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“Credit and Worthiness”

Forming and Organizing Subjects in the Credit Economy

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Introduction

Central to the establishment of a leveraged economy over the last century, is the construction of “creditworthiness” as a kind of knowledge. Credit has become a necessary dimension of financial health for U.S. consumers, and adjudications of worthiness have embedded themselves into the financing apparatus seemingly without question. Recent market crises and fluctuations, however, have prompted social scientists to reexamine the centrality of credit banking institutions to our economic infrastructure and urban geography. Failure of the “automated” market to equitably distribute opportunity for financial growth (Baradaran 2015), the relationship of lacking public welfare to profit incentivized lenders (Lauer 2017; SoRelle 2020), and the compounding history of racial economic marginalization, implicate “creditworthiness” as a central discriminating mechanism.

The practice of drawing distinctions between consumers facilitates disparate treatment by chartered lending institutions, such as denials of credit lines and higher interest rates. This exclusion from affordable credit in turn generates demand serviced by predatory lending institutions. Alleging to merely speculate on the calculable risk of individual consumers to creditors, “creditworthiness” metrics employ a logic of formal equality that nevertheless disproportionately affects historically marginalized consumers (Baradaran 2015). Wealth siphoned out of minority communities through predatory inclusion is traceable to reserves leveraged for credit in other whiter, more affluent neighborhoods (Taylor 2012; Krippner 2017), and demonstrates that banks effectively organize consumers into stratas of the economy through enabling or restricting mainstream credit access.

Adjudications of creditworthiness have been shown to produce feedback loops in which the predictive accuracy of credit scoring is due in part to its use (Rona-Tas et al. 2017), such that the characterization of a consumer as more or less creditworthy is likely to shape their financial opportunities and resources in a self-affirming manner. Black middle-class workers that earn a regular income are particularly vulnerable to the effects of these credit determinations, as a class of consumers locked into spaces that have been underserved by chartered institutions and overserved by dangerous providers (that are more often than not two branches of the same bank (Taylor 2012)). The treatment of these consumers at the “razor’s edge of profitability” (Lauer 2017) frames not only the systemic pattern of denial, predatory inclusion, and wealth siphoning that consumer discrimination is at the center of, but also the centering of profitability in the knowledge production process of creditworthiness.

Creditworthiness is often described as necessary for the function of banks or private financiers, who claim the use of information that accurately describes a consumer's profitability is upheld by their right to mitigate risk and earn interest. This rhetoric of “actuarial fairness,” (Kiviat 2017) in which the predictive power of information about consumers justifies differentiated price setting and access, is naturalized in the language of markets and self-regulation that dominates the cultural climate today. The speculation of value and therefore worthiness of lines of credit may in fact be effective at producing returns for banks, but side-steps the question of equitability, and obscures the political process through which these normative standards were established. Depoliticization of these allegedly self-evident, but nevertheless socially and economically constructed standards of fairness, are part and parcel of the widening racial wealth and mobility

gap in the U.S. (Chetty et al. 2014) Whatmore, arguments of actuarial fairness fail to acknowledge that chartered banks are not only financially supported by the federal government in a manner subversive to the “self-regulation” of the market (Baradaran 2015), but are privileged by the State as a uniquely American form of public welfare distribution (SoRelle 2020; Thurnston 2018).

Out of this context, two central questions emerge: 1) what function does creditworthiness play in the organization of consumers into the economy? And 2) how do these practices form an economic subject distinct to the credit economy? I engage with these questions by referring to the existing literature on the establishment of creditworthiness as an actuarial technology, predatory inclusion schemas that intertwine histories of creditworthiness and racial financial violence, and theories on the formation of social subjects out of material relations. I present two cases that reveal the interrelation between creditworthiness, race, and wealth siphoning through predatory inclusion - 1) the establishment of creditworthiness through the FHA based on racial underwriting, subsequent “block-busting” practices, and the Community Reinvestment Act, and 2) the Fringe Economy of Alternative Financial Services today. Each of these actors and events in chronological order also comprises a timeline of creditworthiness in the U.S., both its evolutions and cyclicity. On the basis of this literature and history, I make the argument that “creditworthiness” is a conceptual knowledge object around which subjects unique to the consumption economy are formed. While the literature tends to focus on the marginalizing effects of credit banking practices on minority consumers or the narrowed moral and political legibility that creditworthiness makes viable, there are few critical race theories positing the relatedness between these two elements. There are even fewer that describe the parallels between

creditworthiness and race as forms of “knowledge” that produce subjects from whom wealth and value can be extracted. To this literature, I aim to contribute a theory of “creditworthiness” as a discursive market technology, in which knowledge about consumers is used to form economic subjects necessary to the credit economy.

