

Pirates

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Abstract In my recent book, *The Invisible Hook: The Hidden Economics of Pirates* (Princeton University Press, 2009), I use basic economic theory to analyze late seventeenth- and early-eighteenth-century pirates. Bylund, Carden, North, and Storr raise important questions about, and offer important challenges to, some of the particular ways in which I do so. I offer a few reactions to each of their papers.

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1 Introduction

I am very grateful to Per Bylund, Art Carden, Charles North, and Virgil Storr for their thought-provoking papers discussing my recent book, *The Invisible Hook: The Hidden Economics of Pirates* (Princeton University Press, 2009). I am especially grateful to Carden who arranged for this symposium and the papers that comprise it to be presented in a session at the Southern Economic Association.

My goal in *The Invisible Hook* was to apply rational choice theory to pirates and, in doing so, to shed light on their unusual, entertaining, and sometimes shocking practices. I would like to interpret the fact that all the papers in this symposium discuss pirates as rational decision makers as a sign of success. None of the contributors object to my basic, overarching argument: pirates were economic actors. Of course, all of them are economists. So this may not be saying much.

My goal in this article is to offer a few reactions to each of the contributors' papers on my book. These papers accept that we can and should analyze pirates using economic theory. But they raise important questions about, and offer important

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challenges to, some of the particular ways in which I use that theory to understand pirates in *The Invisible Hook*.

2 Firms, societies, or something else?

Storr criticizes me for depicting pirate crews as societies. A society, he notes, does not have a *telos*. It has many. In contrast, pirate crewmembers were bound together in the pursuit of a single goal: illicit profit.

Bylund criticizes me for the opposite sin: depicting pirate crews as firms. A firm, he notes, is more than just a collection of individuals pursuing profit. A firm involves authority relations (a la Coase), residual claimant managers (a la Alchian and Demsetz), or centralized asset control rights (a la Grossman, Hart, and Moore). Pirate crews do not fit well into any of these boxes.

Both contributors put their finger on a key difficulty of talking about pirate crews: are they societies, firms, or something else?

In *The Invisible Hook* I talk about pirate crews as societies and firms. The reason for this is simple: they were both. Storr is quite right that pirate crews had a unitary, profit-making purpose. They are firm-like in important respects. Bylund is quite right that pirate crews do not fit well into existing theories of the firm and had governance arrangements foreign to traditional firms. They are society-like in important respects.

Criminality accounts for pirate crews' dual nature. It accounts for the society-like elements of pirate "firms" and the firm-like elements of pirate "societies." Pirate crews organized team production for the purpose of profit. There is something definitely firm-like about this. However, pirate "firms" "employees" equally owned them and earned equal incomes—features that do not fit well into traditional theories of the firm. As my book points out, pirate crews flat, share-based pay and ownership structure partly reflected pirates' need to find self-enforcing solutions to inter-temporal conflicts of interest in an environment in which they could not rely on government. This is an example of pirate criminality making pirate "firms" look more like what Bylund calls "cooperatives" and less like the traditional, legitimate firms that existing theories of the firm are concerned with.

I am fine with calling pirate crews "cooperatives" provided that we recognize that pirate cooperatives organized team production for the purpose of making profit—i.e., as long as we consider a "cooperative" a variety of firm rather than a separate category of economic organization. I do not care much what we call pirate crews. But if we want to understand them, we cannot ignore their fundamentally firm-like features.

Neither can we ignore pirate crews' fundamentally society-like features, as Storr would have us do. These crews exhibited important firm-like features. But they are not reducible to firms. Since pirate crews were criminal, they required encompassing rules of order that go well beyond the rules traditional firms create. Besides requiring rules about economic relations, such as pay, work duties, and so on, pirate crews required rules relating to theft and violence. They also required judicial institutions to enforce these rules. Pirate crews developed both.

Legitimate firms do not have these institutions of encompassing order because they do not need them. They can rely on government for this purpose. In this sense pirate “firms” are fundamentally different from ordinary firms. They are also different from ordinary firms in that, unlike “employees” in pirate “firms,” employees in ordinary firms do not eat all their meals together, live and sleep together for months on end, and interact socially (almost) exclusively with one another. These features of pirate crews suggest that they were much more than just firms. In important respects they were societies. Pirate crews’ society-like features are as fundamental for understanding them as their firm-like ones.

3 Pirates and property rights

North’s paper asks about the emergence of property rights in pirate crews. He points to the potential importance of “compactness”—individuals’ geographic and/or social closeness—in facilitating pirates’ property rights arrangements.

