

# Peter T. Leeson's The Invisible Hook: **The Hidden Economics of Pirates**

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Peter T. Leeson's "The Invisible Hook: The Hidden Economics of Pirates" is a book that will appeal to the economist, historian, or layperson with interest in the seemingly disparate topics of economics and the world of pirates and buccaneers.

Leeson is clear and methodical in his writing, skillfully building his argument from the bottom up. His discussion of economics is thorough and comprehensible to both a Ph.D. economist and a high school student. Personally, I had little interest in early 18th century pirates and piratical behavior and thus I expected to find little of interest in the volume. Instead I found a fantastic explanation of economics within the unusual backdrop of the world of pirates. On every page Leeson's infectious love for pirates, and more importantly economics, holds the reader's attention captive, ultimately leaving you with both a greater understanding of economics and an admiration for the rum-toting, Jolly Roger flying, ruffians of the briny deep.

Leeson covers seven main topics: pirate ship democracy, 'pirate codes' (articles of agreement), signaling techniques (Jolly Roger), the economics of torture and its externalities (such as the creation of ship and captain 'brand names'), the truth about pirate conscription, how media was used as a tool against prosecution, the comparative racial and gender tolerance aboard pirate ships, and ending

with a interestingly formatted analysis of pirate management.

In the introductory chapter Leeson defines his keystone idea from seminal economist Adam Smith's 'invisible hand.' The invisible hook is the term Leeson coins to describe the self-interested behavior guiding piratical activities, similar to Smith's idea with two main differences. First, pirates look to satisfy criminal self-interest. Second, there are no customers and pirates are not selling anything. Pirate revenue comes directly from other people's productivity, implying that there is no overall social benefit, unlike with Smith's invisible hand. From this premise you are provided the framework to fully understand the ideas presented in the rest of the book.

Leeson addresses the monetary incentive to remain a pirate, which I believe to be analogous to that of a gold miner hoping to hit the big payday. For instance from the late 17th century to early 18th century a seaman could expect to make between \$ 4000 and \$ 8800 per year, in current US dollars, working a legitimate job. Further disincentives were that legal employment for sailors was scarce especially as wars like the War of the Spanish Succession and the War of the Quadruple Alliance concluded. Pirating seemed the more attractive offer when compared with the low wages and highly

fluctuating employment rates of the Britain's Royal Navy or the even lower wages seen on merchant ships. Legal employment meant poverty but a successful piratical hijacking could make the entire crew vastly wealthy; pirates were known to have secured up to \$ 1,000,000 current US dollars per crewmember. Leeson is very careful to remind us that these large paydays were unusual and in fact crews sometimes starved searching for the prize ship.

Chapter two addresses pirate democracy and the checks and balances (accountability) associated with their chosen form of government. This and the following chapter's ideas are derived from Leeson's article in the prestigious *Journal of Political Economy* called "An-arrgh-chy: The Law and Economics of Pirate Organization." Leeson aptly uses James Madison's *Federalist Paper*, from *Federalist No. 51* written in 1788 to illustrate the forward thinking qualities of the pirate society and, more explicitly, the 'paradox of power.' He clearly explains the need for and process by which pirates created their democracy. Leeson struggles in providing citations to prove that the evolutionary process, from which democracy came into existence in the pirate community, was deliberative. More information may point toward believing that the creation of their constitution was organic and not a calculated creation as a federalist constitution would be.

In chapter three Leeson illuminates how social cohesiveness was achieved aboard the ship. Leeson grounds his argument in Adam Smith (1759: 86) to stress the necessity for social rules. "Society cannot subsist among those who are at all times ready to hurt one another... If there is any society among robbers and murderers, they must at least... abstain from robbing and murdering one another." Leeson elucidates the incentives involved in pirating with and without the 'pirate code' or 'articles of agreement' and continues his use of analogies to make economic and political ideas clear to the reader.

In the fourth chapter Leeson shows how signaling decreases transaction costs and increases piratical

profit. Everybody has seen the skull and crossbones, or Jolly Roger, but many people do not know that this flag was possibly the most important actor in successful pirating. Leeson explains the rational and methodical process by which pirates used this flag, and derivations of the Jolly Roger, to differentiate themselves from other ships. This process is called signaling. Pirates worked hard to make sure that those seeing the Jolly Roger would associate it with extreme piratical behavior in response to resistance, thus making compliance the only course of action. Signaling worked so well that naval ships sometimes flew the Jolly Roger to make unlawful takeovers.

