

Economics and Social Conflict

Evil Actions and Evil Social Institutions in Virtual Worlds

Carl D. Mildenberger



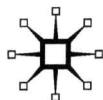
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List of Abbreviations

AGR curve	Anger/Gratitude Response curve
Alt-char	Alternative character; the second, usually less powerful character of some EVE-players (cf. 'Char')
CCP	CCP Games; the developer of <i>EVE Online</i>
CEO	Chief Executive Officer; the most powerful player in a corporation in <i>EVE Online</i>
Char	Character; the EVE-specific name for the avatar you control in the game
CONCORD	Consolidated Cooperation and Relations Command; EVE's virtual police
Corp	Corporation; a formal association of players in EVE
CSM	Council of Stellar Management; a democratically elected group of players that represents the views of the player base in front of CCP Games
Dev	Developer; one of the programmers of <i>EVE Online</i>
EK	Erratic kill; a kill without obvious reason
EVE	<i>EVE Online</i> ; a massively multiplayer online role-play game
FW	Factional warfare; war between the four empires in EVE (role-play aspect of the game)
GDP	gross domestic product
GM	Game master; an employee of CCP Games who solves in-game conflicts between players
GUP	gross user product; the virtual equivalent to the GDP
hisec	High security space; a comparably safe area in the virtual universe of <i>EVE Online</i>
ICK	Intra-corporation kill; a kill in which attacker and perpetrator are in the same corporation
ISK	InterStellarKredit; the currency of <i>EVE Online</i>
lowsec	Low security space; an area of medium security in the virtual universe of <i>EVE Online</i>
MMORPG	Massively multiplayer online role-play game
NPC	Non-player character; a computer-controlled avatar
nullsec	Null security space; the most unsafe area in <i>EVE Online</i>

PK	Player kill; a kill involving at least one humanly controlled avatar as attacker
PLEX	30 Day Pilot License Extension; bought from CCP Games and a method to buy ISK for EUR, but also an in-game item that can be traded on the market
PvP	Player vs. player; means that players are not competing with software created enemies but with human opponents
RMSE	Root mean squared error
RMT	Real money trading; the illegal act of exchanging in-game currency for real world currency
SD	standard deviation
SG	Suicide gank; a kamikaze-tactic in EVE

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1

Introduction

Could it be that poor countries are not caught in a *poverty trap* hindering development but in a *violence trap*? This is the important suggestion of the recent World Development Report entitled 'Conflict, Security, and Development' (The World Bank, 2011). Wide evidence is cited that countries affected by violence incur huge economic costs and therefore progress significantly less. Although the causal relationship between poverty and violence is ambiguous, the message is very clear: 'Violence threatens development' (The World Bank, 2011, p. 51). Talking about the effects of violence, however, the authors do not refer to 'classic' political violence like inter-state and civil wars – their importance has declined over the past 25 years. The problem of the 21st century is 'repeated cycles of violence' (The World Bank, 2011, p. 2): a recurring mixture of local political conflicts, organized crime, high murder rates, and low-intensity conflicts. It is not only nation-states and other political organizations that are responsible for violence with serious economic effects but also *individuals* and *small random groups* of people.

Despite this publication highlighting the severe consequences of violence and conflict for economic performance, until today, economic research on these issues is of *rather conciliatory nature*, when looking at the individual and questioning his motivations to enter conflict. There are economic theories on why rational actors are opting to fight for goods in anarchy – but these are intended to highlight why formal institutions should be put in place to overcome conflict (Buchanan, 1975/2000), or why the state of nature will be overcome eventually (Hirshleifer, 1995); thus, not focusing on individual actions. There are also economic theories on why it might be rational to harm others out of strategic reasons – namely to avoid being exploited by others in the long run (for example, Schelling, 1960, 1978). And finally, there are

economic theories of human beings possessing other-regarding preferences that claim – backed up by tremendous amounts of empirical evidence from bargaining games played in experimental economics – that people are sometimes willing to impair the income of others out of fairness considerations or because of conditional reciprocity (for example, Fehr & Schmidt, 1999; Rabin, 1993). To summarize these viewpoints: people might harm others (and in economics this mostly means that they either steal their goods or impair their income) because they profit from doing so either in the short run or in the long run, and sometimes because they want to punish them for ‘unfair’ behavior.

