Economic Evil and the Other

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Abstract. The purpose of this paper is twofold. First, it proposes an idiosyncratically *economic* definition of evil. An agent performs an economically evil action if he intentionally harms (or causes others to harm) another agent materially, if he likewise materially loses from this action, and if there would have been a materially more rewarding course of action open to him. Second, it argues how we can classify different theories of economic evil and different economically evil actions based on an analysis of the relationship between the harming agent and the harmed Other. Doing so, the essay highlights how one particular kind of economic evil has yet to receive proper attention. This kind of economic evil is characterized by a special relationship of agent and Other. Namely, the agent only cares about the Other as far as the Other's material payoff is concerned – and only to the extent that he makes sure that it is negative. The paper also cites evidence of such behavior.

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1 Introduction

In recent years, the *good* behavior many economic agents exhibit has been acclaimed in economics, notably thanks to the efforts of experimental economics (e.g. Andreoni and Miller 1993; Fehr and Schmidt 1999; Güth, Schmittberger, and Schwarze 1982). It has been empirically shown that sometimes economic agents positively deviate from the ideal type of the *self-interested* utility maximizer. They act altruistically, fairly, or reciprocate trust and cooperative behavior in situations in which economic theory predicts defection and selfish behavior. Put differently, agents sometimes exhibit a kind of prosocial *other-regarding* preferences (Fehr and Schmidt 2006).

In spite of this development, the classic model of the purely self-interested utility maximizer remains widely used to explain and predict human behavior in economic contexts. Arguably, it does as good a job as ever when put to this use. This raises the following question. If it is widely acknowledged that some economic agents *positively* deviate from the ideal type of the self-interested utility maximizer, do not there also have to be some people who *negatively* deviate from this ideal type, in order that, on balance, the model remains a good predictor? As the classic model still possesses considerable predictive power, is there something that evens out the positive deviations on the negative side? As Hirshleifer (1994) remarks, it might be that we often are preoccupied with proving that we are actually better than *homo economicus* – and thus lose sight of the darker side of economic agents.

The purpose of this essay is to provide both a theoretical approach and empirical evidence for economic *evil*. If an economically good action is one in which the agent acts altruistically or fairly, in that he is willing to give up own income so that others profit, an economically evil action, roughly speaking, is one in which the agent acts maliciously, in that he is willing to spend money so that others lose money. Just like economically good actions can be explained with reference to *prosocial* other-regarding preferences, we can use the relationship of agent and Other as a way of understanding and classifying economically evil actions in terms of *antisocial* other-regarding preferences. There are economic agents who care about the Other – but who do not want to make the Other better off but worse off.

I shall proceed as follows. In Section 2, I present how we can define economic evil. I will argue that an agent performs an economically evil action if he intentionally harms (or causes others to harm) another agent materially, if he likewise materially loses from this action, and if there would have been a materially more rewarding course of action open to him. Section 3 reviews existing theories in economics able to account for some kinds of economic evil thus defined. I shall argue that one can usefully classify these theories with respect to how they conceive of the relation of the agent to the Other. I will then highlight a gap in the literature, in the form of a kind of economic evil not yet accounted for. This kind of economic evil is characterized by a very special relationship of agent and Other. Namely, the agent *only* cares about the Other as far as the Other's material payoff is concerned – and only to the extent that he makes sure that it is negative. Such agents exhibit what one might call *pure spite*. Finally, I will cite some empirical evidence that exemplifies econmomic evil (Section 4).

2 Economically evil actions

Given the long history of the concept of evil in theology, philosophy and psychology, it is surprising to see no significant impact of the concept in economics. Even more so given the self-expression of economics as a social science capable of explaining all kinds of human behavior (Becker 1976). This also means, however, that in proposing an idiosyncratically economic definition of evil, we can build on the insights of other disciplines. Notably, Zimbardo's (2005) influential psychological definition of evil strikes me as a good starting point. This is because of its behavioral and consequentialist focus that fits well into the general economic mindset.

