

# Davy Jones's Logic

*Why modern-day Captain Hooks respond to the invisible hand.*

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**THE INVISIBLE HOOK: THE HIDDEN ECONOMICS OF PIRATES** BY PETER T. LEESON • PRINCETON UNIVERSITY PRESS • 2009 • 296 PAGES • \$24.95

**T**here's something about pirates that makes them seductive and romantic, a cachet that has enabled them to retain their resonance in popular culture since the "golden age" of piracy in the early eighteenth century, when about 2,000 maritime bandits—more than 15 percent of the personnel strength of the Royal Navy—were active on the high seas. Long John Silver may have been morally suspect and Captain Hook downright evil, but they were pivotal figures in *Treasure Island* and *Peter Pan*, respectively, and arguably the books' most memorable characters. Errol Flynn made his mark as the swashbuckling Captain Blood, and one of Johnny Depp's archest portrayals is that of the self-amused pirate Jack Sparrow—whom Depp based on Keith Richards, the Rolling Stones' charmingly louche guitarist—in the *Pirates of the Caribbean* movie franchise.

What singular quality makes pirates so compelling? They were, by defini-

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tion, thieves. They were murderers. They occasionally tortured their quarries. Yet there is an enduring if vague sense—which culture, as distinct from history, seems to have upheld—that pirates had rules and abided by them, that there were ways in which they were civilized and even enlightened. While the Somali pirates of today are a long way from the scourge of the Spanish Main, viewed through the lens of economics and rational choice they in fact have much in common. The insight these disciplines afford into pirates' code of conduct may help policymakers answer a question that seems to have risen from the dead: What can states do to combat maritime outlaws?

Peter T. Leeson, an economics professor at George Mason University, puts salty flesh on the bones of the pirates' legend in *The Invisible Hook*, pulling off the formidable trick of being both rigorous and cheeky. With thorough research and casual irony—"Barbaric? Sure. But effective"—he demonstrates that the most legendary aspects of the pirate's life were largely products of Adam Smith's "invisible hand." Circumstances peculiar to the early 1700s made piracy a sensible, if risky, proposition. One hijacking might have yielded a single pirate up to £1,000—equivalent in purchasing power to over \$200,000 today—which would take an able merchant seaman about 40 years to accumulate. Seamen were plagued by low wages for hard work and exploitative, brutal captains who enjoyed virtually absolute power at sea. Employed by absentee ship owners who accorded them an equity stake in the ship and its profits, and empowered by admiralty law that underwrote petty tyranny, predatory captains had both the economic incentive to dock sailors' pay on the pretext of damaged freight, perceived insolence, or shirking, and the legal latitude to impose corporal punishment—which in practice could include severe beatings, imprisonment, even death.

Judiciously weighing admittedly inconclusive evidence, Leeson determines that, contrary to popular belief, most pirates were not conscripts, but volunteers. Because sailors would not be attracted to merely another authoritarian regime, pirate leaders did not follow the predatory-captain mold. They accorded themselves quarters, rations, and even pay similar to those of rank-and-file pirates, and they did not lash, "keelhaul," or maroon troublesome crew members by fiat. Why? First, as outlaws, pirates were subject to no coercive external set of rules or government; second, since they stole their vessels, they had no ship owners to answer to. According to Leeson, pirates were thus compelled, by way of written constitutions known as the "pirate codes," to develop democracy as James Madison would come to contemplate it generations later—namely, an attempt to resolve the paradox between a governing body's need for control and its obligation to regulate itself through checks and balances.

Pirate democracy operated on the principle of one pirate/one vote, delegated authority to a quartermaster as well as a captain, and entailed the crew's right to remove the captain on the basis of a majority decision. In turn, pirate democracy usually accorded each pirate a roughly equal share in the crew's booty, and it generated property rights, rules for resolving conflict and penalizing transgressions, and public goods including a system of workers' compensation, all to be interpreted and applied by an on-board "pirate council." This set of rules minimized disputes over entitlements, intramural theft, externalities, and "free-riding." Thus, Leeson coyly notes, "pirate life was orderly and honest."

By Leeson's lights—and they are bright and convincing—even practices that ostensibly smacked of gratuitous malevolence actually had prudential, profit-maximizing rationales. True, pirates occasionally engaged in torture, but not without an immediate goal: They were usually trying to extract intelligence as to where treasure was located, or punishing officials for trying to apprehend them or harming fellow pirates. But they also aimed in several ways to forestall resistance, which could impose costs in terms of damage to their ship and loss or incapacitation of personnel.

