

Do you make charitable contributions? Many of us do, which is why organizations such as the ASPCA and OXFAM are better supported than ever before.

Are your gifts, however, effective? You most likely have no idea. We care about the act of charity giving, but once we've handed up our cash, few of us pay attention to what occurs next. As a result, the charity sector has become fairly inefficient, with money being squandered on regions that are over-funded or on people who do not want assistance.

These chapters show how we might target our gifts in more effective ways, such as to organizations that aid individuals who are in desperate need. You have the highest chance of succeeding if you follow a few simple rules.

You'll also learn a lot in these chapters.

- which mathematical principle governs charity donations;
- why Fairtrade may be harmful rather than beneficial; why
- Why we shouldn't be too concerned if charity CEOs make a lot of money.

Chapter 1 - When donating to charity, contribute where you anticipate having the most impact.

How do you determine where to give when there are so many options to donate to charity and so many problems that need to be addressed?

Plugging in this simple formula yields the answer: How many people will your charity giving help, and how much will they help?

Because no one has infinite resources, donating to one person's cause inevitably means that someone else loses out. Knowing this, you must make a decision that optimizes the impact of your gift.

Dr. James Orbinski's tenure with the Red Cross during the Rwandan genocide was made bearable by this way of thinking. Orbinski had a lot of patients to deal with, so he had to prioritize them.

As a result, he devised a technique in which he scribbled the numbers "1," "2," or "3" on the foreheads of his patients. "1" denoted "urgent treatment," "2" meant "treat within 24 hours," and "3" meant "irreversible treatment." Orbinski was able to rescue more people by using this technique to make the greatest use of his limited resources, even if it meant he had to let some patients die.

A philanthropic act is sometimes the best option since it has a good probability of having a large influence, even if that likelihood is low. To determine whether this is the best course of action, you must first compare the expected value of the various options.

The expected value is calculated by multiplying the value of a result by its likelihood. If your gift has a 50% probability of saving 3,000 lives, for example, the anticipated value is 1,500 lives saved.

The sad incident of 2011 may have been prevented if the accident management planners at the Fukushima Power Plant had applied the notion of anticipated value.

The plant had an extremely low chance of a massive disaster - so low, in fact, that the planners completely ignored it. The predicted damage, on the other hand, was enormous. Around 1,600 people perished as a result of the 2011 tragedy.

Chapter 2 - Don't contribute to causes that already receive a lot of money because of the law of diminishing returns.

Charitable organizations such as disaster relief funds appear to be in desperate need of assistance. Isn't it self-evident? Surely, more money equates to greater assistance? This isn't always the case, though.

The rule of diminishing returns applies to charitable giving, as it does to most other economic pursuits, which holds that the more of anything you add, the less of a difference each new addition makes.

Consider the following scenario: you've become homeless, you don't have any clothing, and winter is approaching. One sweater might be the difference between life and death: it could rescue you from hypothermia!

If you already have a few old sweaters, add one new one to your collection. It would undoubtedly improve your life, but it would not likely save your life.

And if you already have a lot of sweaters, adding another one to your collection is simply another thing to tote around. It will have a negligible impact on your quality of life.

The same is true with charity contributions, where each successive dollar makes less of an impact than the previous one.

Your \$100 gift may seem insignificant to an overfunded cause, but it will make a significant impact on an underfunded or neglected cause.

Disaster relief is a sort of charitable giving that is publicly publicized and receives a large number of gifts. Aid groups, for example, earned \$330,000 for each person killed in Japan's earthquake in 2011.

To put it another way, disaster aid is frequently overfunded. Donating to disaster relief groups won't make much of a difference because of the law of diminishing returns.

On the other hand, ongoing poverty-related issues are frequently overlooked. Aid groups earn just \$15,000 for each death caused by poverty. Your money would go a lot further if you gave it to poverty-related initiatives like battling malaria instead of disaster relief groups.

Chapter 3 - Making the greatest effect entails determining where you can have the most influence.

Many young people travel to underdeveloped countries to help build clinics and schools, and most of us believe this is a worthwhile cause. After all, isn't it better to give our time rather than our money if we want to accomplish good? To work for an organization directly? Certainly not.

When determining how big of a contribution you're making, you must consider "what would have occurred otherwise" utilizing a scientific method known as "assessing the counterfactual."

Consider the sight of a guy choking to death as an example. Because there's no one else around, you rush up to him and execute the Heimlich technique. While you clear his throat and preserve his life, your lack of first-aid skill has permanently ruined his voice cords.

But what would have occurred if it hadn't happened? He would have most likely perished anyway, therefore despite the unanticipated bad results, your action was ultimately beneficial.

Instead, imagine there was a skilled paramedic on the scene, but you wanted to feel like a hero, so you intervened, saving the man's life but severely destroying his voice.

What would have occurred if that hadn't happened? The paramedic may have saved his life while inflicting him with no long-term harm. Your deed was not very excellent in this circumstance.

If you want to have the greatest influence, you must learn the necessary abilities — going to Africa to build schools is pointless if you don't know anything about construction. However, a local builder may be able to construct the school using donor funds, so benefiting the economy as a whole. It's important to keep this in mind while making any professional decisions. Consider whether the work you're doing maybe done better by someone else.