Zimbardo holds that acting evilly means "intentionally behaving, or causing others to act, in ways that demean, dehumanize, harm, destroy, or kill innocent people" (2005, 22). In dependence on this definition, I propose the following definition of an *economically evil action*. If an agent intentionally harms (or causes others to harm) another agent materially, if he likewise materially loses from this action, and if there would have been a materially more rewarding course of action open to him, he commits an economically evil action.[1]

The are two crucial adaptations in this suggested economic definition of evil when compared to Zimbardo's definition. First, there is the focus on the *material* effects of the action. Second, there is the consideration of not only the victim's but also the perpetrator's payoff in conjunction with an analysis of alternative courses of action open to him. Both adaptations are necessary in order

[1] What is implicit in the idea of intentionally harming another being evil, is that the intention with which the agent harms is not a praiseworthy one. That is, the agent does not bring about a material lose-lose-situation for the greater good, as arguably is the case for subjects declining positive offers in ultimatum games for reasons of fairness. This is an aspect which is equally implicit in Zimbardo's definition. Intentionally harming somebody is not inherently evil (think of a doctor), but only becomes so if the intention with which the agent intentionally harms is depraved (e.g. harming for the sake harming).

to achieve an *idiosyncratically economic* definition of evil. Let me explain, starting with the focus on the material effects of the action for both the victim and the perpetrator.

Let *A* be the agent in a given situation and *O* the Other that passively suffers whatever *A* does. *A* can harm *O* in many ways but the two most important are that he hurts *O* directly, e.g. by bodily or psychologically harming him, or that he hurts *O* indirectly, e.g. by impairing his property (e.g. goods in his possession, resources, income, territory, capital stock, etc.). Let us call the former *personal harm* and the latter *material harm*. Now, while material harm does not play a major role in social psychology, for economic evil this kind of harm is the salient one. While we may in principle talk about harms done to the body or psyche in economics, harm done by stealing goods or impairing property historically speaking is in the focus of economics.[2] Focusing on material effects as regards economic evil is in the spirit of Marshall's seminal definition of economics as studying "that part of individual and social action which is most closely connected with the attainment and with the use [and with the loss] of the *material* requisites of well-being" (Marshall, 2009, 1; my emphasis).[3]

While one may readily accept the idea that material harm for the Other is a necessary condition of economic evil, especially when turning to the perpetrator's perspective the focus on the material effects of the economically evil action might seem dubious. In fact, the idea that it is a necessary condition for economic evil that the perpetrator likewise materially loses from the action, i.e. that his action is not motivated by material benefits, seems open to attack from two opposite directions. Namely, one might criticize this idea of economic evil as not being economic enough – or as being too economic.

[2] Theories of fighting in anarchy, and how they focus on the material effects of living in a state of nature rather than on the bodily or psychological effects, are a case in point (e.g. Tullock 1972; Buchanan 1975).

[3] In contrast to this definition, Lionel Robbins, for one, argues in favor of an alternative meta-economic position. He holds that economics does not so much possess its own subject matter (i.e. the material) but rather is about how agents rationally choose when faced with "scarce means which have alternative uses" (Robbins 1935, 15). To see how, even if we endorse this alternative meta-economic position, material effects are central when talking about economic evil, compare p. 5, para. 3 below.

Those who criticize the focus on material effects as not being economic enough might object the following thing. No economist honestly believes that we are purely motivated by material benefits, i.e. that we are trying to maximize material self-interest. Also, utility functions easily incorporate immaterial benefits. But if immaterial benefits are not alien for *homo economicus*, and if economists frequently refer to immaterial benefits to explain the behavior of rational utility-maximizers, then why should we exclusively focus on the absence of material benefits when defining economic evil?

My reply to this objection is that I propose a definition of economic evil which is idiosyncratically economic in that it reflects the *strictest*, *simplest*, and *most parsimonious* version of the model of economic rationality, i.e. that model which analyzes economic behavior in terms of agents trying to maximize material payoffs. Put differently, the exclusive – and consciously excluding – focus on material effects allows us to carve out a *principium diiuidicationis* for economic evil proper. I agree that wider models of economic rationality readily handle all kinds of material *and* immaterial benefits. But the question of material benefits and harms touches on the innermost core of economics.[4] Material benefits are what underlie agents' economic intention *proper* (or: *in the narrow sense*), and thus should decisively feature in an economic definition of evil. Note that I am *not* suggesting to leave behind the core economic idea that striving for utility increase (both from material and immaterial sources) is the agent's ultimate motivational force. I am not leaving behind a wider model of *homo economicus*, I only suggest that for judging whether a certain action is economically evil material effects are decisive.