Pirates also signaled through such means as: the use of friendly flags, hiding gun ports, altering the appearance of their ship to look like a harmless merchant vessel, dragging wooden barrels to artificially slow down their vessel (appearing harmless to their prey) then releasing them to quickly pick up speed during the attack, among other techniques. These signaling actions misled other sailors into believing the pirate ships were merchant or other innocuous vessels. Their overarching goal was to decrease transaction costs and increase the chances of a successful hijacking outcome.

Chapter five analyzes the economics of piratical torture. Pirates used torture for three main reasons, extract information from sailor of the captive ship, punish government officials for pursuing them or for having previously hanged fellow pirates, and to punish hostile merchant ship captains. Though the first two reasons aided in their overall goal as a profit-seeking group, the third can be view as motivated by pirate justice and not surprisingly did improve the treatment of sailors aboard merchant ships. Pirates used torture to discover hidden supplies and to chastise anyone for attempting to thwart them. As we see throughout history and today, torture is a method used both to terrorize and to reduce resistance. Torture also solidified their reputation as heartless and driven solely with

the purpose of securing profit. Often time newspaper articles written by victims or witnesses of piratical torture reinforced the heinous reputations cultivated by the pirates themselves. As their reputation grew and sailors expected to be tortured if they resisted, torture practices were less and less necessary to discover hidden booty aboard the captive ship and merchant ship captains reduced the harassment of their crewmembers.

Chapter six addresses the issue of pirate conscription, or the lack thereof. Historical stories dictate that pirates roamed the high seas overpowering ships and forcibly drafting sailors into pirate ranks, but this was mostly untrue. A crew of conscripted men with no want to be there, no monetary incentive to stay, and no agreement regarding aboard ship rules, would be a volatile group. Managing such a group would impede piratical profit if not eliminate it. Instead sailors were allowed to join a pirate crew of their own will, in full awareness of ship rules and regulations. Only the occasional physician or navigator was conscripted out of necessity.

During the 18th century, laws regarding anti-piracy became stricter, pirate conscription seemed rampant. This was the result of a political loophole for beating the charges of piracy (death by hanging). Sailors would use the excuse that they had been conscripted on pain of death to join a pirate ship. When in fact it seems probable that they had persuaded friends to publish a statement in the local newspaper, which could be used to verify conscription in a court of law.

In chapter seven, aptly named 'Equal Pay for Equal Prey,' Leeson concentrates on pirate tolerance. This was the time of slave ships and little to no rights for Blacks; racial tolerance was not the status quo; except aboard some pirate ships. Through the use of pirate logs, diaries, and other informal writings data had previously been compiled regarding racial diversity aboard ships. Leeson uses this data throughout this chapter when analyzing the

economic incentives guiding piratical tolerance.

Though his argument is sound, he fails to convince me of the reliability of this third-party data. What were the incentives for pirates and other actors to keep accurate descriptions of pirate life? Information written by these men (and the occasional woman) may be, and very probably are, exaggerations or outright fabrications. As with torture and descriptions of other piratical practices, pirate captains and crews, as shown by Leeson, attempt to strike fear in the hearts of men and their narratives cannot be immediately taken as factual. Pirates, as explained in previous chapters, attempt to cultivate a violent persona through the promotion of false and embellished characteristics. One could mistakenly get the impression that Leeson is trying to make a robust conclusion regarding racial diversity aboard ship, when it seems most likely that he is presenting a hypothesis (that very probably is accurate). What I think most important is that the reader fully understands the restrictions Leeson faces when using 17th and 18th century piratical data, which could have been addressed in more explicit language.

The last chapter is formatted as if the Pirates were teaching a college-level class, for example "Management 101, Prof. Blackbeard, T and Th, 1:00-2:15, Queen Anne's Revenge." Leeson includes relevant political and economic readings regarding piratical management employed aboard ship, such as Ludwig von Mises and F. A. Hayek, and quickly covers the lessons in clear and concise language. All the while adding a touch of hilarity in this writing style, keeping the reader engaged and thoroughly impressed with his ability to make difficult concepts fun and accessible.

Arrgh, me matey, I truly enjoyed this book and recommend it highly. I promise that upon finishing *The Invisible Hook: The Hidden Economics of Pirates* those of you who have reserved doubts about piratical economics will emerge hoping Peter Leeson pens a sequel.