

Submission Information

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Assignment – CASE-VALUE; Title – OpenAI Goes Private

OpenAI's Founding Mission

What did they state as organizational goals?

The primary goal of OpenAI upon its founding in December 2015 was to advance the field of artificial intelligence further to benefit humanity as much as possible instead of a select group of individuals. Profit or financial concerns were not stated to be a concern, as they were not worried about any financial returns, only maximizing the potential of ethical AI.

Advancement of AI was to be done primarily through research done at OpenAI's labs by the world's premier AI researchers and funded by their donors. Research would be published publicly and collaboration with other researchers and institutions would be encouraged to maximize the potential gain AI could have for humanity.

Why do you think Open AI organized as a nonprofit company?

There are two possibilities for why OpenAI was originally organized on the nonprofit, one positive and more sinister. The positive possibility is that the founders of OpenAI like Sam Altman and Elon Musk were legitimately trying to advance the field of AI as much as possible because they believed they could help humanity grow through AI and were not concerned about profits. They would also not have to pay taxes, allowing them to focus more of their resources on AI research. This would reflect their stated organizational goals in their founding blog post. The other more pessimistic view is that they organized as a non-profit to appear as though they were trying to help humanity through AI, when they actually had a plan to stop being a non-profit down the line. If this were the case, they likely originally organized as a non-profit to maximize their donations from philanthropic groups while avoiding taxes and outside regulatory scrutiny.

Why might this decision be important for the field of AI/Data Science?

Having a nonprofit at the center of AI research and development would be a major benefit for both the fields of Artificial Intelligence and Data Science. If a for-profit company or organization is at the forefront of technological innovation in a field, then due to their structure and desire to make a profit, they are disincentivized from sharing their research and new knowledge. A for-profit company's goal is to maximize profits for its shareholders, which often involves actions such as hoarding patents and not working with the competition. In contrast, a non-profit is theoretically bound to no obligations to maximize profits and is incentivized to share their research to further donations. This allows for all groups, regardless of their size, to benefit from the research, will ultimately help the related fields, such as AI and Data Science.

How did they generate their original funding for the organization?

Funding was originally generated through donations. A variety of rich organizations, such as YC Research (Ycombinator), Amazon Web Services (AWS), and Infosys made donations upon OpenAI's founding. Rich benefactors such as Elon Musk, as well as many of the founders of OpenAI themselves, also donated large amounts of cash, and the total to be raised was expected to be about \$1 billion dollars, although this amount was never fully received. As a 501(c)(3) organization, OpenAI would be exempt from income taxes, provided they kept to the original mission of the betterment of society.

OpenAI Goes Private

Why do you think they made this decision?

There are two extreme explanations for why OpenAI chose to go private, and the true answer likely lies somewhere in between. On the "extreme good" end, it could be argued that OpenAI and Sam Altman legitimately believed that moving away from a nonprofit was necessary to complete their original mission of advancing AI research. This side would argue that

as a nonprofit, there was little incentive for wealthy investors to give money to OpenAI, as they would never get anything in return except community appreciation for being a philanthropist. By allowing investors to make their money back eventually, OpenAI could raise more money to hire better researchers, obtain more computing power, conduct more tests, and much more to advance Artificial Intelligence. Without a source of funding, they would eventually have had to stop research, so this was a necessary evil. On the other end of the spectrum, it could also be argued that Sam Altman and the rest of the OpenAI board realized how much potential profit they were sitting on, knowing that ChatGPT 3.0's release would cause a massive AI hype boom. They knew their non-profit status would severely impact their ability to make any profit from their inventions, so they decided to stop being a non-profit so they could maximize their own returns. As with many things, the actual reason is likely in the middle of these two perspectives, and only the OpenAI board knows for sure.

Does it still align with the company's original charter?

In their original mission statement, OpenAI stated their goal was to be conduct “research free from financial obligations.” One on hand, moving away from nonprofit status clearly adds some sort of financial incentive to their research, as OpenAI and their investors are now able to make serious amounts of money from their advances. However, being free from financial obligations also could be interpreted as being free from the worries of not having enough money. Under nonprofit status, it is possible OpenAI would have been unable to raise enough capital to conduct the research they desired. In this case, not being a nonprofit allows OpenAI to be free from financial obligations, as they can raise more money to conduct more research, freeing them from financial stresses or obligations.

Was this an ethical decision?

Ethics are often subjective and hard to argue. What is and is not ethical often depends on a person's background and experience. In my opinion, I believe the decision to move away from nonprofit status was ethical, but the way they did it was unethical. Specifically, the extremely high percent return on their "capped profit" model. Under their new organization, OpenAI LP, investors could obtain returns on their investment up to 100x what they originally invested, and anything greater would be returned to OpenAI. The capped profit model itself is an acceptable idea to encourage greater investment, as investors can make some money back, with the rest being given to OpenAI. However, the 100x value is a very high bar and one that will not be reached for a long time. As one article pointed out, if someone were to invest 10 million dollars, it would not be until their investment reaches 1 billion dollars in return than any more income would be given to OpenAI. This 100x maximum allows OpenAI's investors, including its own founders, to make massive profits, far beyond an amount that is necessary to free OpenAI from financial obligations.

Given this decision, what do you believe the future of the organization will look like?

The positives and negatives of the transition away from a nonprofit have already been seen and will continue to be seen. On the positive end, investment in OpenAI has dramatically increased, and they have succeeded with products such as ChatGPT 3.5 and Dall-E 2 in making AI and LLMs available to everyone for no charge. An AI Boom has occurred, and more groups than ever are working on its progress. However, some decisions OpenAI has made have clearly been made with the goal of maximizing profit, such as the decision to make ChatGPT 4 cost money, their partnership with Microsoft, or their efforts to lobby the U.S. government to create a "regulatory moat" around the field of AI to discourage competition.

Is it important for AI technologies to be developed in the “Open”, why or why not?

In my opinion, the greatest thing about the development of the World Wide Web and the Internet was freedom and democratization. Anyone could register a domain and host their own website, putting anything they wish on it. The beauty of this allowed information to be spread that was never spread before, and opinions to be heard that were never heard before. A similar path for AI would be wonderful. However, it is likely more difficult to the immense overhead costs of training and running a model. Thus, it is slightly more understandable AI is less open.

Final Takeaway

No Black and White - The most important thing to note is that when judging actions from an ethical standpoint, especially in the field of Data Science, there is no black and white. What this means is that almost any given action is not 100% bad or 100% good, and most decisions made usually involve some positives and some negatives. In this case, OpenAI's decision to go private has led to some benefits and some drawbacks. For example, OpenAI can focus on its original mission to develop Artificial Intelligence further because now it has more funding, but it is also violating its original mission by stepping away from being a complete nonprofit. More money is raised meaning more AI research is conducted, but it is not all going to the benefit of humanity, rather only the benefit of shareholders. Understanding that “pure good” and “pure bad” decisions are very rare in ethics is important to understanding values when it comes to Data Science.