Literature Review

Credit scores, technically speaking, are indications of risk posed by a consumer to the creditor. Structural and sociological scholarship on “creditworthiness” is specifically attuned to the tendencies of actuarial techniques to collapse context and narrow possibilities for claims-making. The research I present in this paper is inspired by the “de-commensurating” work of sociologist Barbara Kiviat’s “The Moral Limits of Predictive Practices: The Case of Credit-Based Insurance Scores.” In her paper, Kiviat studies the case of credit scores in car insurance pricing to make the argument that policymakers “realign the market” with normative definitions of fairness in industry practice, and the concept of “actuarial fairness” is depoliticized as a normative standard in market discourse neglects causal contexts.

Actuarial fairness is central to the use of information creating knowledge about profitability, particularly in the case of price setting or access to credit. The algorithmic transformation of this information into knowledge, namely about a consumer’s worthiness of credit, is necessarily a process of making unlike objects commensurable; to make risks comparable, the consumers posing that risk have to be made comparable. As Kiviat describes, this uniform commensurability of consumers in the market is made possible through the use of information

that exclusively makes two subjects quantitatively analogous. This process omits information deemed irrelevant to profit-making, for example, causal explanations about *why* a consumer appears on the scale of worthiness the way they do. While actuarial correlations and predictability are empirically true, they present one dimension of knowledge about consumers and therefore their “worthiness” whilst leaving out thick descriptions with explanatory purchase.

Kiviat’s case studies are of court cases in which policymakers pushed for causal theories that *explained* the relationship between credit scores and the likelihood of filing an insurance claim, and recount that the ruling was ultimately against industry representatives based on what the courts found to be a conflict of moral “deservingness.” In other words, explaining the contexts and behavior rationales of consumers - information that does not typically get factored into metrics of creditworthiness - revealed a tension between industry standards and the court’s understanding of “deservingness.” Kiviat describes these cases as a “de-commensurating” process, in which information about a consumer that is abstracted and made uniform for the sake of comparability in the market, is recontextualized in a way that complicates the market notion of deservingness (or for the purposes of this research, “worthiness”). It also reveals the extent to which this incompressible knowledge is nevertheless presented as empirically self-evident, obscuring the specific social, political, and technological forces through which this knowledge becomes naturalized. Historically speaking, creditworthiness became a matter of actuarial predictability in the U.S. over the 20th century, and prior to the establishment of empirical credit scoring, there was a great deal of resistance from appraisers and their financial institutions that argued measuring “worthiness” was a nuanced matter of human intuition (Lauer 2017).

Though the shift from character assessments to predictive analysis did not mark a departure from narratives of responsibility and poor decision-making in regards to lacking creditworthiness (Seamster 2019), it did revolutionize the market through an extended capacity for precision in consumer organization. Kiviat, for example, writes:

“Predictions give companies insight into the maximum amount of money individuals will pay for goods and services, who will prove to be a costly or troublesome customer, and other profit-oriented outcomes. Corporations then treat people differently based on these predictions... Markets thus slot individuals into ‘classification situations’ that determine how a person experiences the market and the market’s influence on life chances (Fourcade and Healy 2013).” (Kiviat 1137)

Actuarial techniques of determining creditworthiness, in this case, the accurate likelihood of returns and profitability, make this kind of “classification situation” possible. It is based on this organization, however, that creditworthiness gains an important dimension of its predictive power. Scholars recognize credit ratings are not merely descriptive, and that their use in inflating or restricting access (or vice versa) to credit allows the adjudication itself to take on a “performative” element (Rona-Tas 2017). The penalties, increased rates, and disparate access to disparate services create material inequities through the use of credit and have corresponding effects on the “worthiness” of the consumer placed in that financial environment (Rona-Tas 2017, Chetty et al. 2014). Fringe economy services like payday lending institutions, for example, are notorious for trapping consumers in a debt cycle that is almost impossible to escape from at all, much less without extraneous damage to their credit score (Baradaran 2015).