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First, the very act of victimizing predatory merchant captains enhanced their Robin Hood-like image as defenders of rank-and-file seamen, encouraging the seamen's acquiescence and possibly even complicity in pirate operations while stoking recruitment. Second, the selective use of torture imparted a symbolic bloodlust that enshrined a reputation for devil-may-care ruthlessness and cruelty. And third, by flying the infamous "Jolly Roger" flag with its baleful skull and crossbones, they associated their ship with both heroic and horrific behavior and thereby pre-empted armed resistance. Only incidentally an emblem of swaggering machismo, the Jolly Roger was mainly a rational instrument of Schelling-esque compellence that "operated to *save* merchant sailor lives, not take them" (emphasis in original). Pirates even get credit for bucking the racist mores of their day for the sake of profit: Documentation suggests that 25 to 30 percent of the average pirate crew during the golden age of piracy consisted of blacks, many of whom were free.

But if pirates were so economically efficient and politically progressive, why did that golden age last little more than a decade, from 1716 to 1726? Because, to put it simply, they were outlaws who stole booty from states with far greater coercive resources—especially Great Britain, the world's ranking naval power,

around whose colonial territories most pirates operated—and thus made those states increasingly determined to eradicate them. For 200 years, awkwardly framed admiralty laws had inhibited legal efforts to bring pirates to justice—by, among other things, requiring that pirates captured far from England stand trial there—creating permissive conditions for piracy. The 1700 Act for the More Effectual Suppression of Piracy substantially diminished such impediments to prosecution by authorizing colonial courts to try pirates locally, treating pirate supporters as accomplices subject to the same punishments as the pirates themselves, rewarding merchantmen for defending themselves against pirate assaults, and offering pardons to pirates in order to shrink their number and diminish their activity. A 1721 amendment criminalized trading with pirates, penalized merchants who failed to resist pirate attacks, and established criminal liability for commanders of government anti-piracy ships who failed to execute their responsibility with sufficient diligence. These measures raised the risks and reduced the profits of piracy. Between 1716 and 1726, about 400 pirates—a fifth of the estimated total—were hanged, 82 in 1723 alone. The good times were over.

**N**ow, nearly 300 years later, piracy is back in vogue. Somali pirates, operating in the Indian Ocean and the Gulf of Aden, are the busiest and most brazen, though others scour the geostrategically vital Straits of Malacca and the South China Sea. Last September, Somali pirates hijacked and held a Ukrainian merchant vessel loaded with tanks, heavy weapons, and ammunition. Though besieged by American and Russian navy ships, they didn't relinquish control of the freighter until February, after the ship's owners paid a \$3.2 million ransom. On successive days Somalis commandeered a Saudi-owned oil supertanker carrying two million barrels of oil almost 500 miles from Somalia and took over a Hong Kong-flagged Iranian ship carrying Chinese grain. In all, Somali pirates were responsible for 124 attacks in 2008, an 80 percent increase on 2007, and netted profits reportedly in excess of \$50 million. After the new year, the pirates became even more daring. In April 2009, for the first time they hijacked a U.S.-flagged merchant vessel, the *Maersk Alabama*, which was carrying food and agricultural products for aid organizations to Kenya. The crew soon took back the ship and the U.S. Navy soon rescued their kidnapped captain, but the operation had a highly ambiguous deterrent effect, as the pirates vowed retaliation against American targets.

While Leeson does not devote much analytic energy to contemporary pirates, he does offer a few pertinent observations. For one, he notes that while most modern pirates differ fundamentally from vintage pirates in that they do not spend long spans of time at sea, Somali pirates are more similar in their

willingness to stay offshore for protracted periods, their egalitarian division of booty, their creation of a “social insurance” system for compensating family members of a pirate who perishes on the job, and their establishment of a rudimentary, written “pirate code” covering the treatment of prisoners.

There are other rough parallels between Somalis of today and the pirates in the early eighteenth century. For instance, Somalia has been a failed state almost since the end of the Cold War, when strongman dictator Mohamed Siad Barre was overthrown and his vast arsenal was expropriated by the clans that underpin Somali society. Although more than a dozen “transitional governments” have been formed in exile and anointed by the international community, none has been able to overcome the clan militias’ rule of the gun. As a result, young Somali men have been effectively stateless for their entire conscious lives. To similar effect, Leeson notes that 300 years ago “most pirates had abandoned associations with their governments before the age of thirty” and “heeded no flag but the black one they sailed under.” Both Somalis and maverick seamen of yore needed to find some refuge other than a functioning state to secure a reliable source of income and a stable living arrangement.

Until recently, Somali pirates have faced only a minimal maritime deterrent. But just as old-time pirates’ very success eventually rallied Britain to the cause of wiping them out, the Somalis’ impact on important commercial and strategic interests of the United States as well as European, Gulf, and Asian powers is giving rise to an anti-piracy coalition. The U.S.-led Combined Task Force 150—comprising primarily the U.S.S. *Roosevelt* carrier battle group and, on a rotating basis, several ships from other, primarily European countries—has been patrolling Somalia since 2002, and it has expanded its mission beyond counterterrorism and counterproliferation to counter-piracy. To protect their own shipping, Malaysia as well as Russia and India have sent military vessels to the region, and NATO and the European Union have deployed ships to loiter in the Somalis’ area of operation.

