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**International Hierarchies and Contemporary Imperial Governance:
A Tale of Three Kingdoms**
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Abstract:

The growing body of literature on hierarchy in international relations has overlooked instances of contemporary imperial governance. These imperial arrangements constitute a strong test of rationalist contractual theories of hierarchy. They support the contention that some polities will eschew sovereign prerogatives, or even renounce sovereignty altogether. Contrary to historical instances of empire, current dependencies receive prominent material benefits from the continuation of their relationship with the metropole. But the failure of the metropolises to obtain equivalent benefits shows why contractual scholarship on hierarchy is incomplete in failing to incorporate logics of appropriateness. Thus the primary theoretical goal of the paper is to show such scholarship is right in claiming there is more to the international system than just sovereign like units under anarchy, but also that it is too narrow in seeking to explain all instances of hierarchy as mutually-beneficial bargains. Evidence is taken from fieldwork and interviews in dependencies of the Netherlands, Denmark and New Zealand.

Keywords: hierarchy, empire, contracts, norms, dependencies

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After a long period in which scholars were generally content to adopt a framework of sovereign states operating under anarchy, those studying international relations and comparative politics now proffer a range of alternative perspectives. According to these new frameworks, governance can be exercised by a variety of different actors in a more-or-less hierarchical international environment. Among international relations (IR) scholars, this shift is reflected in a renewed interest in deviations from the classical Westphalian template of sovereignty (e.g. Spruyt 1994; Krasner 1999, 2001), empire (e.g. Motyl 2006; Nexon and Wright 2007; Spruyt 2005), but particularly in the investigation of hierarchy in the international system (Donnelly 2006, 2009; Lake 1996, 2007, 2009a, 2009b; Kang 2004, 2010; Keene 2002, 2007; Hobson and Sharman 2005; Cooley 2005; Cooley and Spruyt 2009). These developments have begun to sensitize the field to the potential diversity of relations in the international system. This scholarship productively blurs the distinction between international and domestic politics.

Students of hierarchy operate on the assumption that classic imperial arrangements are now a thing of the past. They are mistaken. Contemporary imperial arrangements persist in the three dyads examined in this paper: the relationships between Denmark and the Faroe Islands in the North Atlantic, between the Netherlands and Netherlands Antilles in the Caribbean, and lastly between New Zealand and the Cook Islands in the South Pacific. All three dependencies are internally self-governing, excising some key foreign policy prerogatives, but not others. Each has a unilateral right to declare independence and assume full sovereignty, an option that has been so far eschewed. Because they are current arrangements, these hierarchical relations can be studied via fieldwork and interviews, as this paper does, rather than drawing only on historical

sources, as previous treatments have tended to do. The imperial hierarchies studied here are in this sense living, breathing institutions.

The first goal of the paper is to augment the hierarchy literature with the addition of previously unexamined clear instances of this form of relationship, further bolstering the claim that there is more to the international system than just sovereign state like units interacting in an anarchical environment. These cases also contradict the conventional wisdom that all non-sovereign entities see sovereign statehood as the desirable and natural end-point of their political development. But the paper also extends the hierarchy literature. It takes issue with key aspects of rationalist, contractual scholarship, and extends earlier constructivist and English school work (e.g. Keene 2002, 2007; Hobson and Sharman 2005; Donnelly 2006, 2009; Benton 2010), as explained below.

Contractual views are overly narrow in characterizing formal and informal empires as voluntary Pareto-improving bargains struck by wealth- and security-maximizing rational actors. The idea that past empires and other related hierarchical arrangements have been mutually beneficial exchanges, voluntarily agreed to and consensually maintained, hardly conforms with the historical record of violence and domination (Pitts 2010). More broadly, though, if parties are free to bargain, transact or break off negotiations as best suits their individual interests, this suggests a 'horizontal' market interaction on the basis of formally equal parties, rather than one premised on super- and subordination. The contractual approach is generally accurate in capturing the 'bottom-up' view of the way current dependencies profit from their relationship with metropolises (more generally see Baldacchino and Milne 2006; McElroy and Pearce 2006; Oostindie 2006). But it cannot explain the other side of the equation. The dependencies are a

clear net loss to the metropolises, who nevertheless continue the relationship because of a logic of appropriateness. In keeping with their identity as progressive states and model international citizens, Denmark, the Netherlands and New Zealand refuse to unilaterally impose independence, or take the harsh measures necessary to even up the balance of costs and benefits, in keeping with international norms of democratic self-determination and development. The more general point is that rather than hierarchy *necessarily* resting on mutually-beneficial relationships, a fundamental presumption of contractual accounts, the distribution of benefits (if any) is a matter for empirical investigation. As the cases examined here demonstrate, in the absence of benefits for one or more parties, hierarchical relationships may owe their existence to a logic of appropriateness.

The argument both builds on and extends extant constructivist scholarship on hierarchy. It endorses the importance of the social logic of hierarchical relationships, and it responds to earlier invitations to study how the normative context affects the particular nature of hierarchical arrangements. But while earlier work in this vein tends to be backwards looking in critiquing Waltz (or Bull) and the conventional view of sovereign states under anarchy, this piece moves the research agenda forwards by fleshing out the nature of hierarchy in the international system. Thanks to the work of scholars from all theoretical persuasions on this topic, we can shift from debates about whether hierarchy exists, to how it is structured and what effects it can have.