The precision in economic organization and price setting, made possible through actuarial techniques, are also the result of emerging technologies that have widely expanded information gathering and algorithmic analysis in the market. Knowledge production of market tools like credit scores, the cornerstone of “creditworthiness” in the contemporary world, only became viable with the advent of computer technology in the 20th century (Lauer 2017). Today Fair Isaac and Company’s three-digit FICO score is the most recognizable index, though specialized models are used for calculating the risk and pricing of different products such as mortgages, credit cards, automobile loans, insurance policies, etc. (Lauer 2017) Founded in 1956, Fair, Isaac, and Company were first hired by the American Investment Company to analyze credit files using discriminant analysis. While the models for each region, institution, and service are complex and distinct, the reductive principle of each of them is similar - discriminant analysis measures the relative significance of variables such as the borrower’s age, occupation, or income to predict an outcome, in this case, of the likelihood of defaulting on a loan (Lauer 2017). It pairs the lowest paying two quality combination of all 8-12 borrower characteristics, and then pairs that with another one and so on to describe a borrower (Krippner 2017):

“Thus, for instance, ‘the ‘number of rooms’ in the house of a credit seeker may be meaningless if taken alone,’ Spiegel’s director of research explained. ‘However, 2 rooms in combination with 5 or more children in the family may indicate undesirable socio-economic conditions’ and high risk of delinquency.” (Lauer, 205)

The statistical theory of discriminant analysis itself, developed by Sir Ronald Fisher during his tenure as head of the Department of Eugenics at University College London (Lauer 2017), was not necessarily pertinent to creditworthiness assessments at the time of its publication. While the

National Bureau of Economic Research published the implications of this method on creditworthiness in 1930, most relevant information was retained by private consumer bureaus belonging to department stores and investment companies that remained fragmented for many decades (Lauer 2017). Discriminant analysis could take many hours to perform for each consumer, not to mention the equally exhaustive process of acquiring information on lifestyle, credit history, work, and relationships that already comprised the evaluation process. Most importantly, the information on statistical aggregation that creditworthiness provided was not necessarily compatible with the prevailing focus on “character” that credit practitioners shared when it came to judging consumer reliability (Lauer 2017). Credit scoring itself, though lacking the predictive power of later algorithmic models, was not necessarily a new practice, and had been established in WWII when lenders sought to acclimate staff replacing trained credit officers by creating a scorecard with clear instructions for discerning borrower eligibility (Rona-Tas 2017). It wasn’t until social collectives like the National Organization of Women began pushing for empirically derived information that the Equal Credit Opportunity Act (ECOA) of 1974 was passed, stipulating lending decisions made based on statistical information would be “immune from discrimination suits.” (Rona-Tas 2017) That being said, the use of “market value” as rhetoric supplied in defense of discriminatory lending decisions has a long history in the real estate market of the U.S. (Taylor 2019)

The arrival of computers to the industry at the tail end of the 50s not only made the centralization and calculation of consumer information possible but fundamentally changed what it meant to be worthy of credit in the age of information technology. Hundreds of local bureaus were annexed by larger firms, as discriminant analysis became feasible and information could be condensed

from rooms and rooms of data and technicians to single computers. Credit professionals were also encouraged to adopt “Common Business Oriented Language” set forth by the Conference on Data Systems Language, in order to conform to technological language constraints of the technology: “Replacing phrases like ‘fair’, ‘slow but good’, and ‘paid as agreed’ with numbers like 1: paid within 30 days, 2: paid within thirty to sixty days, 3: sixty to 90 days...” (Lauer 2017) They were “urged to forget localisms and establish a common language acceptable to all bureaus and credit grantors” (Lauer 2017), catalyzing the process of reducing thick descriptions of risk and reliability into sparser and sparser empirical fact.

The computational power of new technologies effectively encouraged the production of commensurable knowledge about consumers, which in turn made secondary markets like securitization possible. The efficiency of discriminant analysis-based adjudications of worthiness, as well as popular resistance to explicit exclusion on the basis of social identities like race and gender (Krippner 2017), eclipsed the longstanding tradition of “character” based worthiness adjudications. Reducing creditworthiness to an actuarial prediction of profitability, calculated based on statistically aggregate data that did not explain the results the models produced, opened up the credit market to discriminations and price-setting that could subvert accusations of mistreatment. As Bruce Carruther describes in their paper, “Knowledge and Liquidity: Institutional and Cognitive Foundations of the Subprime crisis,” market information has a path-dependent tendency to assume the same form to facilitate the universal buying and selling of the product in question. This was particularly evident in the failure of Triple-A ratings in the subprime mortgage collapse, in which products fundamentally unlike corporate bonds were nevertheless reduced into the same language of risk that obscured the relationship between

declining home prices and default rates. Agencies that rated Collateralized Debt Obligations (CDO) were working with data about the relatively new industry of securitization that failed to create comprehensive knowledge, and, arguably more importantly, were paid by the banks hoping to sell said CDO. Carruther notes that in the case of securitization, knowledge about risk was crafted using industry categories that did not account for the heterogeneity of a complex asset like a subprime loan, and was a form of knowledge that failed in part because it was designed by and for an audience.