Consider how such a focus on material effects also structures those efforts in experimental economics in opposition to which I want to make room for the concept of economic evil. Those authors discussing the altruistic or fair side of economic agents argue how experimental evidence of subjects deviating from a purely material perspective – e.g. dictators choosing to allocate some

[4] Compare how an idiosyncratically Christian theological definition of evil might prominently rely on the idea of privation of the Godly Good.

money to recipients in a dictator game – is evidence for prosocial other-regarding preferences. Without denying overall economic rationality to the subjects, in these experiments the purely material perspective is used as the *economic baseline proper*, as the economic baseline in the narrow sense, against which to judge deviating behavior. What underlies my economic definition of evil is nothing but this choice of baseline as practiced in these widely-acclaimed efforts.

On the other hand, those who criticize my definition as being too economic might highlight that the suggested separation into material and immaterial benefits often prepares *ad hoc* explanatory arguments by economists. For whenever the narrow model of economic rationality focusing on material benefits is unable to explain certain behavioral evidence, economists may argue that that behavior nevertheless does not contradict the wider model of economic rationality (incorporating immaterial benefits). The problem highlighted by critics, in essence, is that such an approach "fits everything and explains nothing" (Hodgson 2013, 25); i.e. it practices illegitimate economic imperialism in providing pseudo-explanations of human behavior in economic terms (cf. Becker 1976). That is, one might criticize my definition of economic evil precisely for not explicitly excluding the wider model of economic rationality according to which economic agents maximize a *combination* of material and immaterial benefits. One might fear that my model of economic evil likewise turns out explanatorily empty and does not further our understanding of evil actions.

Two points are noteworthy with respect to this objection. First, my suggested idiosyncratically economic definition of evil does *not* rely on a widening of the narrow model of economic rationality. This is precisely because it exclusively considers material benefits. Nothing in my suggested definition abets illegitimate economic imperialism in the form of economists "explaining away" deviations from the narrow, material model by widening the model to incorporate immaterial benefits. I only want to establish that if a certain agent intentionally harms (or causes others to harm) another agent materially, if he likewise materially loses from this action, and if there would have been a materially more rewarding course of action open to him, then this constitutes an economically evil action. It constitutes an *economically* evil action precisely because such behavior deviates from the economic baseline proper, i.e. the narrow, material baseline. Beyond that, I do not make any assertions to the effect of whether economists are still able to meaningfully explain such behavior within their general framework. In principle, I would be fine with economic evil turning out thoroughly inexplicable even based on the wider model of economic rationality, as the idea of evil as the genuinely inexplicable also is prominent in theological and philosophical debates concerning the concept of evil (Calder 2016, sec. 2).

Second, I do not propose a definition of evil *from an economic perspective*, but a definition of *economic evil*. The difference is that I do not rely on the wider model of economic rationality in order to explain the phenomenon of evil *tout court*. Instead, I propose a definition of evil which is limited to the economic domain – just as theology, or psychology, or philosophy possess their own, discipline-rooted definitions of evil. I agree with criticism like Hodgson's (2013) that experimental economists claiming to explain altruism or fairness *tout court* in terms of the wider economic model of rationality run the risk providing empty explanations. But in discussing how subjects deviate from the economic baseline proper, they discuss actions which – if not good *tout court* – certainly may be called *economically good*. In the same sense, I propose a definition of *economic* evil, not of evil *tout court*; a definition which is confined to the boundaries of the discipline of economics.[5] Thus, I avoid the danger of practicing illegitimate economic imperialism.

