

Effective Altruism?

Garrett Pendergraft

Abstract

In the one-for-one business model, a purchaser of, for example, a pair of shoes simultaneously purchases a pair of shoes for a child in need. This model, popularized by TOMS shoe company in 2006, has been remarkably successful. The driving force behind the success is most likely the emotional appeal of the one-for-one idea. The TOMS model has been criticized, however—not just for being less effective than advertised, but for arguably doing more harm than good. Whether or not this latter charge is true, the TOMS story serves as an illustrative starting point for an exploration of the ways in which commonsense thinking about charity and philanthropy is often wrong. Examining these criticisms will set the stage for an examination of the influential “effective altruism” movement and invite the reader to think more deeply about different ways of doing good in the world.

Learning Outcomes

By the end of this case study, students should be able to:

- Articulate the vision behind the one-for-one business model and the reasons why that vision is so appealing.
- Articulate the most salient criticisms of the one-for-one model and, in light of those criticisms, offer suggestions for improving the model.
- Understand the challenges involved in deciding how to allocate limited resources (whether those are individual resources or company resources) toward charitable causes.
- Develop and defend a set of criteria for measuring philanthropic impact, with a recognition of the complexity and difficulty involved in trying to make such evaluations.
- Explain and evaluate the effective altruism movement.

Introduction

Research from behavioral economists and other social scientists suggests that humans are irrational in various predictable ways.¹ Unfortunately, as we will see below, this apparent fact about human nature also shows up when we examine charitable giving. Our commonsense ideas about philanthropy are often wrong, and the consequences of being wrong can be significant. In this case study we will look at some examples, both good and bad, of charitable giving; and we will explore strategies for bridging the gap between what we believe about charity and what is actually objectively correct about charity. We will begin by looking at a particularly illuminating example.

The TOMS Approach to Charity

The TOMS company was founded by Blake Mycoskie in 2006 after he observed children in Argentina who did not have access to shoes. The initial business model was a buy-one-give-one model, designed to enable consumers to leverage their purchases to help those in need. Consumers would buy a pair of shoes, and the money they spent would also provide a pair of shoes for a child in need. Since then, the business has expanded beyond footwear to address needs involving eyesight (buying a pair of sunglasses supports prescription glasses, medical treatment, or eye surgery), clean water (buying coffee beans supports clean water and sustainable clean water systems), and safer childbirth (buying a duffel or tote bag will support safe childbirth supplies and services) (“The TOMS Story,” n.d.). The model is popular with consumers, and has been adopted by numerous other companies.²

The TOMS narrative is an inspiring attempt to do well by doing good. Nevertheless, the initial practice of providing free shoes came under fire for various reasons. Giving someone a free pair of shoes does indeed solve that individual’s shoe problem, but it does not solve the bigger issue; it does not address the reason why the person needed the shoes in the first place.³ And if the person who received the free pair of shoes would have purchased a pair

¹ For two recent extended treatments of this theme, see Ariely (2010) and Kahneman (2011).

² For a list of companies that have implemented some version of the one-for-one model, see (“The One-for-one Business Model,” 2015).

³ As one critic puts it, “When you give away something free, you’re giving away a band aid. You’re not addressing deeper causes [of poverty] and you may be inhibiting long-term solutions” (“The One-for-one Business Model,” 2015).

from a local merchant were it not for the donation, then that free pair of shoes has taken money away from a local business. Even worse, introducing large quantities of free shoes threatens to undermine local shoe makers and sellers entirely.⁴ If the damage to the local economy is severe enough, then giving out free shoes might even be doing more harm than good over the long-term. (It should be noted, however, that TOMS has made some adjustments in light of these criticisms, especially in their approach to eyewear and coffee.⁵ Most of the criticisms apply to their initial approach to providing shoes.)