To lay out a roadmap of what lies ahead, the next section justifies the selection of these previously neglected cases. The field of IR overwhelmingly concentrates on great powers, but examining hierarchy logically necessitates attention to subordinates (like the three dependencies) as much as superiors (Donnelly 2009: 56). The paper then briefly summarizes the nature of the

division of authority in the three realms in question. The initial conceptual task is to review rationalist contractual work on hierarchy. The next sections offer a partial critique of this contractual account, both conceptually, and then with reference to the three Kingdoms. These dyads are examined first from the perspective of the dependencies, and then from that of the metropolises. The conclusion explains the significance of the argument for constructivist conceptions of hierarchy. Evidence is taken from fieldwork and interviews conducted in the Faroe Islands, the Cook Islands, the Netherlands Antilles, Brussels and Washington, supplemented by secondary sources. The fieldwork involved interviews with officials from the local governments and private sector, the local representatives of the metropolises, the Faroese mission to the EU, as well as archival research at the International Monetary Fund.

JUSTIFYING THE CASE SELECTION: TOO SMALL AND TOO OLD TO MATTER?

Some might object that contemporary imperial arrangements are tiny, irrelevant curios. Marking a welcome break from international relations scholars' traditional fixation with a small number of highly unrepresentative units (great powers or super powers), however, recent scholarship has rendered a great service to the field by demonstrating how the exceptions can best illustrate the rules, and how power may be best illuminated at the margins. Stephen Krasner's innovative and influential work on sovereignty hinges on anomalous entities as obscure as the Knights of Malta and Andorra (1999, 2001). David Lake repeatedly refers to the status of jurisdictions like the Federated States of Micronesia in the context of his very broad argument about the essence of the international system (2002, 2007, 2009a). Some recent neo-

realist scholarship claims that the most productive tests of theory focus on minor states (Resende-Santos 2007: 35; see also Fazal 2007: 62).

Conceptually, an even stronger reason for studying such small dependencies is that put forward by Jack Donnelly: 'Ranking, being relative, cannot be understood by looking only at those at the top of a hierarchy... Ignoring the weak is a radically inappropriate way to understand relations of coordination and superordination, and thus the structure (arrangement of the parts) of the international system' (2009: 56). Yet we have many studies of those actors that believe they are entitled to issue commands in the international system, but very few of those who feel the obligation to obey. By focusing on subordinate actors, the current study helps to address this crucial imbalance in the study of hierarchy. The desire to lead seems unremarkable given our expectations of self-interested, egoistic behaviour; deference to the authority of others in the international system is much more of a puzzle.

Aside from their diminutive scale, a second objection may be that imperial arrangements are just hold-overs from a bygone era, and thus only of antiquarian interest. In fact, however, the hybrid, semi-sovereign status of the dependencies may illustrate one model of a 'post-modern state': 'emerging forms of governance that are fractured, decentered, and often lacking in clear spatial (geographical) as well as functional (issue area) lines of authority' (Caporaso 1996: 34). As Hooghe and Marks put it: 'Central states are shedding authority to supranational and subnational authorities, but what kinds of jurisdictional architecture might emerge?' (2003: 241). For the dependencies, governance prerogatives are distributed across several different levels. At the same time as international organizations (especially the European Union in the case of the Antilles and the Faroes) are taking a greater role in regulating their affairs, dependencies have

formed direct contacts with these bodies, and in so doing become engaged in foreign affairs independent of the metropole. Added to these growing international linkages, are the Kingdom structures, the ‘national’ Faroese, Cook Islands and Antillean structures, local governments of the individual islands, and then the standard suite of private actors too. But the Faroes, Antilles and Cook Islands do not have the vital prerogative of sovereign states: armed forces and a monopoly on the legitimate use of violence within their territories. Contemporary imperial governance thus gives a view on one possible future of how sovereignty can be unbundled within complex ‘post-modern’ authority structures.

Even in policy terms, however, when it comes to international financial regulation and tax tiny dependencies can often be crucial. In the 1980s the Netherlands Antilles issued a greater value of corporate bonds than the United States (Boise and Morriss 2009). The Asset Protection Trusts pioneered by the Cook Islands host between \$1 and \$5 trillion in assets (Sterk 2000; van Fossen 2002). Another similar dependency, the Cayman Islands, holds more hedge fund assets than the US and EU combined (‘Sinking Assets,’ *Economist*, 2 April 2009). Because of the mobility and intangible nature of capital, even the smallest places can have huge consequences for global regulatory standards, and thus global economy as a whole. For all these reasons, excluding small cases because of their smallness is wrong-headed. Small cases can give good purchase on major current theoretical and empirical questions; thus far, this potential has been seriously under-exploited.

The final issue is to bound and specify the scope of the argument: to what extent can findings from these three cases be generalized? In all three cases below the subordinate dependencies draw benefits from their relationship with the metropole. In this respect, the

imperial dependencies are typical of the other current polities of this type (McElroy and Pearce 2006; Oostindie and Klinkers 2003), though US, British and French dependencies are more likely to provide valuable basing rights in exchange. However, it is emphatically not the intention of this paper to suggest that imperialism historically has been a positive mechanism for redistribution and development (as contractual accounts implicitly do).