Let me turn to the second adaptation of my suggested definition compared to Zimbardo's. My definition not only looks to the Other's payoff from the agent's action, but compares it to the agent's payoff – in conjunction with an analysis of alternative courses of action open to the agent. Generally speaking, there are three logical possibilities of how *A* materially harming *O* might affect *A* materially. *A*'s material payoff from performing the action might be positive, zero, or negative. Why should we judge only those actions economically evil for which *A*'s material payoff is

[5] Compare how a theological definition of evil also only properly works within a theological framework.

negative, and only if there is a materially more rewarding course of action available? The reason lies in how evil is typically defined in delimitation to the merely bad. There are two prominent theories of how to distinguish evil actions from merely bad ones, the quantitative and the qualitative theory. And whichever theory we endorse, it makes sense to require that the perpetrator's payoff is negative in order to ensure we are not dealing with merely bad actions.

On the one hand, proponents of the quantitative theory of evil (e.g. Singer 2004; Russell 2007) hold that evil actions are extremely, excessively, or simply very bad actions. Based on the narrow model of economic rationality, the less materially rewarding a materially harmful action is, the more negatively we would have to evaluate *A*'s action *ceteris paribus*. *Ceteris paribus*, actions featuring a negative payoff are worse than those featuring a payoff of zero, are worse than those actions with a positive payoff for *A*. Thus, requiring the material payoff for *A* to be negative makes sense if we subscribe to the idea of evil as the "worst possible term of opprobrium" (Singer 2004, 185).

On the other hand, proponents of the qualitative theory of evil (e.g. Steiner 2002; Calder 2013) hold that there is a qualitative difference between evil and merely bad actions. That is, there is an "extra quality [of evil] that is completely absent in the performance of ordinary wrongs" (Steiner 2002, 184). Calder (2013), for one, suggests that this extra quality is the depraved intention with which the agent intentionally harms the Other.

Now, whereas in some contexts the intention to materially gain from harming somebody might already be considered depraved, this cannot be true for economic evil. Material benefits are what underlie the economic intention proper. However, if the material benefits of an action are negative, we can be sure that the intention with which the action was committed is not an economic one in the narrow sense. The perpetrator's material loss thus becomes the extra quality featured only be economically *evil* actions.

The added condition "and if there would have been a materially more rewarding course of action open to him" is due to a complication. Actions that represent the materially most rewarding course of action are not negatively evaluated based on the narrow model of economic rationality.

If, materially speaking, the best *A* can do is to harm *O* and thereby lose a little money – rather than, say, not to harm *O* and lose a lot of money – it would be weird to judge *A* opting for the former course of action *economically* evil. Therefore, even if a certain action leads to a material lose-lose scenario, this action should only be considered economically evil if, in addition, there would have been a materially more rewarding course of action open to *A* he chose not to take.

3 Classifying economic theories of evil: agent and Other

According to the definition just proposed, a typical instance of an economically evil action is if, in a one-shot interaction with *A* having the two options of doing *x* or *y*, *A* spends \$1 on doing *x* in order that *O* loses \$10, although *A* could have gained \$0.50 by choosing *y*. This is a payoff structure which has not escaped economic attention. Many existing theories seek to explain behavior that fits this payoff pattern.

Assuming a meta-perspective and making use of the definition developed in the preceding section allows us to do two things. First, it allows us to show what different theories dealing with this kind of payoff structure *have in common*. Namely, we can conceive of all of them as theories of economic evil. The theories might not typically be presented as being theories of evil. That is, they might best be described as "implicit" or "non-self-declared" theories of economic evil. But following our definition of economic evil we can identify this aspect they share.[6] Second, it allows

[6] There is another feature all those theories share. Namely, they all at some point leave behind the narrow economic model of rationality of agents trying to maximize material payoffs in order to explain human behavior. Because of this, they are open to criticisms along the line of Hodgson as presented above (2013). If one subscribes to Hodgson's and similar criticisms, one would not want to qualify these theories as economic theories of evil strictly speaking – precisely because one would doubt that an attempt aiming at addressing the issue of economic morality within the frame of utility-maximizing rationality might succeed. Put differently, the criticism would be that these theories are not economic theories of evil because they cannot explain evil in economic terms, but that all they do is to force their model of explanation (i.e. rational utility-maximization) on harmful behavior, explaining nothing. Now, the question of whether this move is legitimate, and whether such theories genuinely explain the behavior in question in economic terms, is beyond the scope of this paper. Suffice it to say that one can also understand these theories – not as *economic theories of evil* – but as *theories of economic evil*; i.e. as theories trying to come to grips with the phenomenon of economic evil as I defined it in Section 2. It is in this charitable way that I want to understand these theories here.