This ambivalence toward the TOMS shoes model—initial praise, followed by concern upon deeper reflection—shows up in other contexts as well. For example, in the year that it was founded, TOMS won an innovation award from a social equity venture fund. Several years later the manager of that fund became much more critical of the business model. “The unintended consequence is that, of course, there is a local cobbler who actually makes shoes and sells them. Can you imagine what happened to that guy the day the truck showed up with Toms shoes?” (“The One-for-one Business Model,” 2015)

Another criticism of TOMS is that it represents a style of philanthropy in which an outsider to a community decides what that community needs, often without consulting community members themselves (Davenport, 2012; Olopade 2014).⁶ Instead of asking the relevant communities what their needs are and how they would like to see them met, charitable organizations often initiate programs based on their own priorities and preferences. Even some foreign aid experts, such as Sun (2014), have argued that sometimes the most effective way to help the poorest of the poor is simply to give them cash.

More Good than Harm?

These reflections suggest a simple criterion for evaluating philanthropic efforts: *Is it doing more good than harm?* This criterion might seem *too* simple, perhaps even simplistic, but there are a surprising number of charitable efforts that appear to fail this test: sending one million

⁴ See Olopade (2014) for a detailed explanation of the problems that second-hand clothes have created for the textile industry in sub-Saharan Africa.

⁵ See, for example, Strom (2014).

⁶ MacAskill (2015a) opens with another example of this type of philanthropy: the story of the PlayPump. The PlayPump was a device that was supposed to provide water through the harnessed efforts of children playing on a merry-go-round. Despite widespread support, both financial and social, the devices turned out to be expensive, impractical, and unwanted. Another example—perhaps the most famous example—is the KONY 2012 campaign. For a brief discussion, see Caeterucci (2016).

t-shirts to Africa (Wadhams, 2010; Olopade, 2014), making free meals dependent on Facebook likes, and putting food aid in containers that are the same color as explosives (Stupart, 2012).⁷ And even though this criterion is easy to articulate, applying it can be quite complex. This is especially true when the benefits are addressing urgent needs while the harms occur over a longer period of time. Nevertheless, keeping the criterion in mind is a helpful starting point when thinking about starting a charitable enterprise, or simply about how to allocate funds or other resources toward those in need.

Thus far we have been focusing on large-scale philanthropic efforts, but analogous observations can be made about individual giving. When the focus is on individual giving, facts about human motivation become even more salient. Social scientists who study charitable giving have argued that people are often motivated to give to charity by the feeling that the giving produces in the giver, rather than the benefit that the giving produces. (This is sometimes called “warm glow altruism.”⁸) One reason why the TOMS model has been so successful, it seems, is that it harnesses this warm glow in the service of a cause that seems intuitively compelling. But, as we saw above, the benefit that a charity looks to be doing can be deceiving. Combining that earlier insight with this apparent fact about human motivation should cause us to think twice about charitable efforts that are emotionally appealing.⁹ Commonsense plausibility and emotional appeal are not reliable indicators of philanthropic benefit. Can we take a more scientific approach to philanthropy?

Effective Altruism

Evaluating charitable efforts by comparing benefits and harms might lead one to ask a more general question: Given that a certain amount of money (or time, or energy) has been designated for philanthropic purposes, what is the most effective way to spend those resources? In recent years, William MacAskill and others have developed a sophisticated

⁷ See Miller (2014) for additional examples of how even well-meaning charitable efforts can cause harm.

⁸ MacAskill discusses warm-glow altruism in (2015b), which cites (Aknin et al., 2013). See also Dubner (2013) and Gneezy & List (2013).

⁹ Another example of this disconnect can be seen when we take a closer look at the GoFundMe crowdfunding platform. Researchers who study GoFundMe have noticed that the monies donated toward medical cases appear to track factors other than which cases are most deserving. Instead, they appear to track things like affluence and resources within one’s network (Monroe, 2019).

approach to answering this type of question. This approach, known as *effective altruism*, focuses on “doing good better” (MacAskill, 2015a).¹⁰

The idea behind effective altruism is that we should think empirically about our charity giving, focusing on what will do the most good rather than on what our intuitions or emotions might tell us to do.¹¹ As MacAskill (2015a, p. 13) describes it, this focus involves five key questions:

1. How many people benefit, and by how much?
2. Is this the most effective thing you can do?¹²
3. Is this area neglected?
4. What would have happened otherwise?
5. What are the chances of success, and how good would success be?