More importantly, however, the logic employed in this paper parallels that of Krasner's ground-breaking work on sovereignty referred to above. Krasner successfully critiques the idea that sovereignty is necessarily comprised of a unitary and indivisible group of attributes by finding exceptions like the Knights of Malta, Andorra etc. which have some attributes of sovereignty, but not others. The upshot is that whether or not international actors have all attributes of sovereignty becomes a question for empirical investigation, it can no longer be a taken-for-granted theoretical presumption. So too the goal here is to critique the idea that hierarchy is necessarily founded on mutually beneficial exchange relationships by showing how exceptions like the Danish, New Zealand and Dutch imperial arrangements have benefits for some but not others. These cases constitute a 'most-likely' test of the contractualist argument because, unusually, subordinates as well as superiors have a clear, unilateral prerogative to break off the hierarchical relationship whenever they choose. Because of this prerogative, the three imperial dyads are a particularly close fit with the specifications of the contractualist take on hierarchy in the international system. As such, the failure of the contractualist account to work even for these most-likely cases counts especially heavily against the overall argument (Rogowski 2004: 77-82; George and Bennett 2004: 121-22). The significance is that whether or not hierarchical relationships rest on a foundation of mutual benefit becomes a question for

empirical investigation; it can no longer be a taken-for-granted theoretical presumption.

THE GOVERNANCE OF THE THREE KINGDOMS

This section spells out the nature of the semi-sovereign relationships under scrutiny. The first is the Faroe Islands and Denmark within the tripartite Kingdom of Denmark (the third party being Greenland), the second being the Dutch Antilles and the Netherlands within the pre – October 2010 tripartite Kingdom of the Netherlands (the third party being Aruba), and, finally, the state of Free Association between the Cook Islands and New Zealand (an arrangement also in place between New Zealand and the island of Niue).

As a powerful seafaring nation, the Danish empire extended from the Caribbean, to Iceland, Greenland and Faroes in the North Atlantic, through to slaving stations in West Africa, and trading posts on the Bay of Bengal. The Caribbean dependencies were sold to the United States Navy in World War I, and Iceland achieved independence while Denmark was still under German occupation in 1944. At this time the British occupied the Faroe Islands, which voted for independence in a 1948 referendum. Before this decision could be implemented, however, the pro-independence government fell, and was replaced by one favouring continued integration within the Danish Kingdom (Rogvi 2004). In the post-war period, extensive transfer payments from Copenhagen were matched by a gradual transfer of powers to the Faroese government. These include the right to manage hydrocarbon and fish resources within the Faroese Economic Exclusion Zone, independent of both Copenhagen and Brussels (Skaale 2004; Author's interviews, Faroe Islands, 2008). Pro-independence political parties of the left and right remained

(and remain) powerful, and Faroese national consciousness saw the replacement of Danish language by Faroese (for example signs in the capital are in Faroese and English, but not Danish). Despite being able to form coalition governments, the Faroese nationalists have not been able to muster sufficient support to take the islands out of the Danish Kingdom. The Faroes are legally outside the EU, but EU policies increasingly impinge on the Islanders. There is a spill-over effect as Danish legislation is brought into compliance with EU requirements, and much Faroese legislation is copied or adapted from Denmark. In addition, because the vast majority of trade and other exchanges are with the EU, the Faroese are increasingly governed by EU standards (Author's interview, Faroese mission, Brussels).

The tripartite structure of the Dutch Kingdom was originally designed after World War II in an unsuccessful effort to entice Indonesian nationalists to give up on independence and retain ties with the Netherlands (Spruyt 2005; Cooley and Spruyt 2009). The structure was thus deliberately generous in according formal equality to the Netherlands, Indonesia and Surinam (Oostindie and Klinkers 2003; Oostindie 2006). With the departure of Indonesia, the third element became the Antilles. Despite the massive difference of wealth and population between the Netherlands, on the one hand, and the Antilles and Surinam, on the other, constitutional equality was maintained. Constant transfer payments and the necessity of intervening to suppress civil unrest in the Antilles had, by the early 1970s, soured the Netherlands government's attitude to the Kingdom arrangement. Surinam was pressured and then bribed by the Dutch to become independent in 1975, after which time it experienced economic decline, pervasive corruption, a military coup, and massive emigration to the Netherlands (including the leaders of the independence movement). These developments were noted in the six-island Antilles, where

determination to resist independence was re-doubled (Author's interviews, Aruba 2005; Netherlands Antilles 2008).

At the same time there was considerable tension among the six different islands of the Antilles. In particular, Aruba (the next biggest island after Curaçao) pushed to separate from the other five islands of the Netherlands Antilles, and gain co-equal status with the other members of the Kingdom (*Status Aparte*) (Author's interviews, Aruba 2005; Netherlands Antilles 2008). The Dutch attempted to exploit this inter-island rivalry for their own ends by obtaining an agreement to make Aruba an equal member of the Kingdom in 1986, but only on the condition Aruba became a fully sovereign independent state by 1996. The Arubans agreed to the deal, despite their opposition to independence. Having attained a formal co-equal status within the Kingdom, Aruba immediately set about subverting Dutch efforts to cut them loose, working diligently to preserve their dependent status, a campaign that succeeded by the early 1990s (Oostindie and Klinkers 2003). In 2011 the Antilles fractured further, with Curaçao and Sint Maarten gaining co-equal membership of the Kingdom in their own right, while the smaller islands become municipalities of the Netherlands-in-Europe. Currently the Dutch Kingdom comprises four co-equal entities, the Netherlands, Aruba, Curaçao and Sint Maarten, though this paper will discuss the Netherlands Antilles in its pre-2011 form. Like the Faroes, the Antilles are legally outside the EU, but thanks to a similar process of legislative transfer from the Netherlands and trade and other links, EU standards structure many areas of policy. Thanks to its offshore financial centre the Antilles has also been increasingly involved in international economic policy, for example concluding tax information exchange agreements with 20 countries and dependencies (including the Faroes, OECD 2010).