us to show what *distinguishes* existing theories of economic evil. Notably, what distinguishes existing theories is how they imagine the relationship between the agent and the Other.[7]

Three different ways of imagining the relationship between the agent committing economic evil and the Other can be identified in the literature. First, the agent might care about the Other in the sense that he cares about the *material payoff* the Other secures *in relation to his own*. Two classic findings from experimental economics suggest such a relationship. Fehr and Schmidt (1999) argue that economic agents regard others who receive a higher payoff from a bargaining game than themselves with envy – and that they are then willing to give up some of their own material payoff in order to lower that of others. And Fehr et al. (2008) experimentally identify agents with spiteful preferences, i.e. agents with "the desire to reduce another's material payoff for the *mere* purpose of increasing one's *relative* payoff" (2008, 494). On a social scale, horizontal inequality, that is between-group inequality e.g. between different ethnic groups or tribes, is an important factor for explaining why people engage in destructive conflict (e.g. Stewart, Fitzgerald, and Associates 2001; Tilly 1999).

Second, the agent might care about the Other in the sense that he cares about the *type* of the Other as revealed by prior interaction. Falk et al. (2003) describe agents who, on the basis of other people's actions, identify them to be of the altruistic or spiteful type. They then act themselves either altruistically or spitefully (cf. also Levine 1998). Antisocial punishment is another case in point. Herrman et al. (2008) find that the costly punishment of people who behaved prosocially in a bargaining experiment is a widespread phenomenon. In addition, evidence that economic agents

[7] In my overview, some important economic theories able to explain material harming are missing; notably, theories of strategic harming and theories of fighting in anarchy. The central idea of the former kind of theories is that harming behavior which, in the short run, is costly to the economic agent, might turn out beneficial in the long run. Reputation-building theories fall into this category (e.g. Schelling 1960), but also theories about the profitability of revolutions (Grossman 1991; Grossman 1999), or the opportunities presented by starting civil war (e.g. Collier 1999; Collier and Hoeffler 2004). The central idea of the latter kind of theories is that harming others materially and engaging in destructive fighting might be the best course of action for an economic agent from a material perspective, even if he does not materially gain from such behavior. This is often true in anarchic conditions, in which conflict is not punished by the state, and in which others will engage in fighting whether or not the agent himself resorts to violence (e.g. Buchanan 1975; Hirshleifer 1995; Hirshleifer 2001b). Both families of theories are ignored here for the same two reasons. First, such theories model agents who have no relation whatsoever to the Other, as they possess purely self-regarding preferences. Second, such theories do not model economic evil. For either the modeled agents do materially profit from their behavior – albeit only in the long run (theories of strategic harming). Or there is no materially more rewarding course of action around that the agent could have taken (theories of destructive fighting in anarchy).

are willing to spend income in order to materially harm people who are of a certain type (who belong, say, to a particular ethnic or religious group) abounds (e.g. Fearon and Laitin 2003; Gurr 2000; Gurr and Moore 1997; Kaplan 1993).

Third, the agent might care about the Other insofar as he cares about the *intentions* of the Other. Rabin (1993) models such scenarios with the tools of psychological game theory and finds that "[t]he same people who are altruistic toward deserving people are often indifferent to the plight of undeserving people, and motivated to hurt those whom they believe to have misbehaved" (Rabin 1998, 21). Rabin's subjects decide whether someone misbehaved on the basis of how they perceive the Other's intention to be like. Hirshleifer's (2001a) *Anger Response Curve* is another theoretical model of economic agents who, after they feel provoked, spend money in order to materially harm others. Finally, economic models of revenge capture agents willing to spend money in order to retaliate towards agents whom they believe to have intentionally caused them harm (e.g. Chagnon 1988; Kim and Smith 1993).

