The Morality of Leverage and the Leverage of Morality

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The language of leverage is pervasive. Indeed, it is so pervasive that we can cease to notice when it is used. So, just to illustrate the almost-unconscious use we make of leverage in everyday life, here are just a few samples from my own life in one random week: (1) A student in a seminar describes the work of Boston Healthcare for the Homeless as leveraging its success in Boston into a nationwide network of similar projects. (2) The members of the Connecticut Stem Cell Research Advisory Committee express their hope that the small seed grants given to new stem cell researchers in the state will be leveraged into NIH funding and into new jobs within the state. (3) My colleagues in public health argue that we should be able to leverage the increasing number of majors in the program into faculty lines and funding for talks and seminars.

As David Anderson notes, we use leverage more and more in our world, from buying houses and purchasing stocks to family dynamics and power politics. It is now one of the primary means by which power is exercised in the world, and its use has become even more prevalent as traditional forms of power, like authority, have become increasingly suspect. In this paper, I will use the model of a lever to explore the moral issues that can emerge in the use of leverage. I will do so by distinguishing the various places that moral questions can arise in the use of leverage, but also in the ways leverage can work for moral purposes and in the ways morality itself can be leveraged.

The Basics of Leverage

To begin to understand leverage, let us first think about what it is not. A weight lifter does not use leverage: she accomplishes her task with brute force, mustering her physical power to move objects directly. A sergeant does not use leverage

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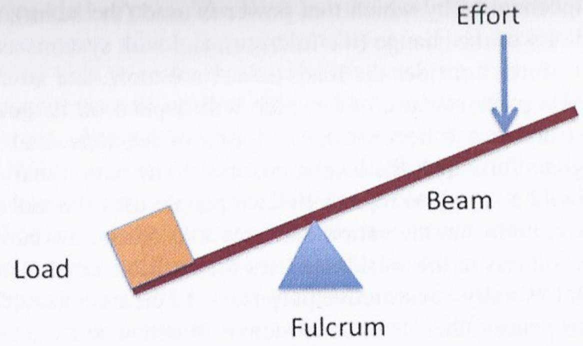
over his troops: he uses his ability to give commands—and his authority to punish—to compel others to act. Historically, such authority has been the primary means of projecting power over others. Some person was recognized by God or the state to hold an office that he (it was almost always a "he") could use to get things done. Others were expected to obey, motivated to do what was asked by their devotion to God, to country, to family, or to the proletariat. If they were not so motivated, their obedience would be exacted from them by their fear of jail, of bodily harm, or of death.

The trick of leverage is to translate a small amount of power into a much larger effect. But not every case in which a small effort produces a large effect is a case of leverage. When David slew Goliath, the force of his well-placed rock against the giant's head achieved the intended effect, not leverage (1 Samuel 17:49). And the butterfly that flaps its wings and thereby alters weather patterns thousand of miles away does not leverage its wing power; the effect is simply one that happens to get magnified by chance physical events.

Leverage comes into play only when we use some kind of tool—either physical, psychological, or conceptual—to transform that small force into a large action. A couple uses a 10 % down payment to secure a loan for 90 % of the purchase price of their home. The tool here is the bank mortgage, a form of economic leverage, a tool that allows them to use small current resources and future earnings to buy a permanent home for themselves, a home that then gives them a secure place in which to create a life and a family for themselves. Indeed, historically, the invention of finance is the most important use of leverage devised. That bastion of early banking, the Bank of England was created, we should remember, to leverage future tax revenues to finance that country's wars against the aggrandizing power of Louis XIV in the late seventeenth century (Bowen 1995; Galbraith 1975, Chap. 4). It allowed England to use leverage power to create a brute force army to oppose the brute force of the French. With the invention of national banks like the Bank of England, governments could finance not only wars (for good or for ill), but also long-term investments in education and infrastructures, and they could smooth the roller coaster of the economy. With the invention of financial tools, not only could governments invest in the future and families leverage their future earnings into stable homes, security, and middle-class life, but—more importantly—companies could leverage ideas into capital and then into profits.

