

“Making Money and Making Change Not Mutually Exclusive”

By Brian Tomasik

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When people talk about “careers that make a difference,” they usually have in mind jobs at nonprofit organizations, advocacy groups, disadvantaged school districts, medical research laboratories, and the like. It seems quite natural, for instance, that someone concerned with animal suffering in factory farms would work for the Humane Society or the Humane Farming Association, while someone who wants to address global hunger might join Bread for the World or Food First.

One factor easily overlooked is the fact that these organizations have limited budgets, so that if you’re hired as, say, a policy researcher at Oxfam, then someone else won’t be. Thus, the “difference” that you make to the world by your work is only the amount by which you’re more effective, productive, and hard working than the other person would have been.

In some cases, these differences of effectiveness may be large. For instance, a fundraiser who is only slightly more capable than the person who would have been hired in his place might bring in millions of extra dollars for an organization over time. A medical researcher who is significantly more talented than her peers might help society greatly by directing her efforts toward groundbreaking discoveries, even if doing so means taking away grant money that would have been used by her colleagues.

Another way to change the world that doesn’t involve being especially talented in a particular area is to make a lot of money. For instance, suppose that, instead of working as a researcher at Oxfam, you pursue a career at a consulting company, investment bank, or corporate law firm. After working for several years, you might earn, say, \$175,000 annually after subtracting out taxes and costs of living, assuming you live as frugally as possible. You can then donate this money to Oxfam and allow them to hire maybe two or three new policy researchers (or whatever other employees are needed). It’s important to note that, because you’ve increased the total size of Oxfam’s budget, you’re allowing additional work to be done that wouldn’t have happened otherwise, rather than just doing work more effectively than someone else would have.

Of course, this example is limited and simplistic, but the idea behind it applies quite broadly. For instance, suppose you aren’t interested in joining an established organization but want to work as an independent activist like, say, animal welfare campaigner Henry Spira. However, unless you think you would be exceptionally talented, you might accomplish more by making money and then hiring several other people to work as activists, especially people who wouldn’t otherwise have done activism on their own. (Spira himself was funded by wealthy donors.)

Or maybe you want to work to encourage people who already have lots of money to donate more of it, or at least redirect their donations to more cost-effective causes. But

then again, you could instead make money yourself and then hire other people to do that work for you.

Or maybe you want to make an impact by pursuing academic research—e.g., studying how to address global poverty, or which animals can feel pain, or what positions we should take on moral or religious issues. But then again, you could instead make money and use it to fund grants, research prizes, and similar programs to encourage other people to do that research for you.

The general point should be clear: For any activity that you feel would make a positive impact on the world, consider whether—after accounting for Lake-Woebegone bias in judging your own abilities—you could make an even bigger impact by making money and funding other people to do the work for you.

Above I suggested some unusual ways that one might spend money to improve the world, but direct giving is always an option as well. To take an example, a \$25 donation to the Fred Hollows Foundation can prevent one person in the developing world from going blind. Simplistically assuming that, by pursuing a high-paying career, you could earn a lifetime-average after-tax and after-cost-of-living salary of \$200,000 and that you would work for 45 years, you could donate \$9 million (ignoring inflation, investment returns, time-value of charitable donations, etc.). This would, according to naïve division, prevent $(\$9 \text{ million})/\$25 = 360,000$ cases of blindness. If, by instead working at a nonprofit, you earned a lifetime-average after-tax and after-cost-of-living salary of \$30,000, you would have prevented only 54,000 cases of blindness (about 1/7 as many).

Of course, in reality the marginal benefit of each dollar donated to a single cause may decrease, but—given the multitude of cost-effective causes out there—the marginal benefit of each dollar donated to charitable causes in general is essentially constant. So naïve division may not be unjustified.

This suggests another interesting point. If donors aim to maximize the expected societal benefit of their donations, and if the marginal societal benefit of each dollar donated does not decrease (or does not decrease very much), then if donors invest their money in the capital markets before giving it away, they should—barring countervailing factors—choose securities with high systematic risk (e.g., small-cap stocks) over securities that offer lower risk and lower expected returns.

Of course, it's arguable that donating directly to good causes is less cost-effective than, say, funding activism to encourage the government to give more to similar causes. But figures like the above represent a minimum amount of benefit to the world that any non-money-making career plan would have to overcome.

Follow-up comments by Brian Tomasik, 18 March 2014

As is often the case with one's writings, I no longer completely agree with this piece, though I still feel it makes important points that altruists should think about seriously. A main reason I'm less confident in this argument than I was before is that I'm not sure jobs are as replaceable as I suggested, though of course the details may depend on the situation. People considering low-level careers at a nonprofit who could instead earn large amounts in socially non-destructive industries should likely do so. For my latest views earning to give, see "[Why Activists Should Consider Making Lots of Money.](#)"

As a smaller note: I'm doubtful of the numbers for blindness prevention by the Fred Hollows Foundation that I used in this article. While \$25 per instance of blindness averted [is the Foundation's claim](#), this figure seems too cheap to be believable, and [GiveWell](#) did [not choose](#) the Foundation as one of its top charities. Of course, I expect the Foundation does important work, but I'm skeptical of the specific numbers used here.

Finally, the Humane Farming Association may not be the best example of a pro-animal organization, given its [opposition to welfare reforms](#).