Now, the benefits of examining what unites and distinguishes existing theories of economic evil are not of purely classificatory nature. Instead, realizing that the conception of the relationship agent-Other varies across theories also serves to reveal a gap in the literature. This gap becomes manifest once we compare the agent-Other conceptions of theories of economic evil to the agent-Other conceptions of theories of economic good.

Curiously, economic theories of behavior that *positively* deviates from the narrow, material economic baseline have identified a possible relationship of agent to Other ignored by theories explaining *negative* deviations. Notably, the literature on prosocial other-regarding preferences not only mentions agents who care about the Other's payoff in relation to their own. It also mentions agents whose utility is positively influenced by the Other's material payoff *tout court*. This is the case of *unconditional* or *pure* altruism (e.g. Andreoni and Miller 1993; Andreoni and Miller 2002). Some agents straightforwardly further the material well-being of others.

Purely altruistic agents are found not to necessarily have a pronounced relation to the Other (Fehr and Schmidt 2006). For instance, they might never previously have interacted with the Other, nor know about his intentions or type. They might not know enough about the Other in order to spark feelings of affection, fairness, reciprocity, camaraderie, or at least guilt on their part. For them, the Other is a genuine Other of whom they do not know much and whose intentions they do not question. Still, they exhibit altruistic behavior. One might say that the relation of these purely altruistic economic agents to the Other is a rather minimal one. They care about the Other *only* as far as the Other's absolute material payoff is concerned – and only to the extent that they want to positively influence it.

What about the negative equivalent – *pure* spite, so to speak? To my knowledge, no economic theory or empirical study deals with this phenomenon head on.[8] This is surprising as this form of evil – and the particular kind of relationship between the agent and the Other it suggests – is particularly widely researched in other disciplines.

In social psychology, for example, lots of research deals with the infamous cases of sadists and psychopaths (e.g. Baumeister and Vohs 2005; Hare 1991; Hare 1999; Staub 1999). Following Baumeister and Vohs (2005, 96) "[s]adism is the technical term for deriving enjoyment from inflicting harm or pain on others". It is characteristic that Baumeister and Vohs simply talk of the Other without further qualifying him or her in their definition. Violence is an end in itself for sadists, and the Other – whoever he or she might be – is a largely interchangeable means to that end. This is how sadism contrasts, for example, with racism as a motivation for inflicting harm on others. However we might want to define harmfully racist behavior in detail, the fact that the Other is not just some Other, but of a certain type – namely of a certain race – will be a necessary part of that definition. Sadists need some Other to derive enjoyment by harming him or her; the presence of some Other who can be harmed is a condition *sine qua non* for their enjoyment. But

[8] The sole exception is Hirshleifer (2001b) who mentions – in passing – economic agents with malevolent preferences.

the Other is just some blank space, some placeholder variable in their utility function, so to speak, who does not necessarily possess idiosyncratic properties (like being of a certain race). Sadists might derive enjoyment from inflicting harm on others *unconditionally*, i.e. without having a particularly deep relation to their victim. Also in philosophy, those who commit atrocities without a look to the Other and irrespective of his status as a person are particularly notorious (Card 2002; Arendt 2005). In economics, this kind of evil seems to be ignored.

In line with what has been said above concerning different agent-Other relations in theories of economic good and evil, we can tentatively describe how the stereotypical relation of agent to Other for agents acting out of pure spite would have to look like. Such an agent's relation to the Other is rather minimal. The agent does not care about the type or the intentions of the Other, as for example revealed by prior interaction. He might not even have met the Other before. He possesses very little information about the Other; in any case not enough information to reasonably found feelings of envy, hatred, revenge, etc., which by their very nature are directed at specific Others or small, clearly identifiable groups. Still, he intentionally harms the other materially, although it he materially loses from this, and when there would have been a materially more rewarding course of action open to him. In the same way that the purely altruistic respect and benefit the Other *qua* Other, the purely spiteful want to harm the Other *qua* Other. Only if there is no personalized connection between the agent and the Other can we speak of pure spite. To the economic agent acting out of pure spite, the Other is a largely anonymous person he is willing to harm no matter who the Other is. He is basically willing to harm an anonymous Other he is only accidentally interacting with. He does care about the Other's material payoff, but only in a very limited way. Namely he only cares about it to the extent that he wants to make sure it is negative. [9]

