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.

Chong Siow Ann
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 ex-champion’s implosion as well — its unseemly effect on philanthropies and non-profit organisations.

Charles Chen, the young tech entrepreneur was a past-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 logic of philanthropy 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 “burning it give”. An inspired and convinced Mr Bankman-Fried added 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$12 billion (S$16 billion) before it evaporated recently — he pledged 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 hard-core 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 disturbing our clothes as we wade in to save the child. In the second scenario, we are asked by a child to send a donation in an envelope (the equivalent of the laundry bill for the mum’s 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 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 excruciatingly uncomfortable question, “Are we just too selfish?”

**TAKING A RATIONAL APPROACH TO GIVING**

Most of us do not experience such anguish, but nonetheless we are more likely to give with our hearts than our heads. Smaller 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 the least money.

EA emphasises reasoning and rationality, and perhaps that is why Prof Singer has observed that “most 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 nobs”.

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 getting go for 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 we should live such that we do as much good as possible with the time and money and resources available to us.

While its active membership is small — there were about 6,500 of them in 2009 — 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 unenthusiastic 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.

It also derides the altruism for its adherence to “earn to give”, where instead of devoting themselves to four-year 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 ethics of EA could have led him down a slippery slope. If the ends justify the means, then he would have argued that it’s morally justifiable to amassed 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 derides the right for someone to lose away at a lucrative but disquieting 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, 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 comfort 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 could be labelled as selfish too.

Prof Chong Siow Ann is a senior consultant psychiatrist at the Institute of Mental Health.