Whereas the pirates of the eighteenth century who survived the surge of naval power could at least repatriate to viable states, however, Somalis cannot. Instead, their only option will be to go back to anarchic Somalia and practice coercion on land. Indeed, Somali pirates—wealthy, ostentatiously accessorized, and heavily armed—are already the cocks of the walk in their homeports. They can afford to wait for international concern to abate and then resume seafaring banditry, as many pardoned pirates did in the 1700s. Though ousted from the capital city of Mogadishu by U.S.-backed Ethiopian troops over two years ago, Islamist militias—which had cracked down on piracy—are now threatening to regain de facto power. Enjoying less freedom of action on the ground, the secular militias’ natural resort was—and may yet be—to the sea.

Great Britain's successful anti-piracy efforts of the early 1700s suggest what would be required to thwart Somali pirates: a set of enforceable legal carrots and sticks and a blue-water maritime capability to back them up operationally. In June 2008, the U.N. passed a resolution making it an international duty of member states to fight piracy and allowing them to pursue Somali pirates into Somalia's territorial waters. But with the best navies preoccupied with other pressing tasks, sustaining a maritime presence large enough to deter or respond to an appreciable number of pirate attacks remains difficult. And even if all of the nations affected were to commit to standing patrols, their oversight of various sectors of the pirates' operational space would have to be determined by a central command to maximize geographical coverage. That, in and of itself, is a fairly tall diplomatic order.

**The Somali pirates' entrepreneurial team spirit could be harnessed to channel the country toward political and economic progress.**

For all of the muscle supplied by Parliament to British anti-piracy laws starting in 1700, *The Invisible Hook* makes it clear that piracy could not be decisively squelched until the Crown, in 1717, dispatched naval forces to place under government control the pirates' two most strategic land bases, in the Bahamas and Madagascar. This denial

of access forced the bandits to scatter and rendered them more vulnerable. One comparable present-day solution might involve military intervention in Somalia. In light of Somalia's wholesale security and state-building requirements, an open-ended deployment of tens of thousands of ground troops for peace-enforcement and civilian staff to build up civil infrastructure—on the order of Afghanistan—would be needed. Given the residual demands of Iraq and Afghanistan, though, major powers don't have the military assets available to implement a coalition or U.N. peacekeeping operation, while African militaries can't even meet existing needs in Sudan, southern Somalia, and elsewhere. The Americans' distasteful experience in leading the humanitarian intervention in Somalia in the early 1990s, which culminated in the "Black Hawk Down" incident, would also give intervening forces pause. The international community therefore would have to leverage diplomacy, and engagement would have to be unprecedentedly energized and sustained.

That too, of course, is a daunting proposition, given Somalia's sorry string of corrupt transitional governments. But Leeson makes the perceptive point that the predatory behavior of many rulers in sub-Saharan Africa discourages economic cooperation by destroying their citizens' confidence that that they will share in

the fruits of their labors. From this standpoint, the pirates' entrepreneurial team spirit—even in a criminal enterprise—may indicate a gritty sensibility that could be harnessed to channel the country toward legitimate political and economic progress. In fact, relatively flat, egalitarian pirate governance, which the Somalis have apparently replicated to some extent today, is consistent with Somalia's horizontal clan framework of social organization. To be sure, clan divisions can impede economic cooperation. But, in vindication of Leeson's thesis, the profit motive has reportedly induced pirates to cross customarily divisive clan lines in doing business.

The lesson may be that outside brokers should be wary of imposing their will with a heavy hand, and let the lighter invisible hand (and hook) of Somali self-interest play out in non-violent negotiations. Allowing Somalis to fragment into mutually recognized clan-based quasi-states, like Somaliland and Puntland, before they arrive at a federal arrangement may be the most plausible solution. While such a disposition would clash with the UN's preference for a unitary state in Somalia and make neighboring states leery of Somalia's instability, it merits serious consideration—if only because nothing else has remotely worked.

Leeson casts his jaunty gem of a book as an especially vivid and sardonic illustration of “the ubiquity of economics” and its utility as a “filter” of history. As he says, “*only* with economics can we make sense of a great deal of otherwise unintelligible human behavior” (emphasis in original). True enough, but perhaps he is being too modest. For while his argument assuredly does bolster the Chicago School case that the dismal science pervades every human endeavor, it also shows that bad guys operate according to an internal logic that makes them all the more difficult to dislodge from their illicit vocation.

*The Invisible Hook's* crowning truth is that pirates, within the parameters that define their world, act rationally. The same holds for terrorists, so it is never enough for their adversaries to dismiss them as cowards or lunatics. Indeed, as probing recent studies like Robert Pape's *Dying to Win: The Strategic Logic of Suicide Terrorism* have implied, doing so is plain dumb. To quote the redoubtable Jack Sparrow: “Me I'm dishonest, and a dishonest man you can always trust to be dishonest. Honestly it's the honest ones you have to watch out for, because you never can predict if they're going to do something incredibly stupid.” **D**