

Effective Altruism

Why in news?

Since cryptocurrency trading firm FTX went bankrupt, there has been a spotlight on the Effective Altruism (EA) philosophy championed by its founder.

What is the FTX crash about?

- **FTX** - FTX is a cryptocurrency exchange that enable customers to trade digital currencies for other digital currencies or traditional money, and vice versa.
- FTX is run by Sam Bankman-Fried and is headquartered in the Bahamas.
- **Reasons for the collapse** - Alameda's balance sheet was reported to be heavily stacked with its sister company FTX's native tokens instead of other cryptocurrencies, which led to a panic selling in FTT.
- The fear of insolvency in FTX Group over its financial positions started.
- When Binance, the world's largest cryptocurrency exchange, started to liquidate their holdings in FTT tokens, and later refused to bail out FTX, the situation worsened.
- FTX filed for bankruptcy along with 130 additional affiliate companies.

To know more about the collapse of FTX crypto trading firm, click [here](#)

What is Effective Altruism (EA)?

- Effective altruism is a broad community of people working on a diverse set of projects with a common goal, doing as much good as possible.
- The idea was that one should compare charitable causes and only contribute to those that generate a high return.
- Example - Choosing cancer research over an orphanage.
- It works on an "earning to give" model, implying careers that are effective need to be chosen in order to give.
- The idea which was first propounded by **David Ricardo** two centuries ago, later became the basis of a new moral philosophy, called effective altruism.
- **Difference** - The difference between effective altruism and philanthropic organisations is EA would bring data-based analysis to the business of charity, thus making donations as effective as possible.
- Data, statistics, and impact are the key aspects.

Why is effective altruism so significant?

- **Prioritizing the causes** - The EA community does well to prioritize causes by selecting for importance, tractability, and neglectedness.
- **Improves life** - Application of this framework can be very effective ways of improving lives on a large scale.

- **Goes beyond the government reach** - The EA community directs private philanthropy towards causes that governmental and international establishments cannot support.
- **Sustainability** - Effective altruism can do a lot of good by focusing on foreseeable sustainability.
- **Social responsibility** - Effective altruism offers a thoughtful framework for corporate and individual social responsibility.

Why is it being criticised?

- **Ultra-rationalism** - This cult of ultra-rationalism is criticized for the view that it is morally better to get rich than to slave away in a badly-paid job that might be socially useful.
- **Long-termism** - Some key adherents have moved on to long-termism to save us from future threats rather than common ideas such as funding mosquito nets to save lives of existing human beings from malaria.
- **Application of data** - It is impossible to apply data and accountability to the future.
- **Elitist altruism** - Some proponents of elitist altruism create giant fortunes, enjoy the glow of admiration for their philanthropy by slashing government revenues and thus weakening the state services.

Other related concepts

Social business - *The firms have both business and social objectives to aim for.*

Gandhiji's trusteeship - *Gandhiji wanted people to run their business well, but think of the money they made in excess of their needs as being held in trust for society and to use it accordingly.*

References

1. [The Indian Express | What is effective altruism?](#)
2. [Livemint | Effective altruism](#)
3. [The Hindu Businessline | Crypto philanthropy](#)
4. [Unherd | Sam Bankman-Fried's elitist altruism](#)