Sociologically speaking, the relatedness of available technology to knowledge production and therefore market activity reflects the social determination of industry practices as well as norms that govern them: “Successful actors shape understandings of how the market is and should be, thereby institutionalizing assumptions and beliefs that promulgate their values and interests (Dobbin 1994; Hirschman 1977).” (Kiviat 2019) Securitization in particular also illuminates the fact that despite the moralization of “worthiness” implied in the concept of creditworthiness, access to credit does not necessarily reflect the qualification of the consumer but rather the profitability of the risk. This is evidenced by the extreme availability and subprime pricing of credit that was lent to consumers who were both over and under-qualified for those loans (Dawson and Francis 2016; Carruther 2010).

In the contemporary landscape, the credit scoring industry is dominated by three major credit bureaus (Experian, TransUnion, and Equifax) that track and provide personal information about consumers to two credit scoring titans, Fair Isaac and Company, and VantageScore Solutions (founded as a conglomerate of the three credit bureaus). The rise of credit scoring and the models

set forth by the industry inform who has access to what kinds of credit, but don't provide any insight into what makes variables indicative of risk meaningful in the first instance - they provide, in other words, actuarial methods without causal theories (Kiviat 2019). As Fair Isaac's vice president would go on to tell a journalist for Money magazine in the '60s, "We don't have the foggiest idea what makes people creditworthy." (Lauer 2017)

While the history of creditworthiness in the U.S. consumer credit market is marked by shifting forms of underwriting throughout the 20th century, the fundamental practice of amassing consumer information and offering financial products tailored to revealed demographics is defining of the information economy at large. The increased capacity for information gathering and analysis not only determines a market that fluctuates based on certainty or risk but frames all behavior and choice as economic information about a consumer's habits or predictability (Fourcade and Healy 2017). Most notably, these technologies make statistical knowledge based on aggregate data relatively accurate and therefore powerful - an interesting contrast to the framing of a consumer responsible for their own financial profiles of behavior whilst nevertheless being assessed on the basis of where they stand relative to a social data sample. Creditworthiness today is effectively a statistical estimate of how people *will* behave based on how they *have* behaved, an inference made from information about how other people most like the consumer in question have and will behave. This is to say that the variables a specific consumer is assessed on the basis of, are not only measured for personal, historical effects, but interpreted for what they signify about financial behavior *across* individuals (Kiviat 2019, Lauer 2017).

The adjudication of creditworthiness, technically an expression of statistical relativity to other, similar people, is nevertheless described as a highly individualized process. Studies have noted that actuarial techniques have the effect of “submerging group identities that necessarily form the basis of collective mobilization,” (Krippner 2017) by discriminating on the basis of empirical valuables rather than explicit social biases. Economic sociology of market “embeddedness” (Granovetter 1985), however, would suggest that these variables are themselves shaped by social and political relations affecting market value or financial behavior, despite industry claims to the amorality of credit scoring. In “Democracy of Credit: Ownership and the Politics of Credit Access in Late Twentieth Century America,” sociologist Greta Krippner examines the relationship between the structural marginalization of minority consumers (namely women and African Americans), and the kinds of political claims that are legible around credit practices. Of statistical aggregation, she writes, “The result of credit scoring was to first disassemble the group identities constitutive of social and political action and then recombine the resulting fragments into a lifeless statistical aggregate.” (Krippner 2017) The process entails the transformation of individual financial profiles, which are fundamentally inextricable from their social and political contexts, into commensurable objects made meaningful by their relativity to one another. The dismantling of collective and interrelated financial histories into isolated, measurable qualities used to assess individuals in the abstract, is not an eradication of bias, but a fragmentation that makes recourse to the social impossible. To describe race, for example, as an invisible variable shared between individuals that reflect both low-interest returns and less wealth on average, is not to remove race from the construction of this knowledge about creditworthiness, but simply to make it harder to name. It is this individualization through appeals to actuarial logic and

amorality obscuring the social embeddedness of market variables, that I argue is unique to the construction of the subject of a consumer economy.