The 15-island group of the Cook Islands became a British protectorate in 1888 before being transferred to New Zealand's administrative control in 1901. In 1965 the Cook Islands voted to become a state in free association with New Zealand. The head of state remained Queen Elizabeth II, but in her capacity as Queen of the Realm of New Zealand, not as Queen of the United Kingdom (Author's interview, Cook Islands 2008). New Zealand retained control of defence and most foreign policy, while all other powers were devolved to the Cook Islands government, including the unilateral right to full independence. Since that time the Cook Islands has increasingly taken on its own foreign policy, for example joining UNESCO and the World Health Organization, though not the United Nations. The Cook Islands government has also cultivated close links with the Chinese government. Importantly, Cook Islanders have New Zealand passports and hence the right to live and work there. As in the Faroes and especially the Antilles, whose inhabitants also enjoy free movement to the metropole, a persistent population drain means the number of Cook Islanders living in New Zealand far out number those actually in the Cook Islands. Like the Antilles, the Cook Islands has since the early 1980s hosted an offshore financial centre, which has caused New Zealand some discomfort at various points. Once again, the increasingly global cast of financial regulation has meant that the Cook Islands has developed its own economic foreign policy, being a member in its own right of the OECD Global Tax Forum and the Asia-Pacific Group on Money Laundering.

HIERARCHY AS CONTRACT

The touchstone of international relations has been the proposition that the objects of

study are like units, states, operating in an environment of international anarchy. These states have been defined by their sovereign status: in the domestic sphere authority is organized in a hierarchical manner, and foreign states are prohibited from impinging on this domestic authority. Externally, states interact on a basis of formal-legal equality, whatever their differences in power and wealth. Conventionally this arrangement was said to define the modern period, or at least the period that the vast majority of IR scholars care about and write about. This view has now come in for an avalanche of criticism and revision from a variety of perspectives. Arguably, no scholar has done more than David Lake to both systematically critique the dominant state sovereignty-international anarchy couplet, and provide an innovative and suggestive alternative frame of reference.

Lake's contractual view of hierarchy has been developed in a series of works from 1996 onwards, culminating in a book on the subject (2009a). He argues that in both military and economic terms, rather than interaction inevitably taking place on a basis of formal, absolute equality (whatever the differences in size and power), in fact states are often happy to commit to formal relations of super- and subordination in pursuit of mutual advantage. He refers to this as the relational contract approach. The beginning of this work is a critique of sovereignty. Lake argues that hierarchy has always been present in the international system, but for too long has been missed by scholars because of narrow conceptual horizons and a lexicon that obscured everything outside the standard sovereignty-anarchy frame (Lake 2002: 38; see also Krasner 1999, 2001). Hierarchy, in contrast, is defined as 'a continuum on which one actor has more or less political authority over other actors' (Lake 2009b: 264). Authority is analytically distinguished from coercion or force, in that authority invokes compliance in subordinates who

recognize the legitimacy of a ruler's commands, though in practice authority and force are usually mingled. As a matter of degree, hierarchy depends on how much authority is delegated from the subordinate to the superior polity, but it also varies in scope, in that different degrees of authority may be delegated in different areas (e.g. economic versus security matters). Instead of being an all-or-nothing affair, sovereignty is a bundle of attributes that can be contracted away or retained (see also Cooley 2005; Cooley and Spruyt 2009; Nexon and Wright 2007). In its milder forms the resulting hierarchical arrangements are protectorates, dependencies or informal empires, while formal empire is the strongest type of international hierarchy.

Why would states ever give away some portion of their sovereign prerogatives? Lake's account works exclusively on a basis of rational utility-maximizing state actors (a logic of consequences); normative or cultural deference (logic of appropriateness), as well as brute force, are irrelevant to the basic argument (MacDonald 2008). Thus Lake asserts that hierarchy is an exchange of authority that 'rests on a bargain between the ruler and ruled premised on the former's provision of a social order of value sufficient to offset the latter's loss of freedom... In this exchange of social order for compliance, both sides are made better off' (2007: 54; see also Lake 2009a: 8-9; Lake 2009b: 266; Lake 2010: 587). Krasner shares this preference for rationalist arguments over those based on norms (compare with Keene 2002, 2007; Kang 2004, 2010; Hobson and Sharman 2005; Donnelly 2006, 2009). In the same way individuals are said to be within states because they have rationally chosen to alienate some of their freedom to a Leviathan in order to enjoy a greater measure of physical and economic security, so too weaker actors have calculated they will be better off by giving up some of their sovereignty to stronger counterparts (Lake 2007). The benefits for the subordinate states may be higher security at lower

cost, or increasing the credibility of commitments to maintain currency stability (e.g. via dollarization). For the superior party, the benefits might be the presence of valuable military bases, or opening up opportunities for domestic firms looking to invest abroad in a secure environment. Not only are hierarchical arrangements mutually beneficial (otherwise they would be dissolved on the same voluntary basis in which they are entered into), but superiors must be able to credibly commit to not abuse the authority granted to them.

Unsurprisingly given the title, Cooley and Spruyt's *Contracting States* follows the same broad logic as Lake. It is based on an analogy of states as firms contracting within an imperfectly competitive market:

Just as firms in the private sector choose from a number of possible governance arrangements, international actors also tend to choose institutional arrangements—in this case various modes of integration and governance—because they represent the best political option from a restricted set of institutional alternatives (Cooley and Spruyt 2009: 31).