We find these financial tools so common that we can forget the background conditions that make them possible. Such tools require institutions and—significantly—trust in those institutions and the people who run them. For the tools to work, people must trust banks to turn over their money when asked and to pay the interest for the right to keep it, and investors must trust companies to use their money wisely and within specific parameters. If that trust breaks down, then the system falls apart. When people no longer trust banks to have their money, then people rush to the bank to withdraw their money and then even more people worry that the bank will go bankrupt, and then, a bank run occurs. The worry that bank will become bankrupt then becomes a self-fulfilling prophecy. Likewise, if people

Fig. 1 Class I lever



are worried that the economy in general is becoming depressed, then they cease to invest, and if enough people withhold their money from the market, then the economy will in fact become depressed.

The problem is even worse if people have never had any trust in such institutions. If people believe that outsiders can never be trusted, that corporations and banks are inherently corrupt, or that lending money for interest is inherently immoral, then familiar economic institutions never develop, the basic mechanisms of capitalism never come into existence, and the tools of financial leverage can never be used. Only because the hated Jews and Huguenots were willing to lend money in ways that were forbidden to Catholics did trade work at all in Europe before the modern era. What makes the transformation of premodern societies into market economies interesting is precisely the *moral* change that had to take place. Only when money lending ceased to be usury, only when making a profit was not considered greed, could capitalism become possible. Only then, as Voltaire notes, could "Jew, Mohammaden and Christian deal with each other as though they were of the same faith, and only apply the word infidel to those who go bankrupt" (Voltaire 1734, 41). Before the modern age, the levers themselves were seen as morally suspect. Only when they ceased to have that moral weight could they become morally valid tools. For that very reason, even the levers themselves have moral significance.

Levers and Leverage

To analyze the moral questions that arise in leverage, we must first understand how a lever works. The concept of leverage is, of course, a metaphor based on the idea of a lever (see Fig. 1): a tool that allows someone to lift a great weight by applying a relatively small amount of force. In levers, there are five elements to consider: the load to be lifted, the force applied or effort, the beam that carries the force, the fulcrum on which the beam pivots, and the interaction of all these elements. Moral questions arise with each of these elements: with the goals that are sought (the load), with the kind of power that is being used (the effort), with the mechanism by which that power is used (the beam), with the places that bear the brunt of the change (the fulcrum), and with systems as a whole (the lever as such).

First, consider the load. Levers are tools, and so much of the moral evaluation of a particular use of leverage will depend on its goals. Anderson discusses constructive and deconstructive forms of leverage, and the distinction relies on the goals for which the leverage is used. The nation that uses its future tax revenue to build an army to repress its own people uses the tool for immoral and deconstructive ends, but the nation that uses it to relieve the burdens of the poor create more goodness in the world and uses the leverage constructively. When leverage is used for morally constructive purposes—to create houses for people, to find the means to peace—then it is constructive. When it aims at morally destructive ends—to threaten to annihilate others and what they have built or to exercise power for selfish ends—then it is destructive. Of course, leverage can be used, say, to create a profit for a company, and insofar as it does, what it creates is economically constructive. Indeed, if I use leverage simply to fulfill a desire, then it is valuable insofar as it creates some happiness in the world and so it is hedonistically constructive. But such judgments are always provisional. If that profit is being used to destroy people's lives, then economically constructive leverage becomes, on balance, destructive. And if fulfilling that desire comes at the expense of others, then that leverage becomes destructive as well. Likewise, using a well-placed series of explosions can leverage the weight and design of a building to cause it to collapse. But that leverage is destructive only if the explosion was meant to harm the building's owner or to kill someone inside it. If the building was collapsed to keep it from falling over in unpredictable ways or to create new and more affordable housing, then that leverage was constructive. So, on my view, whether leverage is on balance constructive or not is based completely on a moral evaluation of those ends, not on whether something is "built" or "destroyed."

Second, consider the fulcrum of the lever, the point on which the power turns. It is the "one place to stand" that Archimedes needed to move the world. Against it, we apply whatever force is needed for the goal to be reached; for that reason, it bears the brunt of the force of the lever. Morally, we must ask whether someone unfairly bears that burden. In the case of an ordinary mortgage, the fulcrum is the risk that a bank is willing to take on, a risk it will only bear if it is allowed to make a profit by serving in that role. But for that very reason, the burden is not unfair.

