demanded that the Habsburgs' opponents find a way of tapping into extra-European sources of wealth to ensure their own protection, prosperity, and survival. It was out of this disconnect between geopolitical necessity and Protestant rulers' puny capacities for expansion that the world's first company-states—the English and Dutch East India Companies—were born.

The remainder of this chapter focuses on examining and explaining the English and Dutch East India Companies' success in infiltrating the courts, ports, and bazaars of early modern Asia. We also explain why the Dutch company was so successful here in smashing its main European state-based rival, the Portuguese *Estado da India*. The vast geographic distances separating company-states from their faraway European sponsors made control of self-interested subordinate agents particularly difficult, and proved especially enervating for rigidly centralized hierarchies like the Estado da India. At the same time, the distance partially inoculated the companies against the interference and encroachment from state sponsors that too often doomed them to bankruptcy in theaters closer to Europe. Finally, conditions in Asian host polities themselves favored company-states' expansion. In the Spice Islands, the Dutch East India Company overcame indigenous resistance with genocidal violence, and won control over commodities (nutmeg, mace, and cloves) that were uniquely profitable. At the other extreme, the vast power of Asian terrestrial empires sheltered European company-states from local predation. This enabled them to establish fortified networks of self-governing city-colonies across the Indian Ocean littoral, providing toeholds for more far-reaching territorial conquests once Asia's empires faltered from the early eighteenth century.

Chapter 2 examines company-states' spread into the Atlantic and their varied fortunes in this region. As in Asia, company-states played a pivotal role in driving European expansion. The English Royal African Company and the Dutch West India Company were crucial facilitators of the trans-Atlantic slave trade. Both established networks of forts in West Africa, and entered into diplomatic and commercial relations with local rulers to win access to slaves. Further north, the Hudson's Bay Company sought to monopolize control over the fur trade, and at one point was nominally suzerain of territories approximating almost 10 percent of the world's land surface.

Notwithstanding their prominence as agents of European expansion into the Atlantic world, company-states did not fare nearly as well as they did in the East. They often faltered in the Atlantic world as a result of the interaction between company-states' innate institutional vulnerabilities and the political interference of European sponsors, which were closer and thus more able to exert direct influence. Distance did not insulate company-states from overbearing European sponsors to the same degree as in the East. This made the contest between company-states and Iberian statist offshoots far more even in the Americas, raising company-states' security costs in ways that proved ruinous for profitability.

A contrast was the relative success of the Hudson's Bay Company, which retained its charter powers and remained profitable for most of its existence until surrendering its sovereign prerogatives in 1869. It had largely refused to take up the military prerogatives allowed in its charter, consistently pursuing pacific relations with American Indian nations, and ducking combat with the French wherever possible. Its geographic isolation (the Bay was frozen over most of the year), and the fact that it never drew on state support, generally insulated it from both government pressure and political controversy.

Highly variable though their success undoubtedly was in different parts of the world, company-states were both ubiquitous and generally unremarkable agents of European colonial expansion at this time. By contrast, from the late eighteenth century to the mid-nineteenth, some of the world's most prominent company-states either went broke (the Dutch companies and English Royal African Company), or lost their sovereign prerogatives to metropolitan governments (the English East India Company and the Hudson's Bay Company). Accordingly, whereas chapters 1 and 2 respectively trace company-states' rise and diffusion, chapter 3 focuses on their decline.

Concentrating on the English East India Company's contested evolution following its conquest of Bengal in the mid-eighteenth century, decline reflected in part delegitimation in the face of changing conceptions of sovereignty and the division of the political and economic spheres. As noted earlier, company-states rose in an environment in which composite understandings of sovereignty predominated, and hard binaries between the public and private domains did not exist. But by the late eighteenth century, such ideas of sovereignty were yielding to more monolithic ideas that vested exclusive public power in the sovereign state alone. At least in Britain, the scandals accompanying the EIC's seizure of Bengal and ensuing misrule there forced British elites to engage far more systematically with conceptions of sovereignty, and distinctions between public and private power, than had previously been the case.

In 1800 most of the world remained outside of European colonial control. But from the Seven Years' War onward (1756–63), the entire globe was becoming increasingly integrated as a theater of conflict, marked by large-scale increases in the tempo, scope, and range of European geopolitical competition. This geopolitical consolidation—which quickened further with the onset of the revolutionary and Napoleonic Wars—made it ever harder for company-states to escape interfering metropolitan governments, and to reconcile the perennially competing imperatives of security and profit. In combination with progressive ideational delegitimation, sharpening geopolitical competition aggravated tensions inherent in the hybrid identity of the company-states, driving their decline.

The late nineteenth century saw various forms of chartered imperialism revived, as the globalized rivalries of the era pushed European colonialists into hitherto unconquered frontiers in sub-Saharan Africa, Southeast Asia, and the South Pacific. The resulting company-states were uniformly less successful in both commerce and conquest than their early modern predecessors. Nevertheless, their resurrection—however ephemeral—does beg the question as to why Europeans remained so persistently attracted to company-states.

With this concern in mind, chapter 4 addresses the company-states' abortive resurrection and the causes of their failure. Not only did the British return to the idea of company-states, but the Portuguese belatedly adopted this model, and so too in various forms did colonial newcomers like the Germans, Italians, and Belgians, from West Africa to the islands of the South Pacific. At a time of heightened geopolitical competition, company-states again seemed to offer rulers the prospect of conquest without cost. Governments could supposedly enjoy the benefits of colonialism, while deflecting the burdens of conquest and imperial administration onto privileged subjects empowered by charter.

Yet the company-states of the late nineteenth and early twentieth centuries were nearly all costly failures. Most had to be bailed out by home-state governments at considerable financial (and sometimes diplomatic) expense. While these tensions between profit and power were perennial, the normative constraints present by the late nineteenth century mandated a degree of home-state control over chartered companies that made this tension almost impossible to reconcile. The sharpening differentiation between the public and private spheres that had helped drive the original company-states' demise placed a normative straitjacket on their late-nineteenth-century successors. Nineteenth-century company-states were vulnerable precisely because they were anomalous—exceptional deviations from an increasingly fixed understanding of sovereignty. Humanitarian scandals such as that surrounding the abuses of King Leopold's Congo Free State merely compounded suspicion of private imperialism.

We conclude by first briefly revisiting our historical findings, before successively considering the significance of contemporary forms of company "rule," and drawing out the book's key findings and implications. These include the central role of company-states in mediating cross-cultural relations; the successive changes in the rules of membership of international society, which increasingly excluded hybrid actors in line with a sharpening public/private divide; and, finally, the degree to which the current sovereign state order has been built on now-forgotten company-states. In the past couple of decades especially, hybrid actors such as private military companies have attracted a great deal of attention (and sometimes opprobrium) as potential harbingers of renewed forms of corporate imperialism. The same is true of speculations about the viability of privately governed charter cities as a potential solution to the governance problems of fragile states. But claims of an imminent return to a world of corporate sovereigns are overblown. More importantly, their exaggerations are generally built on misunderstandings of the true magnitude and significance of company-states as the vanguard agent of European expansion, and the particular historical conditions that once made them possible.

A discussion of the study's larger implications, both for how we understand the "rise of the West" and how we might more accurately theorize the expansion of the modern international system, rounds out the inquiry. To the extent that we still live in a Western-dominated international order, this is at least as much the legacy of corporate imperialism as state conquest. Though many have theorized about the links between capitalism and colonization, very few appreciate quite how intimately these are embodied in the company-state. And while talk of companies ruling the world is currently a rather loose metaphor, surprisingly recently this was much closer to being a statement of historical fact.