

Preface

I had an insight in the middle of the summer of 2010, almost 2 years after the onset of the financial crisis. It occurred to me that the most talked about feature of the financial crisis, leveraging, was actually as relevant to our understanding of politics, international relations, and family life as it was to our understanding of the U.S. economy and the global economy overall. In the context of family life, as the intact two parent nuclear family with the father as economic provider and the mother as the caretaker was no longer the model of family life—since now there were a great variety of family structures—it had become necessary for everyone in the family, parents and children alike, to leverage in order to get things done. Whereas in the past the husband would just tell his son or daughter or wife what he wanted to have done, now this kind of authority and power is no longer the norm.

It struck me that a similar dynamic happened at the end of the Cold War. As a traditional structure of power and authority was dismantled, not only did Russia lose considerable authority and power since its empire, the USSR, dissolved. But also the United States, the lone superpower, was left without the kind of influence and control over the “other noncommunist states” that it had during the Cold War. Presidents and Prime Ministers, like mothers and fathers, found themselves leveraging resources and relationships as never before in order to accomplish their goals. When you cannot just tell people what to do, you have to adopt a different strategy to satisfy your ends.

The insight that I had was really a blend of two empirical points, which only became clear to me after a year.

The first empirical point was that there were three different but related concepts of leveraging that had become increasingly important in all societal spheres, namely traditional bargaining leverage, what many management theorists called resource leverage, and what many of the economists were calling financial or investment leverage. Each of these concepts was related to the basic idea of leverage that comes from physics, actually ancient physics and in particular the thought of the Greek mathematician and scientist Archimedes. Leverage involves getting maximum effect from exerting a minimum effort, and you have to use some device or tool to create a fulcrum in which the maximum effect is created.

The second empirical point was that leveraging, which I believed had become more prominent in recent years, was really a basic principle of human conduct, one which had never been fully explained. So irrespective of the question about how

prominent the three-part concept had become in recent years was the discovery that leveraging is actually a very fundamental part of human life.

I couldn't decide which would be more important, to have discovered the dominant theme of our time, which is what I immodestly argued in a paper for The Brookings Institution, or to have discovered a basic principle of human conduct. Was this observation about social reality more about changes that had come about in the social world (due to the rise of investment leveraging, the dismantling of some major structures of authority and power, and the rise of information technology which made leveraging the Internet and all forms of information technology both possible and necessary for being successful in one's endeavors)? Or was this observation more about a very basic feature of social reality that always existed but which had really only been systematically explained as a principle of physics that applied to mechanical levers?

I hoped that others would think at least one of these ideas made sense, but I came to appreciate that they could both be true. Certainly they could both also be false, and more than a few people tried to convince me that this was indeed the case. But why, I asked myself and then others, could it not be the case that a basic principle of human conduct had never been identified or explained, and during a certain period of human civilization that particular principle, for a set of reasons, took on an even greater role in human affairs? Communicating information has been a basic feature of human civilization for a long time, but that didn't mean that we had an Information Age when the Greeks created direct democracy or when the printing press was invented. No, it would take a lot more emphasis on information, how it is made, how it is transmitted, how it is sold, what it is, in order for an entire age to be called, The Information Age.

In my wildest empirical dreams I believe we live now in the Age of Leverage. In more reasonable moments, I believe we live during a time when leveraging—bargaining leverage, resource leverage, and investment leverage—has become the dominant strategy individuals, organizations, and governments use to achieve their ends. Moreover, this strategy always existed because leveraging is a basic principle of human conduct.

Although I am basically an interdisciplinary thinker who has no one disciplinary home, even though I was trained in philosophy (the one field that is most likely to leave a person without a single disciplinary bias), I am still driven by moral considerations more than empirical ones. Thus, although this book centers around what I believe is a two-part empirical discovery about the social world, I am finally more of an ethicist and political philosopher, even political practitioner, than anything.

This bias toward trying to understand justice and goodness and trying to make the world a better place led me pretty fast toward a simple solution to the situation that my observations made clear. For it was part of my discovery of the immense role being played by leveraging especially in the United States but around the world that in each area of life—the economy, politics, international relations, the family—there were problems that came about as a result of either too much leverage or too little leverage. Excessive investment leveraging is really what caused

the financial crisis. Excessive resource and bargaining leveraging is really what was causing a lot of problems in Washington, especially concerning the national debt. And in the family, working mothers in particular were overextended and overleveraged as a result of a political system that had few family friendly policies and a culture that continues to favor males and masculine values.

Thus as I tried to understand the problems caused by excessive leveraging and as I also thought hard about the opportunities lost by failing to leverage, I came up with the very straightforward and simple idea that the United States, and even the world, needed to set forth the explicit goal to find the right amount of leverage in all of the aspects of life where leverage was now playing such a driving role. And finding the right amount of leverage, I determined, would never be a mathematical enterprise. So I said with Aristotle that we needed to find the Mean, the Leverage Mean. Aristotle said that human conduct must be driven by the idea of finding the Golden Mean, for the Golden Mean is used to live the virtuous life. Although I didn't think I was identifying a virtue necessarily, I did think that Aristotle's idea of finding that place in between excess and deficiency provided the core idea for articulating a normative principle to make decisions about when to increase and when to decrease leveraging.

Thus this book was born, a collection of 12 chapters written by me and a number of participants, in this quest to identify and explain a basic principle of human conduct that has risen to the fore in human civilization as well as to mark the Leverage Mean in several fields of inquiry. We are therefore engaged in a two-part effort in these pages: We want to explain what leveraging is and why it is so important from the standpoint of social science, and we want to make normative proposals about how to control, how to tame, how to direct, and how to harness this mighty force in the world today.

Leveraging

A Political, Economic and Societal Framework

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