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[9] One might feel that I over-emphasize the role that anonymity (or the "qualitylessness") of the Other plays for the psychological definition of sadism. I willingly admit that probably not all acts of sadism feature such a minimal relation of agent to Other. Thus, my analogy between economic evil out of pure spite and psychological sadism might not always be fitting, as for economic evil out of pure spite the non-relation to the Other is even more central. However, whether or not the analogy holds, there is a difference between economic evil out of pure spite and economic evil

Now, at this point one might object that given the way I define economic evil committed out of pure spite, I do not stay true to my above claim that I merely aim to put forward a *definition* of economic evil rather than trying to *explain* evil actions from an economic perspective. After all, my definition of economic evil out of pure spite clearly refers to explanatory determinants of the behavior in question. One might feel that this, again, renders my approach susceptible to criticisms along the lines presented by Hodgson (2013). However, note that I merely rely on explanatory determinants of behavior as a way of refining my overall definition of economic evil, i.e. in order to establish sub-categories. Using explanatory determinants as a basis for further categorizing economic evil is not the same as to explain behavior. What is more, establishing such a categorization certainly is not the same as to engage in a (potentially dubious) explanation of evil actions *from an economic perspective*, e.g. based on the wider model of economic rationality.

I do not aim to explain economic evil from an economic perspective. Instead, until now I have suggested what kind of behavior one would want to consider economically evil; also alluding to not genuinely economic determinants of behavior like, for example, intention-focused retaliation or sadism. And now I will switch from theoretical to empirical efforts, showing that economic evil committed out of pure spite is not only a concept one might sensibly theoretically deduce, but for which there is empirical evidence. Again, I will do so without suggesting that we can explain such behavior from an economic perspective, e.g. based on genuinely economic intentions.

4 Evidence for agents acting out of pure spite

Economists have often succeeded in highlighting how – even among those agents with a distinctive reputation for being prone to sadism – economic intentions proper, i.e. material self-interest, are able to explain their *prima facie* evil behavior. Let me give just two examples. Leeson

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based on the type of the Other just as there is a difference between sadist and racist behavior – and this is the main difference I aim to highlight. And I will present evidence below (Section 4), that economically evil actions with as minimal a relation to the Other as required for considering them instances of economic evil out of pure spite actually exist.

(2007; 2010) highlights how for *pirates* the reputation of being sadistic made good economic sense. He finds that "pirates did not just blindly use[, say,] torture because they liked it[. B]ut they used torture rationally in order to extract information and build reputation – [and] refrained from doing so if these goals would be hurt by torturing" (2010, 21). Skarbek (2010; 2012) provides similar results for *prison inmates*. Although the ratio of sadists in the population of prison inmates is significantly higher than in the average population (Tangney and Stuewig 2005), prison inmates can be shown not to perform purely spiteful actions in circumstances one might commonly expect them to.

Still, there is evidence for the existence of economic agents acting out of pure spite; notably Mildenberger's finding on the material harming behavior of users of virtual worlds (2013; 2015). Virtual worlds are computer-created environments that visually mimic complex physical spaces, where people can interact with each other and with virtual objects in manifold ways (Bainbridge 2007). They give rise to sophisticated political systems governed by distinct sets of institutions and well-developed, user-run economies (e.g. Castronova 2001; Castronova 2008; Lastowka and Hunter 2004; Lessig 1999; Ludlow 2001; Guðmundsson 2010; Guðmundsson 2009b). Virtual worlds are economic environments proper in which standard economic laws (the law of demand, the mechanics of inflation, etc.) hold (Guðmundsson 2009b; Guðmundsson 2010; Castronova 2003; Fiedler and Haruvy 2009). Notably, there are exchange rates between virtual world and real world currency, which allows for the destruction of virtual items to be expressed in real-world monetary terms. Users are immersed deeply in virtual worlds and take the presented economic incentives seriously while logged in. How invested users are is shown by the fact that the average user of the examined virtual world spends 17 h per week online, for a period of 2 years (Guðmundsson 2009a). Given the immense opportunity costs of the *real* temporal investment, we can be sure that users *do* care about how well they perform relative to the incentives and payoffs present in the virtual world, and in comparison to others. It would be presumptuous and un-economical to assume that users are "just playing around".