In a case of blackmail, the fulcrum is the reputation of the politician who wishes to conceal an indiscretion. In this case, the burden may or may not be unfair, depending on whether his reputation deserves to be tarnished, which depends both on his own particular positions and what—if anything—he did to place his reputation in jeopardy. The representative who is falsely accused of having an affair with her legislative assistant does not deserve that burden—even if it serves as effective leverage against her and even if the ends for which that leverage will be used are morally worthy. On the other hand, the "family values" conservative who visits a prostitute and is then blackmailed for doing so deserves his fate. The burden on him is not, then, unfair. Whether the blackmail is justified is a different question, and it will turn on whether the mechanism itself is ever morally permissible.

But now consider a different kind of case. The West has the goal of preventing Iran from acquiring nuclear weapons, which Iran presumably wants as a way to exercise leverage itself by being able to make threats against countries they want to attack or against those who may want to attack it. Given what Iran might be able to do with nuclear leverage, the goal of preventing the development of such weapons is worthy. One way the West seeks to exercise leverage is through economic sanctions, refusing to conduct trade with it—particularly trade for its most valuable asset, oil. Using the tool of economic sanctions certainly has a cost, and it is a cost that is mostly borne by the people of Iran. The fulcrum is the suffering of the people who can no longer support themselves when the economy of their country is destroyed; the pressure on the government turns on their misery. Unfortunately, since such governments can often ignore their suffering without repercussions, we cannot get much purchase on the government to compel it to change, and so in many of these cases, there is no leverage. But even when there is real pressure on the government, the burden of the leverage requires the innocent to suffer.

This conclusion does not, however, by itself condemn the use of sanctions. The situation is complicated, precisely because the moral innocents—the suffering people—may welcome the sanctions insofar as they may help to overthrow an oppressive regime. Of course, more often even the opponents of such a government see the sanctions as the futile gestures that they are. Yet a brute force response to the Iranian nuclear programs—destroying them with military action—would probably harm those same people even more than the sanctions. So sanctions may be the least morally objectionable available to us. But the fact that the burden of the leverage is unfair certainly counts against it.

Third, consider the effort, the force employed to get the lever to move. It is the money used as a down payment on a mortgage, it is the power of a minority to delay and block legislation, and it is raw talent of a Steve Jobs or Bill Gates to create a corporate giant from virtually nothing. The force used is, of course, morally significant. The couple who steals their mortgage down payment acts immorally, even if it is the only way to provide decent housing for their children. And the mobster who uses a threat of violence against a daughter to compel a father to embezzle money for him uses an immoral force to create leverage. But of course, most of the time, the force used is not morally problematic.

The resource leverage to which Anderson refers is form of effort. By definition, in resource leverage, a person takes something they already have and use that resource to start a process by which they can create something new and better, using some kind of tool to translate the one into the other. In this way did David leverage his talent with a slingshot to gain favor with a king and thereby become a king himself. When I use my talent to write code to create a smart phone game that many will pay a small fee to use, I have leveraged a resource—my talent—into money. If I were then to use that modest cash as the starting capital to attract investors into a business to develop other apps and create even more money, then I have leveraged my talent yet again into a successful enterprise. Whatever sense we can make of the nonsensical metaphor to "pull yourself up by your bootstraps," it is in cases like this in which I leverage my meager resources into something much greater.

In the categories I am using, investment leverage, the third important category of leverage Anderson discusses, is a subset of resource leverage. The money we invest is a resource we have available to us. We use a small amount of our own money to borrow larger amounts of money that are then used for capital. Indeed, money is such an obviously important resource, we may usefully think of all other resources are a separate category—as Anderson does. The investment is the effort, but the real keys are the financial instruments by which that investment is put to work—or squandered.