Krippner examines, in their work, the simultaneous effect of this social “submersion” on claims-making possibilities. The study is of two historical cases in which minority consumers were systematically marginalized by adjudications of creditworthiness, the kinds of claims they made, and their varying degrees of effectiveness. Most notably, she describes the specificity of the credit relation, such that the power imbalance between the two transacting parties allows the creditor to “loom over” the borrower. The creditor, she explains, relies on “connections” and “collateral” (Rajan and Zingales 2004), or, the analysis of information and insurance in the form of assets or other guarantees of payments. The feminist case against creditors led by the National Organization of Women in the ’70s, resulting in the Equal Credit Opportunity Act of 1974, and the community organizing in minority-dominated neighborhoods that precipitated the Community Reinvestment Act, are case studies in the narrowed legibility of “fairness” within the credit market. The National Organization of Women’s campaign for women’s equitable access to credit intersects with the “connections” side of these strategies by arguing that they were in fact “creditworthy” in that they produced economic returns identical to men in many instances where they were nevertheless being denied. The movement succeeded and failed, in other words, because it was a reification of actuarial fairness; an argument against the unjust exclusion of women *on the basis* of their actuarial value. It was not able to make apparent the inequalities inscribed into their financial standing by preceding economic marginalization, and it rendered the structural disadvantages impossible to discern. The Community Reinvestment Act, which will later appear as a case study in this paper as well, effectively redefined the creditor-debtor power

imbalance at hand by adopting the language of collateral and claims to ‘ownership’ over their deposits that were being mainly leveraged for loans in communities outside their own. Krippner writes, “The community reinvestment movement’s attempt to redirect capital into credit-starved urban areas offers an illustration of the potency of ownership claims as property right met property right...” (2017)

Neither of the claims in either case, however, were controversies of “worthiness” beyond the metrics measured by creditors. While both were effective to varying degrees, they seem to “side-step” the question of the creditors’ rights to dictate unequal access and the basis on which they do so. The nature of the “connections” drawn by creditors in these cases go fundamentally unchallenged. The conflation of formal equality along the lines of abstract, market-principled logic with unsocial fact has the effect of foreclosing political imagination about economic justice, a quintessentially neoliberal quality. Shifting the burden of access to financial opportunity onto the consumer who fails to act creditworthy, also shifts the focus of morality from the institution’s methods of assessment to the subject of said assessment: “Correspondingly, a ‘mismanaged life,’ the neoliberal appellation for failure to navigate impediments to prosperity, becomes a new mode of depoliticizing social and economic powers.” (Brown 2003)

Often creditors challenged about their discriminatory lending practices implore the public to keep in mind they are “businesses, not social welfare organizations.” (Krippner 2017). Private firms are ostensibly within their rights to employ profit-maximizing technology and differentiate their financial products as they see fit - it isn’t necessarily true, however, that creditors are “businesses” just like any other independent market actor. The relationship that federally

regulated banks, and unregulated lenders those banks extend credit to, share with the State is unique in that creditors are subsidized (Baradaran 2015) by a government that depends on them to administer financial aid to the public through loans (Lauer 2017): scholars note this is in many ways the country's social welfare organization. This uniquely American culture of market-first social provisions has had the effect of hiding the State behind private actors (SoRelle 2020; Thurston 2018). While ties between lobbies and policymakers certainly play a part in this complex, it is not necessarily as simple as democratic safeguards being bullied into compliance. As political scientist Chloe Thurnston explains in their book, "At the Boundaries of Home Ownership," there are several reasons why banks may not want to collaborate with the State in this capacity. For one, historical precedent suggests private businesses by their very nature do not want to service unprofitable borrowers. By agreeing to arrangements in which their profit is guaranteed by the federal reserve, lenders' operations are facilitated by access to incredible credit at near-zero prices, but they're in turn required to "expand their provision of goods beyond what they would otherwise provide." (Thurston 2018) The State, though their freedom of movement becomes restricted by the profit incentives of financiers, are "less prone to policy feedback effects among its beneficiaries, partly because citizens are less able or inclined to trace back to the government the particular benefit they enjoy (be it higher education, health insurance, or a house)." (Thurston 2018) This "submersion" of the State, mirroring the submersion of political identity, allows federal actors to be excluded from the consumers' understanding of variables affecting their access to loans, and naturalizes concepts like creditworthiness or consumer responsibility as the only means through which financial security can be attained. Social welfare arrangements in which access to aid is tied to market notions of "worthiness," shifts the burden

of responsibility to consumers while neglecting the political role of structural obstacles to economic stability.

