

# FTX collapse raises hard questions about the 'effective altruism' movement

Should charity be driven by the head or the heart? FTX founder Sam Bankman-Fried believes that making vast sums of money is noble if it is used for a greater good.



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For The Straits Times

The collapse of cryptocurrency exchange FTX into bankruptcy and the resignation of its high-profile chief executive Sam Bankman-Fried earlier in November put the spotlight on an already wobbly cryptocurrency industry. However, there is another, quite different aspect to the exchange's implosion as well – its unsalutary effect on philanthropies and non-profit organisations.

This is because the young tech entrepreneur was a card-carrying proponent of what is called "effective altruism" (EA) – where making vast sums of money is seen as noble if it is to be used for a greater good. (Mr Bankman-Fried had set up a philanthropic infrastructure through FTX which promised a certain percentage of its crypto exchange fees would be donated to charities.)

The fast-rising popularity of the effective altruism movement has attracted the interests of the rich and powerful, particularly among the Silicon Valley tech moguls; but now in the aftermath of the FTX debacle, awkward questions are being asked about the philosophy and practice of this particular mode of philanthropy and the ethics of promising grants to charitable causes when it appears there were not the funds available to follow through.

Ten years ago, when Mr Bankman-Fried was an undergraduate at the Massachusetts Institute of Technology, he was persuaded by one of the founders of EA, the philosopher William MacAskill, that he can be an even more effective altruist by "earning to give". An inspired and convinced Mr Bankman-Fried completed his degree and went on to pursue a career in finance and founded FTX in 2019. Along the way, his net worth grew to US\$26 billion (S\$35.8 billion) which – before it evaporated recently – he pledged



An aerial view of Florida's FTX Arena, home of the Miami Heat basketball team. Former FTX chief executive Sam Bankman-Fried's donations have gone to causes such as pandemic preparedness as well as to sports-related deals including naming rights to the Miami arena. PHOTO: AFP

to give away most of it.

## SHALLOW POND AND THE ENVELOPE

Professor William MacAskill, possibly the world's most prominent figure of EA, forged its operating principle of hardcore utilitarianism, which focuses on maximising good outcomes for the greatest number of people. He was himself greatly influenced in this by a famous 1972 essay, *Famine, Affluence and Morality*, by Australian philosopher Peter Singer. In the essay, Professor Singer posed an ethical thought experiment involving two scenarios that has become known as the Shallow Pond and The Envelope.

The first scenario is where, if we were to see a child drowning in a shallow pond, we wouldn't worry about the inconvenience of dirtying our clothes as we wade in to save the child. In the second scenario, we are asked by a charity to send a donation in an

envelope (the equivalent of the laundry bill for the muddy clothes) to save the lives of children overseas. To ignore the child in the pond would be to most people morally reprehensible; to ignore the request from that charity would not be.

But Prof Singer contends that the two are ethically alike: "If we can prevent something bad without sacrificing anything of comparable significance, we ought to do it." To allow harm is to do harm; it is wrong not to give money that we do not need other than for the most basic necessities.

Taking this line of thought to its inevitably uncomfortable conclusion can lead to an excruciating sense of responsibility, obligation and guilt. When a sum no more than a dry cleaner's bill could have saved a child, small luxuries may be seen as self-indulgent and morally unacceptable.

In her 2015 book, *Strangers*

Drowning, journalist Larissa MacFarquhar wrote of a group of do-gooders who were so committed to living as ethical a life as possible that they were willing to weigh their lives and their families in a balance with the needs of strangers.

She described a young woman who believed she was not entitled to care more for herself than for others. When her boyfriend bought her a candy apple for a few dollars, she wept with guilt that she might have – for that amount of money – deprived a child of a life-saving anti-malarial bed net.

## TAKING A RATIONAL APPROACH TO GIVING

Most of us do not experience such angst, but nonetheless we are more likely to give with our hearts than our heads. Studies show that two particular emotional states can increase giving: Guilt and empathy. These can be readily elicited with an

emotionally tugging story of someone in need that helps us imagine what it would be like to be in that person's shoes.

But that is exactly what EA does not want us to do. Instead, it wants us to be more savvy and take a disciplined and scientific approach using research and reliable evidence-based data to evaluate those charities whose programmes improved the most lives for the least money.

EA emphasises reasoning and rationality, and perhaps that is why Prof Singer has observed that "many of the most significant people in effective altruism (come from a background in) philosophy or economics or maths"; it has also been called "generosity for nerds".

EA urges givers to detach their generosity from emotional empathy; giving out of sentimentality is more self-indulgent and self-serving than helpful. To get more bang for the buck requires letting go of empathy for any single victim,

and to convert people's suffering into numerical units that can be calculated, evaluated and compared.

At its core, EA is committed to the ethical ideal that more of what is good is always better than less, and so we should live such that we do as much good as possible with the money and time available to us.

While its active membership is small – there were about 6,500 of them in 2019 – its followers tend to come from leading universities, including Oxford and Cambridge. Its profile has been raised by the success of Mr Bankman-Fried, whose donations have gone to causes such as pandemic preparedness and other long-term existential threats as well as the Democratic Party. FTX's crash leaves in its wake shock, dismay and disappointment among charities as well as members of the EA movement, including Prof MacAskill.

## THE POWER OF EMPATHY

There is much to be said and admired about EA with its unsentimental and rigorous approach to giving, but its elimination of emotions, especially empathy, goes against a large body of scholarly evidence which shows emotions are a powerful and positive motivator in philanthropy. While practitioners of EA may disparage that "warm glow" people get from making donations, those positive feelings do lead to more persistent giving.

And there is EA's exhortation for its adherents to "earn to give", where instead of devoting themselves fulltime to humanitarian work, they should take a high-paying job even if it does not quite square with their interests or values so that they can give more of their disposable income to good causes.

But in the wake of Mr Bankman-Fried's spectacular fall from grace, the question is whether the ethos of EA could have led him down a slippery slope. If the ends justify the means, then it could be argued that it's morally justifiable to amass billions of dollars by whatever methods for the sake of feeding hundreds of thousands of starving people and the welfare of future generations.

It also doesn't seem right for someone to slave away at a lucrative but dispiriting job over a lifetime to dispassionately fund some distant project in a Third World country; and just how sustainable would it be in the long run? And what about the person's well-being and mental state, and sense of morality if it is a socially harmful job?

We are, after all, humans with feelings. When it comes to a choice between spending time with a friend in need or using that time to earn a thousand dollars to give to a good cause, I think most of us would choose to make time to console the friend.

There are also many people who put an enormous amount of effort and time in volunteering to care for other people and which is of much value – perhaps even more valuable than the money they could have given – and they are acting in these ways not only because they believe they ought to help others, but they also do so because it affirms who they are and want to be.

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