Thus, a discussion of effort brings us naturally to what is truly important about leverage: the tool itself, the beam, and its relation to the fulcrum. In none of the cases we have discussed can the force applied become magnified unless a tool exists to amplify it. The down payment cannot buy a house unless we have the institutional structure of a mortgage. Creating such tools has been one of the great advances of human society. Whether it is a tool to shift a weight, to buy a house, or to influence the legislative program of an opposing party, there must be a mechanism by which that force is exerted. Often—as in a mortgage—the mechanism is a well-known device invented explicitly for that purpose. But sometimes, the lever is fashioned out of devices created for other purposes. So the complicated procedure by which a bill becomes law in the United States was not constructed to give leverage to a minority party, but when that party uses its ability to stall or block legislation and force a government shutdown, then it uses the mechanism at hand to create leverage. And sometimes, of course, the mechanism is invented on the spot, as when I turn my coding talent into a tech company.

In most cases, the tools of leverage are created within broader social practices which are often themselves attempts at leverage. Most notably, contracts are designed to pool limited resources—money, talents, and organizations—to create a bigger good, one that benefits all the parties to the contract. So contracts are a common form of leverage. But negotiating the terms of those contracts itself provides another context for leverage. At precisely this juncture does Anderson's first type of leverage emerge: bargaining leverage. Bargaining leverage is, first and foremost, a kind of leverage that requires a special context, one in which we are negotiating the terms of a contract in which some goods are to be distributed. What creates the leverage is the need for an agreement between the parties to create the goods in the first place. Leverage is created only if the prospects for a nonagreement are much worse than those for an agreement. The prospect of the failure to get an agreement is the fulcrum of the bargaining lever. Parties have more bargaining leverage when they are willing to blow up the contract altogether and the other parties know they are. So either (1) the bargainer does not need the agreement because he is already rich enough or powerful enough or because he gets so little from the agreement that he suffers little loss by the failure of the negotiations, or (2) he thinks the other parties need his cooperation so badly that he can dictate its terms, or (3) he is so stubborn that he has to have his own way. Part of the game of bargaining is to convince others that (1), (2) or (3) is true—even when they are not—precisely to create bargaining leverage. As Thomas Hobbes notes, "Reputation of power, is Power" (Hobbes 1651, 62). What matters for bargaining leverage is the perception.

Bargaining leverage, however, exists only within the social practices surrounding contracts. But leverage tools are parts of many different social practices. We may be tempted to claim that these leverage practices are merely tools which are not themselves subject to moral scrutiny, that only the goals of leverage or the burdens it creates can create moral issues. But here, as I have already suggested, the analogy to mechanical levers fails us: while mechanical levers are morally neutral, the social practices that constitute leveraging in our society may not be. Even the lowly mortgage creates a power dynamic because only people with power and capital are able to offer mortgages to others. The institution thus consolidates the power of bankers. On reflection, no one who witnessed the aftermath of the 2008 financial crisis can pretend that leveraging tools are always morally neutral. Schemes were set up to be so complex that no one could understand them, and they were thus designed to pawn risk on to the unsuspecting to the advantage of the creators, who got their commissions even when the credit default swaps collapsed. In these cases, the tools themselves were designed to burden unfairly some of the participants for the benefit of others.

The most obvious cases of such a design lie in blackmail. The problem with blackmail as such lies not in its goals nor in the burdens, but in the mechanism itself. The blackmailer who uses a real or imagined indiscretion to win an important vote acts immorally, even if the price of her blackmail is a crucial committee vote for a law that will benefit thousands. The ends do not justify the means in these cases because the means do disservice to the legislative process: bills are supposed to be decided on their merits as potential laws, not by which side can sully its opponents the most. The fact that such blackmail tactics seem to be common in "hardball" politics makes their use understandable, but it does not thereby justify them. Blackmail always uses an action that is viewed as shameful to compel someone to do something they would otherwise reject for reasons that have nothing to do with the shame of their actions. Thus, the leverage of blackmail is by its nature morally bankrupt.

Not surprisingly, leverage tools tend to benefit their creators, and that benefit is subject to moral evaluation. No one is shocked that a useful tool like Microsoft Word has created enormous profits for Bill Gates, nor should we be surprised that the creators of credit default swaps structured them to their benefit. When the tools are constructive, their creators deserve some benefit for their invention. Think again about mortgages. At this point, no one deserves to benefit from the very idea of the mortgage. But insofar as each new mortgage is a new creation, no one expects bankers to fashion one for free, and we think they deserve fair compensation for making this tool available and for the risks they take when it is used. But bankers also serve a public trust, and so they should be expected to provide mortgages to anyone who qualifies at a rate that is proportionate to the real risk that they take. But they should not be able to use their power to make loans to discriminate against minorities or create political power for themselves, like Mr. Potter did in "It's a Wonderful Life."