Empirically, this work covers not only imperial arrangements but also negotiations over foreign military bases and regional integration. Conceptually, although it shares the same new institutional economics source of inspiration, the emphasis is on incomplete contracting over the allocation of discrete sovereign prerogatives. Contracting parties are often either unable or unwilling to specify all future contingencies, and thus the initial contract sets up potential future rounds of renegotiation, in which changing information asymmetries and credibility issues may substantially change the distribution of benefits. Although there is some place for power differentials, the focus is still very much on co-operation for mutual advantage (Cooley and

Spruyt 2009: 7, 15, 37).

CONCEPTUAL PROBLEMS OF HIERARCHY AS CONTRACT

Drawing attention to examples of international hierarchy represents a major, valuable contribution to the field. But as Lake in particular anticipates, there are problems (Lake 2009a: 180). Here two of these are addressed, one conceptual, the other empirical, both related to the strongly rationalist cast of the explanations. The following section then tests the contractual account against the three imperial dyads.

Lake speaks of authority in terms of legitimacy, obligation, rightful commands and duties of obedience. All of these terms are a poor fit, however, with a notion of calculated compliance only to the degree that subordinates see a marginal benefit as a result. Indeed, paying actors to do one's will is usually seen as the opposite of legitimate authority (logic of consequences versus a logic of appropriateness): the former is a market transaction carried on between equals. This creates an internal problem for Lake in that he also agrees that pure market exchanges between states occur in an anarchical environment (see table in Lake 2007: 59). Yet, on his definition, it is hard to see that hierarchy relationships are anything more than such a market exchange, of selling sovereignty in return for security or economic benefit. In stark contrast, others more accurately characterize market exchanges as completely antithetical to hierarchy (Scharpf 1997; Borzell 2010). Similarly, and ironically, the key insight from the new institutional economics on which contractual accounts draw so heavily is that hierarchical relationships are fundamentally different from those that occur in the market (e.g. Williamson 1975). Intra-firm dynamics are

very different from inter-firm dynamics, largely because subordinate parts of the firm do not have the option to exit and break off the relationship. Yet contractualist accounts in IR confuse the distinction between markets and hierarchies in explicitly assuming subordinate actors can always walk away.

There is thus the problem of using a concept that really seems to depend on a logic of appropriateness in the context of a strongly logic of consequences argument. Here Cooley and Spruyt are more consistent in avoiding talk of authority and instead hewing to a language of transacting aspects of sovereignty to mutual advantage. Furthermore, they stress they are interested in hybrid sovereignty-hierarchy arrangements rather than pure hierarchy. Even so, tension remains. A situation defined by a dialogue between freely contracting independent parties, each seeking best advantage and able to walk away from the negotiations, seems to presume much more equality than hierarchy.

An alternative view of hierarchy that avoids this conceptual problem has been advanced by David Kang. Kang's thesis, advanced in a number of articles and a book (e.g. 2004, 2010), is that, for most of the period 1300-1800, East Asia was characterized as a hierarchic rather than anarchic system. Specifically, subordinate Confucian tributary states like Korea and Vietnam recognized the legitimate authority of China on cultural grounds. This ordering arrangement had functional benefits, most notably centuries of peace and the facilitation of trade. But crucially, these material benefits were the by-products of the social and cultural logics at work. In contrast to a contractual logic, the system of hierarchy cannot be explained in a functionalist manner.

The cases considered for this article seem a much better fit with Lake's contractual argument than the nineteenth- or twentieth-century formal or informal empires that he refers to.

Similarly, they are equally good fit with the incomplete contracting account, given that the use of force between negotiating parties is all but unthinkable. Yet all three scholars speak of empires as dead and gone. The Dutch presence in the Caribbean, the Danish presence in the North Atlantic, and New Zealand's Pacific dependencies belie this proposition. In each case there is an explicit hierarchical arrangement in which the subordinates do have a clear choice to opt out (unlike, for example, Poland under Soviet domination or Algerians under the French). They also address an issue of case selection that Lake raised earlier but then largely drops (Lake 2002): what about polities that have the option of sovereignty but have nevertheless chosen to forgo this choice? The conventional wisdom that any entity that could achieve sovereignty would do so is proven wrong in the cases considered here. Unless these would-be and could-be states are taken into account, as opposed to just actually existing sovereign states, the range of hierarchical arrangements within the conceptual purview is fundamentally truncated. Thus these contemporary arrangements are a much better fit with Lake's contractual approach than the empires of yesteryear, but are nevertheless overlooked.

Yet despite this close fit (or rather because of it), these cases also expose the limitations of these contractualist arguments. In particular, while it is relatively easy to see the benefits for the subordinates in the current relationship, it is much more difficult to see what the metropolises gain. These metropolises also have the option of unilaterally ending the relationship, but have chosen not to do so, even though this leaves them worse off in material terms as a result. While from the 'bottom-up' perspective of the dependencies an argument based on material self-interest works well, from the 'top-down' perspective of the metropolises only a logic of appropriateness can explain the continuing relationship, as the next two sections demonstrate.

CONTEMPORARY IMPERIAL GOVERNANCE: THE 'BOTTOM-UP' PERSPECTIVE

A number of commonalities stand out among the three realms. The subordinate partners have a clear unilateral right to opt out of the hierarchical arrangements and attain full sovereignty. Their decision not to exercise this option owes a great deal to a rational calculation of material benefits: continuing aid, the ability to emigrate freely to the metropole, a credible guarantee of stability and security, and the provision of bail-outs in tough economic times. These are all a good fit with a contractualist argument, indeed a better fit than many of the cases discussed under this rubric. More general studies confirm that contemporary non-sovereign dependencies tend to do better than sovereign island states of similar size (Baldacchino and Milne 2006; McElroy and Pearce 2006). As discussed in the next section, however, it is much less clear what is in this arrangement for the Danes, the Dutch and the New Zealanders.

