Challenging Inequality in Credit Markets—Towards a Reconstituted Financial Subject

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Gary Dymski, Jesus Hernandez & Lisa Mohanty, *Race, Gender, Power, and the US Subprime Mortgage and Foreclosure Crisis: A Meso Analysis*, 19 **Feminist Econ.** 124 (July, 2013), *available at* SSRN.

Race, Gender, Power, and the US Subprime Mortgage and Foreclosure Crisis: A Meso Analysis, by Gary Dymski, Jesus Hernandez, and Lisa Mohanty, is a reminder of the power that mainstream economic analysis wields to shape social understandings of inequalities in personal credit markets and the terms on which potential legal and regulatory solutions are debated. At the same time, the article exposes the inadequacy of mainstream economic analysis when dealing with important questions about financial subjects and their exploitation in subprime lending markets.

The authors ask: what is it about the circumstances of minority women and men that renders these financial subjects too risky for lenders to trust with the relatively safe and affordable credit supplied by mainstream personal finance markets and at the same time the sub-prime market's preferred borrowers of risky, dangerous, and unaffordable loans? They ask also: why did the well-documented over-supply of credit at the turn of the 21st century fail to exert competitive downward pressure on the predatory pricing of the subprime mortgages marketed to minority households, particularly minority female-headed households? It perhaps seems odd that such crucial questions about the performance of subprime markets have received little attention in conventional economic accounts of the crisis. But, as noted in the article, their absence reflects economic analysis's robust assumptions that markets are socially neutral institutions populated by financial subjects that are abstracted from relations of racialization, class, and gender. The centering of this ahistorical, pre-political disembodied financial subject within economic analysis then perpetuates the invisibility of systemic racialized and gendered inequalities in the law reform and policy debates that economics influences.

The article contests this model of the disembodied financial subject. It draws on data about gendered and racialized inequalities in U.S. housing and housing finance markets that have been generated since the passage of the Fair Housing Act, the Equal Credit Opportunity Act, and the Home Mortgage Disclosure Act in the 1970s. To answer their questions the authors compare conventional micro-level economic analysis of the exclusion of minority populations from access to standard mortgage loans with a meso-level analysis of institutions and practices associated with the hyper-inclusion of minority and female borrowers in the subprime mortgage economy.

This comparison illustrates the differences that explanatory frames can make to understandings of problems and debates about solutions. Both micro and meso analyses may find that unequal treatment persists in credit markets essentially because it is profitable to suppliers of loans. But the micro analysis is based on an imperfect information model that also rationalizes unequal treatment. Factors correlated with race, gender, and socio-economic disadvantage (such as precarious income, asset-holdings and care responsibilities) are constructed as external to the credit market and legitimate information for suppliers to integrate into their business models and their processes for assessing loan applicants.

By contrast, the meso analysis seeks critically to explain how markets, along with other institutions, contribute to the production and perpetuation of racialized and gendered inequality. This type of economic analysis focuses on “mediating institutions and instruments,” (P.11, quoting Elson) rather than information. It traces connections between the restructuring of financial firms following the early 1980s neoliberalization of their regulation, an explosive growth of fringe banking facilities—often owned or funded by global banking firms—in minority and low-income communities, and the shift from intermediation to securitization as the production technology of mortgage finance. Financial subjects are racialized, gendered, and situated by reference to location and income. Evidence of unequal treatment by lenders is integral to the analysis.

The authors find answers to their questions in the layering of institutional and strategic changes in the banking business on top of the legacy of the US’s reliance on markets and legal instruments to create gendered and racialized social spaces, differentiated by wealth. Their data indicate that subprime lenders targeted minority communities in an era of stagnant or declining incomes and rising house prices (particularly the incomes of minority women) to extract equity and deepen debt among the already indebted. So, “there was no simple shift from exclusion to inclusion,” (P.14) and “subprime lending was never the rosy alternative path to homeownership that [it was] made out to be.” (P.16). Competition failed to reduce the prices of subprime loans in minority communities because the appearance of competition among a multiplicity of brokers hustling for business is belied by the reality that the flow of finance to households was regulated by “a small number of megabanks [acting] on behalf of return-seeking investors.” (P.20). Racial segregation, “the legacy of a race-making process … in urban housing markets,” (P.21) increased the structural market power of lenders “provid[ing] them with more opportunities to leverage short-term gains in communities of color.” (P.21).

This article is an interesting read. Its positioning of systemic racial, gender, locational, and income inequalities as integral to analysis of sub-prime lending offers a valuable corrective to mainstream economic analyses that portray consumer finance markets as socially neutral institutions for allocating credit and distributing risk. The meso economic analysis also complements the work of critical race theorists and progressive credit law scholars who have studied the exploitation of African American, Hispanic, female-headed, and other low-income households in credit markets. As such, *Race, Gender, Power, and the US Subprime Mortgage and Foreclosure Crisis: A Meso Analysis* provides a stimulating contribution to the trans-disciplinary project of displacing the disembodied financial subject.

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