

Captain Phillips and the Causes of Piracy

LSE's Ryan Jablonski and Steven Oliver of the University of California, San Diego explore the reasons for piracy on the Somali economy.

During one of the more poignant scenes in the Oscar nominated film *Captain Phillips*, Tom Hanks' Phillips castigates Muse, the pirate leader, that "There's got to be something other than being a fisherman or kidnapping people." To which Muse retorts, "Maybe in America", perpetuating the claim that Somalis are driven to the seas by high levels of poverty and instability. This thesis is also often perpetuated by the media and policymakers, although in reality the actual relationship between economic circumstances and piracy is more complicated.



To be fair, *Captain Phillips* is accurate in its portrayal: interviewed pirates do often claim that they took to piracy due to poverty, declining fisheries and the incursion of foreign fishing fleets into Somali waters. But the truth is more complex. Contrary to a poverty thesis, piracy began, not in Somalia's war-torn and poorer southern regions, but in a comparatively well-off and stable north-east region of the country known as Puntland. In addition, most evidence suggests that Puntland was actually doing quite well economically prior to the rise of piracy in 2008, largely fuelled by rising exports of livestock to the Middle East.

Nor is there much evidence that piracy is driven by declining fisheries. While illegal fishing has been a problem in Somali waters, there is little evidence of a sharp drop in fisheries production leading up to the spike in piracy. Nor is it the case that all pirates were fishermen. Many pirates have never done any fishing and studies of ransom spending suggest that the money is spent far from coastal cities.

In a [recent study](#) published in the *Journal of Conflict Resolution*, we provide evidence that supports a different story. In 2008, Puntland was affected by a combination of drought and inflation, the latter largely driven by counterfeit currency and high world food prices. These coincided with a budgetary crisis in Puntland in April 2008, which forced the government to withhold wages from border and security forces. These newly unemployed were likely attractive to pirate organisations because of their training and access to arms. By comparing price and wage rates over time, we establish that much of the rise in Somali piracy was probably caused by this reduced purchasing power and unemployment.

This effect of declining wages on piracy is true globally. Piracy is common in over twenty coastal states, and we collected information on all attacks that occurred in these states over the last decade. We then looked at the effects of changes in the profitability of low-wage markets, as measured by global commodity prices. We demonstrate that when prices drop in low wage markets, there is a significant rise in the number of pirate attacks in affected states. Significantly, when prices rise again, there is also an appreciable decline in attacks.

These results lead us to a couple interesting conclusions. First, they tell us—contrary to Muse’s claim—that pirates do often have other employment opportunities they can turn to. Pirates choose to take to the sea, not because they have no other option, but rather because the alternatives do not pay enough. Second, and most encouragingly, these results tell us that pirates are not trapped in a life of piracy. When pirates have an opportunity to work in a legitimate (and less risky) business with high wages, they are more than willing to forego piracy.

So why have piracy attacks been particularly rampant in Somalia? In [a follow-up study](#) with Justin Hastings at the University of Sydney, we suggest one possible answer: The size of the ransom economy has created a vicious cycle, making it increasingly unprofitable to oppose piracy. Ransoms have brought over 350 million dollars into Puntland over the last five years, making it the largest single source of wealth in the Puntland economy. This money increased profits among businesses that cater to pirates, like drug traffickers, construction workers, prostitutes, and vehicle importers. In addition, ransoms resulted in currency and price inflation. In what is often referred to as a “Dutch Disease”, this currency appreciation reduced profits in export markets like livestock. Evidence on the effect of ransoms on local prices, export volumes and currency exchange markets strongly support these conclusions.

In this ransom-fuelled economy, few people had an economic incentive to oppose piracy. In addition to these booming business opportunities, it has been estimated that over \$300,000 of each ransom is spent on bribes to businessmen, clan leaders, village elders, and politicians. In this light, it is not surprising that local Somalis have sometimes portrayed pirates as Robin Hood-like heroes, rather than guilty criminals.

More effective naval deterrence and policing have made attacks like that on Captain Phillips and the *Maersk Alabama* less common, but the economic conditions that motivated and sheltered pirates have not changed much. Especially worrying is the fact that the recent decline in ransoms has left many with even fewer legitimate employment opportunities than they had prior to the boom in piracy. In a stagnant economy with ready access to weapons, this means that crime and violence will likely remain attractive to many as an avenue to wealth.

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