The issue of “compactness” is closely connected to a broader theme in economics that tends to portray the political–economic situations that individuals confront as becoming easier the smaller the relevant population becomes, the closer community members are to one another physically, and the more socially homogenous community members are. This theme appears in various forms in the literature on self-governance, for example in discussions about reputation’s ability to secure cooperation. It also appears in the literature in development, for example in discussions about ethnolinguistic fractionalization.

Two items should be noted about pirate crew “compactness.”

First, I am not sure that pirate crews were “compact,” as North claims. It is true that compared to modern, legitimate societies, pirate crews were small and that pirate crewmembers had common backgrounds as sailors—most from the merchant marine, others from naval employment. On the other hand, compared to contemporary merchant crews, pirate crews were enormous and pirate crewmembers were nationally and racially diverse. So I am not sure whether pirate crews were “compact” or to whom or what we are supposed be comparing them to adjudge their “compactness.”

Second, even if we could be sure that pirate crews were “compact,” I do not think we can conclude from this observation what economists normally conclude after identifying a community’s “compactness,” which is that, precisely because of that “compactness,” the community’s political–economic problems are comparatively easy ones for community members to solve.

Pirate crews’ most notable and important feature made pirates’ political–economic problem situation much harder than the one confronted in non-pirate societies, not easier: pirates were lying, murderous, thieves. Not only were pirates unable to rely on government to help them solve the political–economic problems they confronted. Those problems took on new and more challenging dimensions in light of the fact that they involved persons who had demonstrated a willingness to thumb their noses at laws prohibiting violence and plunder if they could profit from it—indeed, persons who had chosen to make a living by doing so.

As Carden notes, it is precisely this feature of pirate crews that makes the fact that pirates managed to solve their political–economic problems so remarkable. Whether

pirate crews were “compact” or not, the fact that pirates were pirates means their social problem was a “worst-case” one for political-economic order, not a “best-case” one, as the “compactness” view might suggest. This implies that we should be more impressed with pirate governance, not less.

4 Toward a piratical research agenda

Carden identifies several strands of research building on ideas I present in *The Invisible Hook* that future work might explore. Among the most promising of these is that which would investigate the relationship between seventeenth- and eighteenth-century piracy and rent seeking.

There are at least two aspects of this relationship worth exploring.

First, as Carden indicates, the golden age of piracy was also the golden age of European mercantilism. This helped fuel piracy, for instance, by creating a profitable smuggling network, which pirates, especially in the seventeenth century, dabbled in.

Second, European mercantilism created a situation in which colonial governors in North America and pirates were able to develop profitable relationships—the former providing protection to pirates, the latter providing the colonies with difficult-to-obtain goods plundered from Moorish vessels and specie that was in short supply. In some colonies, pirates became quasi-celebrities. Locals were grateful for the much sought-after goods and specie that pirates brought. This created a rather unusual dynamic between pirates, politicians, and citizens.

Carden's paper touches on another topic worth exploring: the nineteenth-century pirates of the South China coast. In contrast to the Caribbean pirates, who were but a few thousand sea bandits strong and who primarily earned their income by seaborne plunder, the pirates of the South China coast were many tens of thousands sea bandits strong and primarily earned their income by protecting/extorting land dwellers in Chinese coastal communities.

These differences contributed to the very different organizational structures Chinese pirates exhibited compared to their Caribbean brethren. The former were organized hierarchically. As *The Invisible Hook* describes, the latter were organized flatly. A close examination and comparison of Chinese pirates vis-à-vis their Caribbean counterparts could shed much-needed light on the theory of organization, especially as it relates to criminals. I hope to investigate this topic myself in the near future.

Carden's comments sparked my thinking about another area that may also be worth investigating: What did pirates' landed pirate communities look like compared to their floating ones? *The Invisible Hook* considers only the latter. But pirates had important bases in Nassau in the Bahamas and off Madagascar in the Indian Ocean. How did pirates organize on these land bases? Did their democratic arrangements carry over? What did property rights look like in landed pirate communities? Were there pirate codes that governed pirates at these bases? If so, what differences did they display from the codes that pirate crews used to govern their lives at sea? The historical material relating to pirate land bases is thin—thinner than it is for pirate crews at sea. But making progress on the foregoing questions could bear important fruit for our understanding of criminal organization, self-governance, and the economics of pirates.

5 Conclusion

Many thanks again to each of this symposium's contributors for taking the time to read my book and offering their thoughts about the tensions, unresolved questions, and areas of future inquiry it contains. I am truly flattered. I benefited greatly from reading their papers and from the opportunity to think about the issues they raise.

If I had the chance to write *The Invisible Hook* again, these issues are ones I would want to explore. On the other hand, the contributors' comments and suggestions might be more profitably explored in a sequel. If *Pirates of the Caribbean* can have one, why can't I?