As an example of how this way of thinking might play out,¹³ suppose that a college graduate wants to do something good in the world, and as a result she decides to take a job working for a small non-profit. The job does not pay well (only \$30,000 per year), but it involves fulfilling and meaningful work for a good cause. But now suppose that this college graduate also had the option of working on Wall Street for \$100,000 per year. If she took that job and figured out a way to live on \$40,000 per year, then she could effectively double her charity work by supporting two non-profit employees at \$30,000 each. Or, even better, she could donate some or all of her surplus to families living in other countries where that same amount of money will go much farther. Studies have shown that doubling someone’s salary will produce roughly a 5% increase in reported well-being, no matter what the original salary was. In other words, someone whose \$50,000 salary is doubled will experience (or at least report) the same increase in well-being as will someone whose \$100,000 salary is doubled. Now consider the fact that all it takes is \$220 to double the salary of a poor farmer in India. These considerations lead to the conclusion that this hypothetical individual, if she

¹⁰ One of the inspirations for this movement traces back to Singer (1972).

¹¹ “Effective altruism is about asking ‘How can I make the biggest difference I can?’ and using evidence and careful reasoning to try to find an answer” (MacAskill, 2015a, p. 11).

¹² As MacAskill (2015a, ch. 3) explains, the most effective thing is far more effective than the typical thing.

¹³ This thought experiment is a variation on one reported in Thompson (2015) and discussed in MacAskill (2015a, ch. 5).

were to take the job on Wall Street, could double the salaries (and thus increase the perceived well-being) of hundreds of poor farmers in India.¹⁴

In this situation, the “What would have happened otherwise?” question is particularly important. If the college graduate does not take the job at the nonprofit, then it is highly likely that someone else will; and that other person will probably do roughly the same amount of good in that position. But if the college graduate does not take the job on Wall Street, then it is extremely *unlikely* that the person who *does* take it will live on \$40,000 and donate the rest to charity. By taking the Wall Street position, she can produce much more good, relative to the most likely alternative. Thus, when we ask what would have happened otherwise, the surprising but clear verdict is that taking the Wall Street job is the option that will do more good. MacAskill refers to this as “earning to give.”

As another example of effective altruism in practice, consider the work of Michael Kremer and Rachel Glennerster, who used randomized controlled trials to figure out which intervention would do the most good for schoolchildren in Kenya. As it turns out, the most effective strategy is not providing more books, more teachers, or any other intuitively plausible solution. Instead, far and away the most effective strategy is treating intestinal worms. This strategy yields the equivalent of 139 years of additional schooling per \$1,000 spent (MacAskill, 2015a, pp. 8, 51). Deworming is not the kind of cause that makes headlines or sells itself, but it is an incredibly effective way of doing a lot of good.

Effective altruism, of course, is not without its critics. Even though taking a scientific approach to charity can uncover opportunities to do good, such as deworming, that might otherwise fly under the radar, some critics would argue that the scientific approach ignores some important causes because they cannot be quantified. For example (Thompson, 2019), peace, democracy, freedom of speech, and other sociopolitical goods are not as easy to measure as public health interventions, and thus risk being left out of the conversation.

A similar objection can be directed toward the “earning to give” approach. It seems hard to criticize someone who decides to work for a nonprofit, even if they are aware that by choosing a higher-paying job and giving away the difference, they could save more lives on balance. And yet, according to the effective altruism model, such a person is definitely open to criticism. So perhaps another way to articulate the objection is that effective altruism seems

¹⁴ The evidence supporting these claims comes from MacAskill (2015a, pp. 21–22, 39).

to treat the giver's earnings as more important than their values and commitments. It ignores or at least devalues the good of pursuing meaningful work for its own sake.¹⁵ Or, more generally, it might just seem inappropriate to criticize someone for directing their charitable efforts as they see fit. As long as their efforts are doing more good than harm, are they not free to help others however they want?¹⁶

Someone might also object to effective altruism's focus on humans, to the apparent exclusion of non-human animals.¹⁷ MacAskill (2015a, pp. 189–90) does briefly consider the issue of factory farming in his last chapter, which deals with the issue of choosing between competing causes. (In that chapter, he acknowledges that many people view animal suffering as an important moral issue, which would in turn make factory farming an important moral issue.) It is true, however, that the effective altruism movement has focused primarily on causes that benefit humans.