Such moral assessments are not, of course, an easy matter. A certain technical expertise is often needed to understand how, say, a financial tool functions, and that expertise must then be combined with an understanding of how power dynamics work and a moral sensitivity to the great injustices that such practices can create. But even if such evaluations are difficult, my broader point still holds: the tools themselves require moral scrutiny. While most such tools are beneficial or morally neutral, some are morally questionable, some—like blackmail—are irretrievably corrupt, and some are moral only if they are carefully regulated to minimize their abuse.

Finally, consider the a whole system of leverage. I have already argued that the load, the effort, the fulcrum, and the tool itself must be subject to moral scrutiny. But only when we look at the system as whole can we think about the Leverage Mean that plays a central role in Anderson's analysis. The Leverage Mean is simply that Aristotelian mean between two vices. Just as the virtue of bravery is the mean between the vice of cowardice and the vice of foolhardiness and generosity is the mean between stinginess and prodigality, the Leverage Mean is the virtue between underleveraging and overleveraging. In the kinds of cases we have been considering, underleveraging is less of a problem that overleveraging. When we have powerful and fair tools available that no one is using or that are not being used to their full capacity, then resources lie fallow that could be used for the good of all. Such a situation can have important moral consequences since, for example, underutilized economic capacity creates unemployment and all its attendant miseries. The vice here is a lack of boldness, and the problems caused are indirect, if still troubling.

We have more to worry about when we consider overleveraging. We are overleveraged when the load is too heavy for the tool, so heavy that it causes—or threatens to cause—the mechanism to break. When the machine collapses, those caught under it get hurt. The 2008 financial crisis occurred because AIG and Lehman Brothers took on—perhaps unwittingly, perhaps mendaciously—tremendous risks without properly securing their loans. That risk was too much to bear, so that when some of the loans failed, it brought down the whole cardboard structure. Here, the financial tools were too weak for the risks that were hidden in them. Insofar as the risks they took did not affect merely themselves, these companies had a moral obligation to protect others from the harms caused by their mistakes. The fact that a complete economic collapse could be prevented only when governments intervened to prop them up shows just how morally irresponsible they were.

Using Morality as Leverage

So far, I have considered the ways in which we can morally evaluate leveraging: when levers are moral and when they are being used morally. But we should also note the ways in which morality itself can be used as leverage.

First, we can use the morality of actions to leverage changes in behavior. So one person can cause another to alter how they do things simply by noting a moral problem with what they are doing. So if activists show the CEO of a shoe company that the conditions of the factory where its shoes are made are unsafe and constitute a fire risk, the CEO may order changes in the factory—even if the factory meets all local laws. And the CEO may do so because she realizes that the workers are being treated immorally. Morality thus leverages the change in policy.

Of course, the CEO may change the company's practices because she fears bad publicity. But even here, morality is serving as a lever. The company would get bad publicity if potential consumers would regard the factory conditions as immoral and would cease to buy its products for that reason. So the company has self-interested reasons to change its factories. A company that changes its behavior for that reason is, of course, acting hypocritically, but as the La Rochefoucauld reminds us, "Hypocrisy is the homage vice pays to virtue." So whether or not the CEO regards the conditions as immoral, morality will still be the key lever in changing the company's policy. Of course, if she herself does not regard the practices as immoral, she will have reason to hide, rather than change, the factory conditions. But if she does so, she runs the risk that the poor conditions will be exposed later, thereby creating even worse problems. In that case, she will change the policy only if she thinks the risk of exposure is too great.

In these kinds of cases, morality is used simply as another kind of tool, a kind of power that we can use to change a situation. It is a kind of social power. Whether morality exists independent of social practices, it operates through people's belief in it. But that power, regardless of its source, is real. Because people are motivated by moral concerns, those concerns can be used to leverage people's actions.