Given these economic explanations of violence, conflict, and the reasons behind harming other people, how can one say that they are ‘of rather conciliatory nature’? One way to defend this claim is to look at what psychology says when considering antisocial behavior, for example its description of *sadism*. ‘Sadism is the technical term for *deriving enjoyment from inflicting harm or pain on others*’ (Baumeister & Vohs, 2005, p. 96; emphasis by author). Sadists do not commit violence or harm others out of some interest for profit, let alone fairness considerations – they harm others to harm them. Violence is an end in itself for sadists. Another approach is to look at philosophy and the concept of *evil*. Kant for example claims that everybody possesses the propensity to act in an evil way and reasons about human actions out of pure evil will (Kant, 1793/2009, pp. 27–34). According to him, the goal of such vicious actions is not to become rich but *to act evilly for the sake of evil*. Given the concepts of sadism and evil, only covering violence under the header of stealing or strategic behavior in economics may very well seem ‘conciliatory’. Maybe economics has not yet considered all aspects of human conflict behavior and it is not just profit/interests of fairness considerations that cause people to harm others. Given the importance of violence for economic performance, *the purpose of this book is to find out whether the existing economic theories and the empirical evidence on harm done are enough to explain why humans sometimes harm each other*. More precisely, it will be argued that *economics should integrate the concepts of economically evil actions and evil social institutions* when trying to explain why people are willing to spend money only to impair other people’s property. In fact, given the long intellectual history of the concepts of sadism and especially of evil, it is surprising not to see any significant impact of these concepts in economics. This is even more surprising as only recently the normatively opposed concepts of altruism, fairness, and reciprocity have been acclaimed in economics thanks to the efforts

of experimental and behavioral economists (for example, Camerer, 2003; Fehr & Schmidt, 1999; Kagel & Roth, 1995).

1.1 Evil actions and evil institutions

In the narrow sense, an economically evil action will be defined as *an action that intentionally harms another person materially – without the actor benefitting materially from it*. Only observable, material (mostly monetary) payoffs generated by actions shall be considered when judging if they are economically evil. In the broad sense, three kinds of economically evil actions will be distinguished:

- if the perpetrator harms another person materially but obtains a positive material payoff himself, this will be called an *egoistic action*;
- if the perpetrator's payoff is zero, this is defined as a *wanton action*; and
- people harming others materially, only to lose money themselves from this action, will be said to commit *malicious actions*.

Evidence for all three kinds of economically evil actions will be presented. The goal is to show that such economically evil actions do not only *exist* but that they do so *to a relevant extent* given the economic consequences they cause. In this respect, the book wants to contribute to the evidence on human behavior deviating from the classic idea of economic man (for example, Camerer, 2003; Kagel & Roth, 1995). *This is the first minimal goal of this book: to provide additional evidence on people impairing other people's income*. It will be achieved by introducing a new environment for microeconomic research besides experimental games: human behavior in online computer games, namely in *massively multiplayer online role-play games* (MMORPG) (see below). This approach grants a new perspective on established findings.

This book, however, will not focus solely on the *actors* committing economically evil actions but will also have a look at the *circumstances and external factors* of these actions. Following up on the findings of psychological situationism (for example, Doris, 2002) and New Institutional Economics (for example, Mantzavinos, 2001), it will be argued that instigating circumstances that typically lie beyond human responsibility are an important cause of economically evil actions. More specifically, this book's concept of *evil social institutions* is intended to highlight this cause of evil actions. Whereas institutions are normally

said to be normative social rules that shape human interaction in order to overcome the Hobbesian problem of social order (Mantzavinos, 2001, p. 83), *evil* social institutions are defined as institutions that actively *foster* social conflict and that emerged spontaneously in an invisible hand process or as the result of conscious deliberation. *The second minimal goal of this book is thus to provide further evidence that turning the attention towards social institutions is important for giving an encompassing picture of what drives human behavior – in short, that evil formal and informal institutions exist and matter.*

Beyond the two minimal goals of showing that *evil actions and evil rules exist and matter*, there are two more ambitious goals to be pursued in this book. Regarding evil actions, while there are economic theories able to explain harming, these established theories are not able to capture all aspects of the behavior to be presented in the empirical part of the book. Evil actions as defined in this book are a phenomenon in its own right not yet fully treated theoretically and empirically in economics. The rather conciliatory theories of harming in economics have to be adapted in order to integrate the new empirical evidence to be presented – *some people committing evil actions are motivated by what seems to be a ‘taste for harming’*. Regarding evil rules, it will be claimed that this kind of social institution does not only exist and matter but that it is here to stay. *Although publicly known for fostering social conflict, some evil social institutions are able to persist in a society that generally possesses an adaptive institutional framework.* The theory that – in an evolutionary process – those rules not contributing to mitigation of the effects of social conflict will be replaced by more effective rules eventually (for example, North, 2005) might have to be adapted.

1.2 The research object: an ‘MMORPG’

Even if there is no lack of empirical evidence on hatred, appropriation, confiscation, and wars all around the world, probably a part of the suggested underestimation of phenomena like sadism and evil in economics is due to the fact that empirical research on these concepts is rather complicated. Thinking of the ethical considerations arising when planning a laboratory experiment on people intentionally harming each other makes this point very clear. Given these concerns, a more suitable environment for conducting research on economically evil actions and evil social institutions in particular – but also for