If you answered yes, pursuing a wealthy job that is suitable to your talents — may be as a banker or stockbroker — could be a preferable alternative to replace direct action with the opportunity of making substantial monetary donations. You may "earn to give" this manner, which is a concept we'll go into in the following chapter.

The next chapters will teach you how to apply the theoretical skills you've learned to make the greatest charity judgments in real-life scenarios.

Chapter 4 - Volunteering for a non-profit organization or "pursuing your passion" may not be the greatest professional option.

How do you pick a career that will make the largest difference in the world? Here are a few pointers to help you get started.

One method is to "earn to give." Assume you're a doctor who must pick between working for a non-governmental organization and specializing in cancer. Working for a non-profit organization would allow you to have a direct influence on people's lives, but what if you took the other path?

Someone else would almost certainly have accepted the same job at the NGO, and perhaps even done a better job. However, an oncology specialty, with its high pay, would allow you to donate a portion of your substantial income to a worthwhile charity.

But what if you accepted the position at the NGO? Someone else would have accepted the oncology post, but they might not have been as charitable.

A high-paying career allows you to make a difference by contributing substantial quantities of money while still earning a good living.

Second, when it comes to jobs, contemplate "personal fit" rather than "following your passion." The idea is to secure a lengthy period of consistent revenue, with a portion of it going to charity.

Passion-driven careers are often tough to break into. Only the most skilled (or lucky) few make a life in music and athletics, for example. In the United States, for example, only about one out of every 1,000 collegiate athletes makes it to the professional ranks.

Furthermore, interests shift over time. Consider this: do you still have the same interests as you did 10 years ago?

When looking for a strong "personal fit," think about how much independence, diversity, and a sense of accomplishment the job provides. Carpentry, for example, gives you a strong sense of accomplishment since you're working on a finished, tangible object.

Chapter 5 - How much a charity spends on administrative fees and salaries is far less important than what it really achieves.

When deciding where to make a charitable gift, many individuals look at the charity's overhead costs (particularly executive salaries) to determine if the money is going to the poor or to the wallets of wealthy executives.

The oldest and most popular charity evaluator (with 6.2 million visitors in 2012), Charity Navigator, assesses organizations based on how much of their overall donations go directly to their major initiatives.

However, this technique is deceptive, as overhead costs and other expenses tell us very nothing about a charity.

Assume you've established a charity that feeds poor bankers caviar. Only 0.1 percent of donations go toward bureaucracy, with the remainder going toward caviar sourcing and delivery. You don't get paid since you're such a generous CEO.

Your charity would receive a high rating from groups such as Charity Navigator.

What counts isn't how the money is spent, but how it is spent. It is the actual work of the charity – its impact – that decides whether it is deserving of our funds.

Take, for example, the charity Development Media International (DMI). They spend 44% of their donations on overhead, so if that's all you care about, your donation is unlikely to be accepted.

That money, on the other hand, is used to fund a \$1.5 million television campaign promoting health education in a specific country.

Diarrhea, for example, kills 760,000 children in developing countries every year and could be easily avoided if people were taught to practice good hygiene.

Despite their high overhead expenditures, charities like DMI are extremely valuable and worth funding

Chapter 6 - In many cases, well-intentioned acts of kindness can backfire.

We've been persuaded to believe that we shouldn't buy "sweatshop items" and should instead buy Fairtrade coffee thanks to popular campaigns. This is a blunder, and I'll explain why.

Sweatshops, on the other hand, are a gift to the lowest of the poor. Remember, we must consider: What would happen if sweatshops did not exist?

Factory employment, with its arduous nature and poor pay, is preferred in developing nations over lower-paid, backbreaking farming occupations out in the hot heat.

Many Bolivians, for example, illegally relocate to Brazil, risking deportation, in order to work in sweatshops and earn more money. A sweatshop worker in Brazil earns roughly \$2,000 per year on average, which is significantly more than the \$600 per year earned by Bolivians working in agriculture or mining.

Despite this, many individuals would rather pay a higher price for Fairtrade items and avoid products made in sweatshops entirely.

Fairtrade appears to have good aims. It guarantees farmers a price of \$1.40 per pound of coffee, for example, which in principle means higher earnings for everyone.

However, we must examine the actual impact of purchasing Fairtrade products. Typically, the poorest nations — those that, according to the law of diminishing returns, would benefit the most from Fairtrade money — are unable to achieve the high participation conditions imposed by Fairtrade. As a result, they receive no compensation.

The bulk of Fairtrade coffee is produced in nations like Mexico and Costa Rica, which are 10 times wealthier than places like Ethiopia, which would gain the most from the additional funds.

Furthermore, just a small percentage of the premium paid for Fairtrade products reaches the farmers. Dr. Peter Griffiths, a World Bank economic specialist, thinks that the additional cost is only 1% of the total.

In conclusion, you should constantly keep in mind that the difference you imagine you'll make with generosity may not be represented in reality.

Doing Good Better: How Effective Altruism Can Help You Make a Difference by William MacAskill Book Review

Our altruistic efforts, while well-intentioned, might often have much more negative outcomes than we anticipated. To get the most out of our charitable contributions, we must think critically and sensibly about not only who we contribute to and how we give, but also how the money will be used.

Make it a habit to give.

Making charity donations a regular part of your life is an easy approach to making a difference in the world. Set up a monthly payment plan and contribute ten percent of your

income to those organizations once you've chosen a few charities where you know your donation will make a genuine, substantial difference.

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