The Faroese economy has tended to go through cycles of booms and busts, often in line with the fortunes of the fisheries. In one particularly acute slump caused by a banking crisis in 1992, the Faroese GDP declined by a quarter and the population by a tenth. Collapse was only averted thanks to a bail-out from the Danish government. Transfer payments from Copenhagen currently continue at about 5 per cent of GDP, despite the fact that Faroese are richer per capita than the Danes, and despite Faroese taxes being much lower than those in Denmark. Even more important is the safety valve whereby unemployed Faroese have been able seek work in Denmark (Danes cannot work in the Faroes). A Faroese Foreign Ministry has recently been established in order to pursue bilateral economic ties, and to handle negotiations with the EU,

though defence remains a Danish responsibility. Banks in the Faroes are now regulated by the Danish regulator, and are covered by its deposit insurance scheme. Faroese banks maintain that as a result of this supervision it is easier to transact with foreign counterparts, who would be less likely to trust a local regulator and standards. The Danish kroner is the local currency, and the Danish Supreme Court the appellate court. In a departure from rational self-interest, however, in 2000 the Faroese nationalist government negotiated for a progressive reduction in the transfer payment from Denmark. The nationalists argued that the money encouraged an unhealthy dependency, even though the Danish government opposed such a reduction. The negotiations thus took the improbable form of those receiving the money trying to bargain for less, while those giving away the money seeking disburse more (Author's interviews, Faroe Islands, 2008).

In the Caribbean, the Netherlands Antilles have similarly enjoyed clear benefits from their link with the mother country (a situation that continues with the separate successor polities of Curaçao and Sint Maarten). From the 1990s the Dutch tried to enforce the strictures of 'good governance' on the Antilles, with little success. Consistent fiscal deficits in the Antilles led to successive bail-outs from the Netherlands (Oostindie 2006). After another economic crisis, in 2000 the Dutch government despaired of holding the Antillean government to account and enforcing reforms, and instead delegated the task to the IMF. The IMF drew up a draconian program of reform and austerity. The Antillean government point-blank refused to comply, calling the Netherlands' bluff and obtaining yet another bail-out. In the negotiations over the dissolution of the Antilles in 2009, Dutch representatives privately admitted that their 'final offers' were not credible, as the Antilleans knew from past experience they could always hold out for a better deal (Author's interview, Dutch representative, Netherlands Antilles 2009).

Antilleans are free to live and work in the Netherlands, as several hundred thousand now do, but those from the Netherlands are barred from working in the Antilles. Those in the Antilles point out how the ties with the Netherlands provide reassurance to residents and foreign investors that a ‘crazy dictator’ will not be allowed to take power (as happened in Surinam after independence from the Netherlands in 1975). Likewise, local sources in the finance and banking industry emphasize that the judicial and sovereign links with the Netherlands are similarly important in reassuring foreign investors, many of whom are concerned by the talk of expropriation in their home countries associated with leaders like Chavez, the Kirschners in Argentina, Evo Morales in Bolivia, and Rafael Correa in Ecuador (Author’s interview, Netherlands Antilles 2009). It also soothes very real fears about invasion by Venezuela, whose constitution claims the Antilles as Venezuelan territory. A 2005 Wikileaks cable recounts how ‘The Dutch are increasingly worried that Venezuelan President Chavez is actively seeking to reduce or eliminate Dutch influence in the Antilles, including by force if necessary.’ The Dutch foreign minister claimed that ‘if we left tomorrow, the next day they [Aruba, Bonaire and Curaçao] would be part of Venezuela’ (<http://www.wikileaks.ch/cable/2005/06/05THEHAGUE1556.html>).

Analogous to the Faroes and the Antilles, the Cooks rely on transfer payments from the metropole, while themselves maintaining lower taxes than New Zealand, a source of some friction. This support had earlier encouraged a massively bloated public sector, as in the early 1990s there were no fewer than 48 ministers to govern 13,000 people (Larmour 2002). A fiscal crisis ensued in 1996, with New Zealand supporting Asian Development Bank loans coupled with stringent conditions (110 in total). Thanks to generous no-questions-asked Chinese loans to the Cook Islands over the last decade, however, New Zealand now gets little political leverage

for its aid dollars. The Cook Islands Finance Minister recently suggested that if these Chinese loans became unserviceable, the debt could simply be passed on to New Zealand (Author's interview, Cook Islands, 2009). The Cook Islands is vulnerable to natural disasters like cyclones and tsunamis, and here again the link with New Zealand ensures prompt and effective disaster relief. The New Zealand air force and navy police the Cook Islands' vast 1.8 million square kilometre Economic Exclusion Zone. The Cook Islands also uses the New Zealand judicial system as its appellate court, and local private sector interviewees again note the extra credibility of having Cook Islands commercial courts staffed with current or former New Zealand judges (Author's interviews, Cook Islands, 2009).

CONTEMPORARY IMPERIAL GOVERNANCE: THE 'TOP-DOWN' PERSPECTIVE

This section argues that there are significant costs to the metropolises in maintaining imperial arrangements, without any substantial off-setting benefits. There are no military bases, site-specific investments, or market opportunities of the kind that contractualist accounts would expect. Instead, the willingness of the metropole to continue to bear these costs can be ascribed to a logic of appropriateness. The Netherlands, Denmark and New Zealand see themselves as progressive, advanced members of the international community, 'good citizens' unsullied by the *realpolitik* of great powers. Though the norm of self-determination is conventionally reduced to the right to independence, logically, and in these cases in practice, it also extends to the right to retain dependency status. Despite periodic frustrations, the metropolises have been unwilling to ignore majority sentiment in dependencies and force independence upon them. Particularly for

the Antilles and the Cook Islands, where much of the relationship is cast in terms of development aid, the rhetoric of recipient ‘ownership’ reinforces the reluctance to dictate to dependencies.