Mildenberger (2013; 2015) uses panel data from a virtual world to show that users acting as virtual pirates – unlike their real-world historical counterparts – as well as users engaging in virtual suicide attacks are not motivated by material gains. In the short run, both practices are lose-lose situations for both perpetrators and victims, due to the destructive and suicidal nature of these practices (2013, 173–99; 2015, 409–14). Note that there are no obstacles preventing pirates and suicide attackers from switching to more profitable activities. Engaging in these practices is not an ability-based decision. Users consciously chose to opt for the unprofitable fighting of user versus user when they could engage in profitable fighting of user versus computer (2015, 414). Note also that considerations of bounded rationality play no role. Although earning negative payoffs almost every time, users repeatedly engage in these practices, when they can be expected to learn quickly (2015, 408; 2013, 178–79). It is common knowledge in the virtual world that these practices do not pay off (Azhpol et al. 2011). Overall, Mildenberger (2013, 173–99; 2015, 409–14) manages to dispel all common short-term material motivations able to explain the pirates' or suicidal attacker's harmful actions.

Long-term economic considerations do not motivate these practices either (Mildenberger 2015, 413–14). For example, the users are not rebels aiming for power (Grossman 1999). They are not fighting to obtain control over valuable resources (Collier and Hoeffler 2004). Neither are these users profiting from wartime economies, e.g. by extracting benefits from international aid (Keen 2000). They are not cultivating a bad reputation in order to scare away potential attackers (Schelling 1978). Instead they are outlawed, and become "free game".

That is, although there are plenty of real-life examples in which violent, seemingly irrational behavior can be explained by short-run or long-run material economic incentives, the behavior of virtual pirates and suicide attackers is an exception. These users intentionally harm other users materially "for fun", although they materially lose from doing so, and although there would have been materially more rewarding courses of action open to them.

It is particularly important in our context that the relationship of these users to the Others they harm fits the tentative description given above. As virtual worlds are largely anonymous environments in which users do not reveal their real names, let alone other personal characteristics, it is not the case that the agents relate to the Others' type. For example, the anonymity of virtual worlds prevents the targeting of particular ethnic or religious groups. Also, the attacks typically take place without any prior interaction between the agent and the harmed Other. Thus, the agent cannot infer any specifics about the Other's type or intentions from prior interaction. Quite generally a user's intentions are hard to ascertain and communicate in virtual worlds. In addition Mildenberger quotes a developer of the virtual world who states that there is nothing personal (like, for instance, revenge) in these attacks, and that the victims have done nothing in order to draw the perpetrators' anger (2013, 171). The perpetrator typically is not angry with the Other or otherwise emotionally aroused. He just shoots a random Other. The Other simply is at the wrong place at the wrong time. Finally, the agents do not relate to the Other's relative payoff, being for example motivated by envy or feelings of disadvantageous inequality. Instead, the perpetrators are found to be more wealthy and more experienced within the virtual world than their victims (Mildenberger 2013, 180). To summarize, those users acting as virtual pirates or suicide attackers only care about the Other as far as the Other's material payoff is concerned – and only to the extent that they make sure that it is negative.

5 Conclusion

I have argued that after acclaiming positive deviations from the ideal type of agents maximizing material self-interest, economists should be just as willing to acclaim negative deviations from that ideal. There is not only economic good around, but also economic evil. We can distinguish different kinds of economic evil by looking more closely at the relation of the harming agent to the harmed Other. Doing so reveals that economics tends to ignore those kind of agents who are considered particularly notorious evildoers in other disciplines. Agents who act out of pure spite are characterized by their particularly minimal relation to the Other they harm.

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