

Risk, Race and Subprime

Emily Katzenstein

PhD Candidate | Department of Political Science, University of Chicago

Racial capitalism—the complex co-configuration of the U.S. capitalist system and its racial order—has undergone some fundamental changes since the 1970s. These changes are most often narrated as a story of the economic expulsion and management of racialized ‘surplus’ populations. These narratives do not address one of the central aspects of the transformative processes that the U.S. economy has undergone, namely the rise of finance. In this paper, I argue that a closer look at the debates surrounding the racialization of subprime capital in the run-up to the financial crisis can provide a fruitful starting point for thinking anew about the nexus between race and finance in the contemporary capitalist order.

Today, the accumulation of value partially functions through the power to issue and circulate socially and economically efficacious risk assessments. This power relies on institutionalized standards that guarantee the efficaciousness of financial risk assessments, but it also depends on political discourses about the legitimacy of financial risk practices. In this paper, I argue that dominant political discourses about the epistemic status of financial risk, as well as the pragmatics of financial risk during the rise of the subprime market obscured the problematic nature of the racialized distribution of subprime capital, and therefore contributed to the transformation of minority neighborhoods into spaces of financial predation. Through an analysis of congressional hearings concerned with the governance of the subprime market between 1998 and mid-2007, I show that racial discrepancies in subprime lending were widely regarded as innocuous due to an idealized and fetishistic conception of financial risk as an a-historical and objective measure of default risk, as well as due to misguided assumptions about the incentives structuring the behavior of subprime lenders and pessimistic conceptions of the ability of regulators to intervene effectively in market processes. This suggests, I argue, that a theoretical understanding of the racialization of financial risk requires an expanded conception of the performativity of economic knowledge that takes into account the effects of political discourses about the legitimacy of particular financial risk practices.