But morality can also be used as a lever in a different way. Actors can use their own moral reputations as leverage to induce others to change what they do. Here, they leverage their own reputation not to change behavior directly, but to change others' views about what constitutes moral behavior. In doing so, they then change how others act. In *The Honor Code* (2010), Anthony Appiah argues that the concept of honor can provide sparks to reform moral practices by giving actors reasons to change their conception of morality based on their ideas of honor. Such changes are, I think, the result of leverage. So, for example, the binding of women's feet in China had long been considered a way to control the chastity of upper-class women. They were literally hobbled so they were completely dependent on the men in their lives. To be married into a respectable family, a woman had to have small feet. But Western—and especially Christian—activists convinced the Chinese literati that footbinding was bad for the women and that it subjected the Chinese to ridicule in the rest of the world. They convinced the Chinese to include a wider set of norms into their "honor world" so that honor now required them to take into consideration the opinions of the broader world to give up the practice. When the Chinese elites rejected the practice, then other Chinese became convinced that their girls could be married without having their feet bound, and the practice died out (Appiah 2010, Chap. 2). Appiah's case involves two leverages. First, Western reformers were able to leverage the respect the Chinese had for Western technological superiority into a respect for its moral codes that convinced

Chinese elites to modify their practices. And second, the elites were then able to leverage their reputation as moral leaders into a general condemnation of footbinding among the broader populace.

An even more clear case of this kind of leverage involves the use that George Washington made of his own reputation to create support for the US Constitution. By 1787, Washington had cultivated—and carefully safeguarded—his reputation as a man of honor and integrity (see Wood 2006). He had been the soldier who had, against all odds, taken command of a small and ill-equipped army in 1775 and eventually led it, despite many defeats on the battlefield, to victory over the world's greatest superpower at the time. And then, instead of leveraging his military success into political power as everyone expected, he gave up his command and retired and thereby enhanced his reputation for honor and integrity. When James Madison convinced him to leave retirement to attend the Constitutional Convention, the convention instantly became a respectable enterprise. When he lent his support to the document that resulted, it carried real weight. As James Monroe noted in a letter to Thomas Jefferson, "be assured his influence carried this government" (Monroe 1788; see Wood 2006, 46). Indeed, the fact that Washington would undoubtedly be the first president calmed many worries about the power of the presidency. However, Washington's gambit was not without risks. As Monroe notes, "To forsake the honourable retreat to which he had retired and risque the reputation he had so deservedly acquir'd, manifested a zeal for the publick interest" (Monroe 1788). Had ratification failed or had the government itself failed, Washington's reputation—his most cherished possession—would have been badly tarnished. But the fact that he was willing to jeopardize his reputation only added more support to the enterprise. Ironically, the very fact that the cause was risky created even greater leverage and made it more likely to succeed. In any case, Washington thus leveraged his moral reputation into a broad support for the new form of government.

Because the ratification of the Constitution was beneficial, Washington's use of his reputation was a constructive form of leverage. But we can imagine cases in which moral leverage can be destructive. When the Bush Administration proclaimed that waterboarding did not constitute torture, the government was using the United States' reputation as protector of human rights to redefine what counted as acceptable practices. In doing so, it gave credibility to claims of torture apologists that we should not have an absolute prohibition on torture, that torture can be justified if the ends for which it is employed are sufficiently important. Such a stance undercut the consensus against torture, and it seriously weakened efforts against torture everywhere. Insofar as those efforts had pressured governments not to torture dissidents, the American argument has given such government cover for their brutality. As such, that leverage was destructive. At the same time, the policy also undermined the United States' position as arbiter of international human rights. So it has decreased our capacity for moral leverage. So the change in policy was doubly destructive.

Conclusion

Insofar as leverage has become a common mode for human action, we must be all the more conscious of the ways it can be used and misused. By focusing on the components of leverage, we gain a clear understanding of where moral problems might arise when we use this tool. Mostly, the moral questions arise in the ways we use the tool, but we must also be conscious of the ways in which leverage can be structured that have moral significance. And finally, we must remember the ways in which morality itself can be a lever. Moral evaluations are inseparable from human action, and the more important leverage becomes as a tool, the more we must engage in the moral evaluation of those levers.

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