

REVIEW

of:

Peter T. Leeson, *The Invisible Hook: The Hidden Economics of Pirates*. Princeton, NJ: Princeton University Press, 2009. ISBN: 978-0691-134747-6.

By:

[Keston Geistwalker](#)¹

Most people in the western world today can easily imagine the stereotypical, swash-buckling, peg-legged pirates with parrots on their shoulders who at one point in history terrorized many of the world's oceans. With this image of the pirate comes the idea of the unruly, barbaric, and disorderly way in which these seafarers conducted themselves. In his book *The Invisible Hook*, Peter Leeson sets out to explain the proverbial "method" to the pirates' madness. Leeson accomplishes this by displaying pirates' actions and the rational, as well as economical, decisions upon which these actions are based. By showing the rationality behind the pirates' criminal actions he also shows how the stereotypes of pirates differ from how they actually conducted themselves.

The first aspect of piracy that Leeson describes is the background of why someone might actually want to stray into such a criminal occupation. The reasoning behind such a decision was a simple, economic one. A pirate could earn, in a successful looting, the equivalent of up to forty years worth of salary from working as a merchant seaman. Not only was the opportunity for better pay much higher in piracy, but pirate ships had much better working conditions for the average crew member. The lure of better treatment and greater riches was enough to turn thousands to the life of lawlessness and seabanditry that was piracy.

After establishing the motives as to why one might become a pirate, Leeson then goes on to explain the democratic system pirates used to run their operations. Pirates used a democratic system to ensure there was a balance of power on their ships as well as to create codes that insured maximum profit for all crew members. This was in stark contrast to the way merchant ships were run, where captains had a tyrannical rule over the ship and were often able to get away with the torture of crew members, as well as the docking of the crew's pay and rations in order to increase their personal benefit. Thus, unlike merchant ships where this behavior, referred to as "captain predation," was often rewarded, pirate ships possessed little to no abuse of power. By instituting democracy the captain was reliant upon the crew to keep his position. For instance, a captain who treated his crew poorly or acted selfishly would be removed from his position by the crew. This dependence led the captain's interest in keeping his captainship to fall in line directly with the interests of the crew. By having this check on power, piratic democracy not only eliminated captains' totalitarian power, but also served to maximize profits for all aboard the ship by navigating around the principle-agent problem. The lack of power abuse aboard pirate ships however can also be attributed to the laws framing piratic democracy..

The second aspect of piratic democracy that Leeson describes in detail is pirate's use of codes, or constitutions, which established an honest, hard-working society aboard any given ship. These constitutions set up laws for pirates to live by, as well as the punishments for breaking said

¹ Koch Colloquium Fellow, Department of Economics & Management, Beloit College, Beloit, WI 53511.

laws. They also successfully reduced negative externalities, or the loss of profit stemming from the poor behavior of a crew member. Actions that were detrimental to the crew's efficiency were kept in check by laws such as drinking curfews, restrictions on where one could smoke, and the prohibition of women aboard ships. Furthermore, incentives were established within the codes to solve the problem of free riding by rewarding those who spotted target ships and acted courageously in battle whilst punishing those who did not act at all during combat. The codes also established the flat pay rate of the crew, which reduced conflict among crew members and thus increased efficiency. Another aspect of the codes that increased efficiency was the fact that they were decided upon by unanimous decision before the outset of a venture. Because every individual had voted for the passing of each law, the codes increased personal profit due to the direct effect the efficiency of the entire crew had upon each pirate's personal profit.

Leeson also describes methods which were employed by pirates to make plundering easier and less violent. Pirates, contrary to popular belief, much preferred a peaceful turnover of loot over a violent one. The reason for this preference being that a violent attack cost resources, men, and possibly the pirates' own vessel. A peaceful turnover saved pirates' lives and minimized costs to the crew by saving ammunition, therefore increasing profit to each individual. Pirates employed two methods to increase the odds of peaceful turnovers, the first was to use flags, and the second was the occasional use of torture. In regards to their use of flags, pirates would often use merchant flags to trick victim ships into believing they were merchant vessels. They would then approach the victims as if they were desiring to exchange goods or information. Once the pirate ships were close enough for the victims to see they were outgunned the pirates would then raise a pirate flag to provoke a surrender. Because pirates' barbaric and violent reputation preceded them, victims were very likely to surrender once a pirate flag was spotted and thus the use of pirate flags were successful in reducing the costs of plundering merchant ships. The main cause of this reputation was pirates' use of torture. Although some pirates were bloodthirsty lunatics, not all of them tortured captives without reason. The main reason behind pirates' use of torture was to spread fear among merchant sailors. This fear of pirates made people less likely to hide valuables from pirates while being raided and reduced the likelihood of violent opposition to a pirate attack, which consequently increased pirates' profits. Torture was also used to gain information from captives on the whereabouts of valuables on a raided ship and this also led to an increase in likelihood of a victim turning over valuables without a conflict.

After describing the methods and reasons of pirates' use of torture and flags, Leeson changes topics to that of pirate conscription. He explains that, contrary to popular belief, pirate conscription was not widespread and he contributes this to economic factors. Due to the extremely illegal manner in which pirates operated, conscription would not be an economically sound option for gaining more pirate crew members. The reason for this is that a forced pirate would not be as willing to act cooperatively with the rest of the crew because he did not join the crew in the pursuit of making it his career. Leeson also explains how pirates used the idea of conscription to their own benefit. By being conscripted against his will, a pirate could legally suffer less punishment than one who turned to the trade on his own free will. Therefore, pirates would often stage conscripting in an attempt to protect themselves if they were to be caught by authorities in the future.

One might believe that reading a book on such a topic could be an arduous task due to the vast amount of information it would cover. However, throughout *The Invisible Hook*, Leeson combines the topics of pirates and economics in a way that creates a surprisingly light read. He

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achieves this in a few ways. He first accomplishes this with his writing style which allows him to present such a large amount of historical content within just 200 pages. His diction is both easy to read and to follow. He also made many of the economic concepts he addressed easy to understand by applying them to modern situations. This is why *The Invisible Hook* is great for those who are wishing to learn more or just beginning to learn about economics. The vast amount of research he completed on pirates is very impressive, yet he was able to present it in an accessible and humorous manner. I would definitely recommend this book to students of economics who would like to see what they're learning in a rather non-traditional application, or for those who wish to learn more about the way pirates worked. To those who simply feel like learning more about pirates, it's a great way to get a minor lesson in economics as well. Overall, *The Invisible Hook* is an enjoyable read and, through the application of economics, changes one's view on pirates as a ragtag bunch of scallywags, to understanding them as being an organized and efficient group of individuals.