Review of Virgil Henry Storr, *Enterprising Slaves & Master Pirates: Understanding Economic Life in the Bahamas*, New York: Peter Lang, 2004, 147pp.

Christopher J. Coyne
Assistant Professor of Economics
Hampden-Sydney College
Hampden-Sydney, VA 23943
ccoyne@hsc.edu
www.ccoyne.com

The issues of "if" and "how" culture matters for economic, political and social development have puzzled social scientists for centuries. Economists have largely neglected these issues, focusing instead on alternative explanations for economic performance. For instance, over the past century the mainstream economics profession has offered investment in physical capital, investment in human capital, and geography and natural resources as explanations for differences in economic well-being. In each case, these explanations failed to provide satisfactory explanations. For example, Hong Kong has performed quite well despite a relatively poor endowment of natural resources. Likewise, investments in human capital have failed to generate the desired and predicted results. Only recently have economists begun to pay attention to culture as an important factor in economic performance. It is within this context that Virgil Storr seeks to contribute to our understanding of economic life in the Bahamas by, "…grounding individuals in their historical and cultural context…" (3). In doing so, Storr hopes to offer a richer picture of life in the Bahamas as compared to alternative methods of economic history, such as cliometrics.

The first two chapters of the book draw on the work of Max Weber, Don Lavoie, Peter Boettke, Emily Chamlee-Wright and previous work by Storr to develop the importance of context for understanding the behavior of individual actors. The main idea is that individuals do not act in a vacuum, but rather are embedded in a network of political, economic and social institutions. Only by understanding this institutional context can one ultimately understand economic interactions and performance.

Drawing on Israel Kirzner's work on entrepreneurship, Storr attempts to develop the foundations of "cultural economics" by making the connection between context and entrepreneurial behavior. While entrepreneurs are present in all settings, the array of opportunities available to them is constrained by culture, which is "the background against which all (political, social and economic) activity takes place" (19).

The next three chapters develop the core argument of the book. As the title indicates, Storr contends that economic life in the Bahamas is the result of two distinct and often contradictory traditions – the "pirate past" which occurred in the seventeenth and eighteenth centuries and slavery which took place in the late eighteenth and nineteenth centuries. According to Storr, these traditions continue to influence present-day business and cultural practices in the Bahamas.

Piracy, according to Storr, came to prominence in the Bahamas because of a poor endowment of natural resources, which meant that viable alternatives to piracy, such as agriculture, were absent. The activities of pirates included "wrecking," where Bahamians would lure ships onto the coral reefs, and "salvaging" which involved taking cargo from beached ships. Pirates also smuggled alcoholic beverages and other contraband into North America. The activities of past pirates, Storr contends, produced the notion of the "master pirate" who is characterized by cunningness, thievery and a tendency to distrust. The master pirate serves as the business model for present-day enterprises because such "extra-legal activities are not simply accepted in the Bahamas, they are encouraged by and celebrated in Bahamian culture…" (44).

To further support the argument that piracy is an ongoing metaphor and model for present-day business, Storr discusses several stories from Bahamian folklore as well as passages from secondary school textbooks that demonstrate how the notion and characteristics of the "master pirate" have been passed from generation to generation. I found this analysis of Bahamian cultural products to be interesting and effective evidence supporting the core point that piracy of the past continues to serve as a model of business in the present. Storr's main conclusion is that the long history of the piracy business model has resulted in present-day Bahamian entrepreneurs possessing a high time preference and a narrow radius of trust.

Storr next turns to an in-depth analysis of slavery in the Bahamas and develops the notion of the "enterprising slave." The starting point of this analysis is the realization that the specifics of slavery differed within various parts of the West Indies. For instance, Bahamian slaves were healthier and had more leisure time as compared to slaves in other countries in the region. Bahamian slaves were given land by their owners and allowed to use their leisure time to farm the land and grow crops for consumption or sale. Similarly, they were given a share of fishing and wrecking expeditions and also allowed to rent out their labor to the highest bidder (although they did have to pay their owners a fixed fee). Storr contends that the specific nature of slavery in the Bahamas created a "spirit of enterprise." In short, the experiences of slaves in the Bahamas produced the underlying belief that an ethic of self-reliance and workmanship could produce economic success. Similar to the "master pirate," the notion of the "enterprising slave" has been passed through to subsequent generations of Bahamians.