As noted above, there are military benefits for dependencies in maintaining ties with the metropolises. But it is not clear why the Dutch would need a military base in the Antilles (originally known to the Spanish as ‘the Useless Islands’). The Netherlands has no interest in projecting power into the Western hemisphere. Any military contingencies involve only costs for the Netherlands, whether it is putting down civil unrest in the Antilles, countering powerful Caribbean drug cartels, or a Falklands-style dispute with Venezuela. It is even less apparent why New Zealand would be interested in a base 2000 kilometres away in the far reaches of the central Pacific. In general New Zealand has put a low priority on defence after sacrificing its alliance with the US over the issue of visits by nuclear-armed ships. The Faroes were militarily important as a base from which to co-ordinate anti-submarine warfare against any Soviet effort to interdict American reinforcements sent to Europe in the event of a general war. But since the end of the Cold War this rationale has obviously passed, and there are currently no bases on the islands.

If there is no military logic for retaining the dependencies, it is equally hard to see any economic pay-offs. The small market size in all three dependencies means that investment opportunities are correspondingly tiny. While rationalist explanations have looked to valuable fixed investments (e.g. large mines) as an explanation for colonialism (Frieden 1994; Cooley and Spruyt 2009), there are no such valuable assets in the Faroes or the Cooks. The large oil refinery that was a boon to the Antillean economy from the 1920s to the 1960s is now a shadow of its former self and more of a liability. The hypertrophied financial sectors in the Antilles and the Cook Islands have been more of a concern (regarding tax losses) than a boon to the metropolises,

which have been embarrassed by their links to supposedly unsavoury tax havens (Author's interviews, Cook Islands 2009, Netherlands Antilles 2009; Sharman 2006). Denmark is uncomfortable with the Faroes' whaling. While there are persistent indications of oil reserves in the Faroes' territorial waters, under current arrangements the benefit of any resources discovered would go to the Faroes, and not to Denmark (Rogvi 2004). Similarly, New Zealand would not derive revenue from any resources held within the Cook Islands' huge maritime Economic Exclusion Zone. Thus it is baffling as to why the metropolises have not opted out of these arrangements in the same way that Portugal abandoned colonies like East Timor in 1975 or Russia withdrew from the Soviet Union in 1991.

What, then, explains the willingness of the three metropolises to continue with the current constitutional and financial arrangements? Lingering attachment to empire may play some part. The Dutch were so keen to tempt Indonesia to remain in the Kingdom in part because, as one parliamentarian put it, otherwise the Netherlands would be degraded 'to the rank of a country such as Denmark' (Oostindie and Klinkers 2003: 69), (as Spruyt puts it 'a fate apparently too horrific to entertain' 2005: 76). More currently, Faroese attribute Copenhagen's attachment to the Faroes and Greenland as part of a lingering Danish national identity as a great power in the North Atlantic (Author's interviews, Faroe Islands, 2008). Through their land areas and maritime Economic Exclusion Zones, the Faroes and Greenland extend Danish authority over a vastly greater area than metropolitan Denmark alone (Skaale 2004).

But rather than old notions of imperial greatness, it is the self-image of the Netherlands, Denmark and New Zealand as progressive, enlightened states dutifully fulfilling their responsibilities to develop dependencies that seems more important, perhaps with some desire to

assuage guilt over previous colonialism (Author's interviews, New Zealand officials, Cook Islands 2009; Dutch officials, Antilles 2009; Danish officials, Faroe Islands 2008). As noted earlier, each of the three countries cherishes its self-image as a model international citizen, whether through being one of the few states to meet UN benchmarks on aid spending (Denmark and the Netherlands), or its willingness to end military ties with the US in defence of New Zealand's anti-nuclear stance. Thus the peculiar spectacle of the Faroese government winning a reduction in transfer payments from Denmark (holding them constant in nominal terms from 2000), over opposition from the Danish government position which favoured increasing the payments. Similarly, in 2009 New Zealand announced an increase in aid payments to the Cook Islands, despite the absence of any request for such an increase. While the Dutch certainly have had no desire to increase their payments to the Antilles, they have given up on the earlier goal of pushing the Caribbean territories towards independence. Here, as in the other two cases, there is a belief that for the dependencies, a norm of democratic self-determination also involves the converse right to retain the realm. To ignore the populations' wishes by abandoning them would compound colonial sins, rather than assuaging them. Economic failure, massive human rights abuses and state collapse in many former colonial possessions tempered the enthusiasm for advocates of decolonization from the heyday of the 1960s and 1970s. As an internal Dutch cabinet memo put it in relation to the Antilles, 'independence is no longer seen as something perfectly self-evident, especially for microstates' (Oostindie and Klinkers 2003: 131).