Despite these and other criticisms, it does seem as though the effective altruism movement provides a powerful and insightful gloss on the simple criterion introduced above. Asking the kinds of questions that effective altruists ask reinforces the idea that arose as we looked more deeply at TOMS: When we are evaluating proposals for helping others, we have to look beyond initial impressions to ensure that we really are doing as much good as we think we are.

Decision Point

Suppose that you are responsible for allocating \$100,000 to a charitable cause of your choice. How would you go about deciding where to allocate those funds? What criteria would you use to measure effectiveness? Do you have a moral obligation to spend that money in the most (or one of the most) effective ways? How, if at all, has your thinking about philanthropic efforts changed in light of the above discussion?¹⁸

¹⁵ Scutts (2015) also criticizes effective altruism, pointing out that by focusing on doing the most global good, it does not reflect the value of being part of a community.

¹⁶ For a philosophical discussion of effective altruism (including additional criticisms), see Greaves & Pummer (2019).

¹⁷ Thanks to an anonymous reviewer for emphasizing this objection.

¹⁸ Thanks to Cori Persinger for valuable research assistance with this case study. Thanks also to an anonymous reviewer, and to the editors of SAGE Business Cases, for helpful comments on an earlier draft of this case study.

Discussion Questions

1. All things considered, do you think the TOMS business model is doing more good than harm? Why or why not? Are there better ways to implement a one-for-one business model?
2. Critics of existing charitable efforts often argue that the short-term benefits are outweighed by long-term harms. Sometimes, however, the short-term needs are urgent enough that it would seem cruel to ignore them while focusing on long-term benefits. What is the best way to balance these competing demands?
3. Do you think the effective altruism approach is roughly the right way to think about charity? What are the most compelling reasons in its favor, and what are the strongest objections to it?
4. Imagine someone who is considering “earning to give”—perhaps by working on Wall Street and giving away half of their income instead of working for a nonprofit. Is this the right way to think about career choices? Why or why not?

Further Reading

- Philanthropy at the corporate level is often justified under the heading of “corporate social responsibility” (CSR); and one of the most influential approaches to CSR is the stakeholder theory (Freeman, 1984). For an insightful critical discussion of the stakeholder approach, see Heath (2006).
- For a seminal article that served as a precursor to the effective altruism movement (and similar ways of thinking), see Singer (1972). For the definitive explanation of effective altruism, see MacAskill (2015a). For a collection of essays discussing the philosophical issues surrounding effective altruism, see Greaves & Pummer (2019). For a related but more radical picture of altruistic commitment, see MacFarquhar (2015).
- For a documentary that details some of the ways in which current approaches to addressing poverty are ineffective, see Miller (2014).