According to Storr, current economic life in the Bahamas is a blend of the master pirate and enterprising slave. The master pirate is characterized by cunningness and an ethic of obtaining "something for nothing," while the enterprising slave relies on creativity and hard work to obtain success. Storr discusses the implications of the "master pirate" concept – the tendency for a relatively high time preferences and narrow radiuses of trust – in more detail. Specifically, he focuses on savings rates, which are lower than other countries in the region, poor customer service and the prevalence of low-capital intensive industries.

I would have liked to see the comparative approach that Storr applies to his consideration of savings extended to his discussion of customer service and investment. Storr provides actual savings rates for equivalent countries to show that Bahamians tend to save less. He offers no equivalent discussion or evidence for the subsequent claims. While Storr does offer some quotes to support the claims of poor customer service and investment in low-capital intensive enterprise, some comparison with other countries in the region would have been helpful and further bolstered his point.

My biggest concern with this book is that while Storr does an excellent job of exploring the culture, or informal institutions, that serve as the backdrop of life in the Bahamas, he fails to give the formal institutions adequate consideration. A deeper analysis of the role of government, and the subsequent formal rules that have emerged over time, would have fit nicely with Storr's discussion of the constraints on the opportunities available to entrepreneurs. There are hints regarding the role of government in Bahamian economic life. For example, the reader is told that life in the Bahamas is characterized by corruption and politicized business relationships (107-110). We are also told that the government has created an environment that allows the offshore banking industry to flourish (112-116). As Storr realizes, it is the rules of the game that determine how people interact and the opportunities available for entrepreneurs. However, these rules can be both formal and informal and both are important for understanding the context in which entrepreneurs, and economic agents in general, act.

While it is true that culture is important, so too are the formal institutions that govern a society. Both informal and formal rules interact to provide the structure of incentives that determine the relative payoffs to productive (i.e., wealth enhancing) or unproductive (i.e., rent seeking, corrupt and criminal) activities. As Storr convincingly shows, the master pirate and enterprising slave have been passed from generation to generation through cultural products. But the formal rules and institutions are also key factors determining the relative payoff to behaving as a master pirate or an enterprising slave.

No matter what positive characteristics the Bahamian culture has, it will ultimately be stifled by bad formal institutions. While culture can influence the emergence and evolution of formal institutions, these same formal rules serve as a binding constraint on the cultural background in which economic interaction takes place. The ultimate economic well-being of Bahamians will be the outcome of an ongoing race between the predation and cunningness of the master pirate and the creativity and the innovation of the enterprising slave. While this culture has evolved over a long historical period, the formal institutions are a major determinant of who will win the race. Given the importance of the interaction between the formal and informal institutions, Storr's analysis would benefit from a deeper discussion of the formal rules and institutions and the incentives they create for the master pirate or enterprising slave.

Despite these issues, Storr's book makes an important contribution to the earlier work of Don Lavoie and Emily Chamlee–Wright (2001) and David Harper (2003), which attempts to integrate cultural factors with market process analysis. The book is extremely well written and in addition to providing insight into life in the Bahamas, Storr makes progress in establishing the connection between culture and Kirznarian entrepreneurship. Further, the method employed, which offers an alternative to current methods of economic history employed by the mainstream of the profession, will be of interest to those working in the Austrian tradition.

References

Harper, D. (2003). *Foundations of Entrepreneurship and Economic Development*. New York: Routledge.

Lavoie, D. & Chamlee-Wright, E. (2001) *Culture and Enterprise: The Development, Representation, and Morality of Business*, New York: Routledge.