Government officials in the Cook Islands claim that New Zealand is 'playing to a bigger audience' with its aid program, aiming to project an image of enlightened concern to the international community at large. These same officials argue that aid officials from the metropole

put a great deal of effort into cultivating an appearance of genuine partnership and Cook Islands' 'ownership' of the program. The locals would prefer simply to sign off on a document without going through what they see as a charade. Interviewees from all three dependency governments note that their metropolitan counterparts assiduously avoid being seen as 'the bad guys'. Here the Dutch government had been burned in its deployment of marines to restore order after the 1969 riots in Curaçao. The government worried 'that the Dutch intervention had been misunderstood by the outside world as a neo-colonial action' (Oostindie and Klinkers 2003: 99), especially following on from earlier media revelations about the harsh Dutch counter-insurgency tactics in Indonesia 20 years previously. Echoing this kind of sensitivity, in trying to impose stringent conditions for aid payments or bail-outs during the crises of the 1990s, the Danes, Dutch and New Zealanders all sought to employ the IMF or (for the Cook Islands) the Asian Development Bank as the enforcer. The involvement of these international organizations was sought even when there were no actual funds coming from them, and despite the bail-outs being a matter internal to the realm, rather than being strictly international. Interviewees in the dependencies universally see these moves as an attempt to deflect blame, and at least in the case of the Faroes the IMF documentation supports this view (IMF Central File Collection, Country File: Denmark 4: 1-34: 720-840).

CONCLUSIONS

States and dependencies in the international system currently have the freedom to assert or claim sovereignty, but also to pool, delegate, or abnegate a range of sovereign prerogatives.

This has produced a far more complicated and hierarchical international system than the field of IR has conventionally appreciated, though systems populated by variegated, unlike units seem to be historically much more the rule than the exception (Ruggie 1993; Kang 2004). The kinds of interaction and governance that take place in such an environment often defy any clear-cut separation between international and domestic politics. Writings on hierarchy from the contractual perspective have done the field a notable service by bringing this fact to the fore, and eroding the unhelpful division between the study of international relations and comparative politics. This paper has sought to take up the invitation of Lake, Cooley, Spruyt and others to push this agenda forward.

There is a tension in seeking to explain hierarchical authority arrangements by analogy to independent firms, freely contracting to advance their material self-interest, and which are able to walk away from any deal that fails to improve their circumstances. In many ways, contractual, market relations are conceptually the antithesis of hierarchy, presuming freedom of choice and equality between those engaged in interactions. This view understates the importance of brute coercion, which as Liberman (1996) demonstrates, can be both effective and efficient. Historically, it seems most likely that imperial hierarchies were coercively maintained for the benefit of superiors at the expense of subordinates (Doyle 1986; Motyl 2001). This is not to say that nineteenth or early twentieth century always secured the material benefits imperialists expected (Spruyt 2005). For example, like the Dutch, New Zealanders and Danes currently, the Italian empire produced a steady drain of resources from the metropole to the periphery (Bosworth 1979, 1986). Unlike the contemporary cases reviewed here, however, a loss for superiors did not mean a gain for subordinates. The three contemporary imperial dyads

considered illustrate the limitations of a contractual view of hierarchy. From a ‘bottom-up’ perspective the dependencies generally provide exemplars of why could-be states accept a subordinate status. They enjoy substantial security and economic pay-offs for continuing their subordinate relationship with the metropole, as contractual accounts would predict. But for the metropolises themselves, there is a pronounced absence of any tangible pay-offs. Instead, they are driven by a logic of appropriateness in maintaining imperial arrangements. Specifically, as states that self-identify as good international citizens, innocent of *realpolitik* motivations, Denmark, the Netherlands and New Zealand are reluctant to unilaterally cut their dependencies loose, instead subscribing to the norms of self-determination and development assistance.

The evidence above serves to consolidate and advance earlier constructivist work taking a social, rather than contractual, view of hierarchy in the international system (Keene 2002, 2007; Kang 2004, 2010; Hobson and Sharman 2005; Donnelly 2006, 2009). At the most basic level, the evidence above re-affirms the conclusion of this scholarship that authority relationships, and thus hierarchy, are fundamentally premised on social logics. Some hierarchical arrangements in the international system may result in a mutually beneficial flow of security and/or economic benefits to superiors and subordinates. Many others, however, perhaps most, will not. Much rarer is the explicit unilateral option of subordinate parties to opt for independence. What has changed from the period of classic empires to the present day is the rise of a norm of development associated with Jackson’s idea of negative sovereignty (Jackson 1990). Thus not only is the existence of hierarchy premised on a social logic, but furthermore the type or nature of that ranking order is also specified by norms, once more confirming the earlier constructivist scholarship on this topic (Hobson and Sharman 2005: 68). The paper has thus taken up

Donnelly's invitation to provide a study of how the normative context specifies appropriate roles within hierarchies (Donnelly 2009: 80).

Besides re-affirming previous conclusions, this paper has also extended constructivist work on hierarchy. First, extant work from this perspective tends to share the assumption that empire is form of hierarchy confined to history (Jackson 1993; Keene 2002; Donnelly 2006: 139; Hobson and Sharman 2005: 71). The practical upshot is that these scholars do not inform their work with fieldwork and interviews in the way this paper does. Second, the argument presented here is again different in being primarily oriented towards contractual accounts of hierarchy, rather than being a backward-looking critique of Waltz and the conventional sovereignty/anarchy couplet. Thanks in large part to the scholarship of Lake, Cooley, Spruyt and others, we have moved beyond arguing whether hierarchy exists and is important, to sharpening our understanding of the basis and workings of hierarchy in the international system.

Finally, the focus on the Faroes, the Antilles and the Cook Islands addresses the methodological point raised in particular by Donnelly: that concentrating on subordinate actors is an essential but generally neglected task for those interested in hierarchy within the international system. Attention devoted to small places may bring substantial knowledge in answering big questions. At a time when the field is grappling with new concepts like global governance, post-modern states, and multi-level governance, survivors from a previous era of imperial hierarchy may thus shed important light on the changing nature of the international order.

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