References

- Aknin, L. B., Barrington-Leigh, C. P., Dunn, E. W., Helliwell, J. F., Burns, J., Biswas-Diener, R., Kemeza, I., Nyende, P., Ashton-James, C. E., & Norton, M. I. (2013). Prosocial Spending and Well-Being: Cross-Cultural Evidence for a Psychological Universal. *Journal of Personality and Social Psychology*, *104*(4), 635–652.
<https://doi.org/10.1037/a0031578>
- Ariely, D. (2010). *Predictably Irrational: The Hidden Forces That Shape Our Decisions* (Revised and Expanded ed.). Harper Perennial.
- Cauterucci, C. (2016, September 16). Kony 2012 Quickly Became a Punch Line. But It Taught a Generation the Value of Skepticism. *Slate Magazine*.
<https://slate.com/news-and-politics/2016/09/kony-2012-quickly-became-a-punch-line-but-what-if-it-did-more-good-than-harm.html>
- Davenport, C. (2012, April 10). The Broken “Buy-One, Give-One” Model: 3 Ways To Save Toms Shoes. *Fast Company*. <https://www.fastcompany.com/1679628/the-broken-buy-one-give-one-model-three-ways-to-save-toms-shoes>
- Dubner, S. (2013, October 10). How to Raise Money Without Killing a Kitten (No. 141). In *Freakonomics Radio*. <http://freakonomics.com/2013/10/10/how-to-raise-money-without-killing-a-kitten-a-new-freakonomics-radio-podcast-full-transcript/>
- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Pitman.
- Gneezy, U., & List, J. (2013). *The Why Axis: Hidden Motives and the Undiscovered Economics of Everyday Life*. PublicAffairs.
- Greaves, H., & Pummer, T. (Eds.). (2019). *Effective altruism: Philosophical issues*. Oxford University Press.
- Heath, J. (2006). Business Ethics Without Stakeholders. *Business Ethics Quarterly*, *16*(4), 533–557. <https://doi.org/10.5840/beq200616448>
- Kahneman, D. (2011). *Thinking, Fast and Slow*. Farrar, Straus and Giroux.
- MacAskill, W. (2015a). *Doing Good Better: How Effective Altruism Can Help You Help Others, Do Work that Matters, and Make Smarter Choices About Giving Back*. Avery.

- MacAskill, W. (2015b, October 9). This couple lives on 6% of their income so they can give \$100,000 a year to charity. *Quartz*. <https://qz.com/515655/this-couple-lives-on-6-of-their-income-so-they-can-give-100000-a-year-to-charity/>
- MacFarquhar, L. (2015). *Strangers Drowning*. Penguin Books.
- Miller, M. M. (2014). *Poverty, Inc.* [Documentary].
- Monroe, R. (2019, November). When GoFundMe Gets Ugly. *The Atlantic*.
<https://www.theatlantic.com/magazine/archive/2019/11/gofundme-nation/598369/>
- Olopade, D. (2014). Stuff We Don't Want: Doing Bad in Africa. In *The Bright Continent: Breaking Rules & Making Change in Modern Africa* (pp. 52–66). Houghton Mifflin Harcourt.
- Scutts, J. (2015, September 17). The Surefire Formula for Doing Good? *In These Times*.
<http://inthesetimes.com/article/18407/helping-a-drowning-stranger>
- Singer, P. (1972). Famine, Affluence, and Morality. *Philosophy & Public Affairs*, 1(3), 229–243.
- Strom, S. (2014, March 11). Turning Coffee Into Water to Expand Business Model. *The New York Times*. <https://www.nytimes.com/2014/03/12/business/turning-coffee-into-water-to-expand-a-one-for-one-business-model.html>
- Stupart, R. (2012, February 20). 7 worst international aid ideas. *Matador Network*.
<http://matadornetwork.com/change/7-worst-international-aid-ideas/>
- Sun, J. (2014, July). *Should you donate differently?* TED@NYC, New York.
https://www.ted.com/talks/joy_sun_should_you_donate_differently/transcript
- The One-for-one Business Model: Avoiding Unintended Consequences. (2015, February 16). *Knowledge@Wharton*. <https://knowledge.wharton.upenn.edu/article/one-one-business-model-social-impact-avoiding-unintended-consequences/>
- The TOMS Story* | TOMS®. (n.d.). Retrieved December 18, 2019 from
<https://www.toms.com/about-toms>
- Thompson, D. (2015, June 15). The Greatest Good. *Atlantic Online*.
<https://www.theatlantic.com/business/archive/2015/06/what-is-the-greatest-good/395768/>

Wadhams, N. (2010, May 12). Bad Charity? (All I Got Was This Lousy T-Shirt!). *TIME*.
<http://content.time.com/time/world/article/0,8599,1987628,00.html>