The State's role in upholding its consumer credit market both speaks to, and is directly involved in, the substitution of the debtor-creditor relationship where the wage relation once stood. Credit has become a "substitute for wage income and a prerequisite for full inclusion in the marketplace," (Krippner 2017) thereby warranting a re-examination of the discursive knowledge that was so foundational to the U.S.' production economy. Amongst the most salient, and emblematic of the changing epistemological climate, is the knowledge object of race as a market technology. In "Black Politics and the Neoliberal Racial Order," authors Michael Dawson and Megan Francis build on the work of theorists that have established a framework for "racial capitalism" - in a footnote, they cite Walter Johnson, from the "River of Dark Dreams," and add:

"It is not just that capitalism shapes how race is understood and produced within the U.S., but, as Johnson makes clear, white supremacy shaped the contours of capitalism all the way down to the level of the production of the key commodity upon which the nation's economy revolved during the much of the 19th century—cotton. It was impossible well into the twentieth century to analyze the category of "worker" (or "capitalist") without understanding how race shaped the category, and the relation of that category to other categories such as that of "capitalist" or "market." The mechanisms by which white supremacy shapes identity as well as the contours of racial capitalism itself differ in extremely important ways from period to period." (2015)

Capitalism, and the neoliberal evolution of it, is fundamentally racist - this is to say that race does not merely facilitate the accumulation of capital or the production process, but has historically speaking been a means of creating a sustainable, exploitable labor force that the expansion of the market has relied upon. Debt as a means of labor manipulation is not in and of itself new and appears in the context of the Jim Crow South as a way to compensate for the loss of labor following the emancipation of slaves. By loaning equipment to harvest crops, and then perpetually claiming those debts had not been paid in full, white planters continued to annex the value produced by Black laborers (Dawson and Francis 2015). Today, the debt-trapping and wealth extraction of Black workers has shifted from organizing the producer and their income to organizing the consumer and their debt. This change is evident in the distinction between the labor exploitation of sharecropping, and the financial violence of practices like subprime mortgage steering towards Black communities. Dawson and Francis write,

“The fact that financial institutions are the prime actors in perpetuating black economic subordination is representative of a general pattern of the financialization of the economy and of mega-financial institutions engaging in predatory practices that further economic and other forms of inequality.” (2015)

Crucially, the marginalization of credit is performed through a discursive technology that produces knowledge not based on race explicitly, but about market values in which race is embedded. Contemporarily speaking, there are a myriad of ways in which debt between Black consumers and white consumers are treated differently, involve different products, and compound on long histories of intertwined race and financial standing, and, as Louise Seamster

points out “White debt is key to racial capitalism; as an enabling force, it has often been created from Black wealth.” (2019)

As a knowledge object, both creditworthiness and race not only intersect to describe the consumers most economically marginalized but mirror each other ontologically. As I will argue through the use of case studies, the creditworthiness of some is contingent on the un-creditworthiness of others, in ways that are similar in structure to theories of the “white wage” (DuBois 1935) or “whiteness as property” (Harris 1993), in which the identity and value of whiteness emerge out of the construction of racialized subjects. The white wage, for example, is both a “bottom floor” on the hierarchy of economic organization under capitalism that prevents larger laborer alliances, but also a genuine material and opportunity advantage for white laborers. Without the extortion of labor from racialized subjects, this “wage” does not exist, suggesting a relationship of value transfer from one kind of subject to another. Harris echoes this sentiment of “supremacy rather than... mere difference” that characterizes the relationship of white to Black subjects and writes:

“‘White’ was defined and constructed in ways that increased its value by reinforcing its exclusivity. Indeed. Just as whiteness as property embraced the right to exclude, whiteness as a theoretical construct evolved for the very purpose of racial exclusion... whiteness signified racial privilege and took the form of status property.” (Harris 1993)

Whiteness is not just a concept of political identity, but an economic asset in and of itself. Social constructs like “race” or “gender” that objectify subjects, confer advantages onto some subjects

that necessarily come from the discrimination of some, in ways that are akin to a transfer of wealth both literally and indirectly. In this paper, I intend to frame creditworthiness as a knowledge object constituting the same forms of economic discrimination. The argument also engages Marxist discourse on whether subject production is a superstructural ideology facilitating capitalism, or a necessary dimension of primitive accumulation and capitalism thereby. The latter aligns itself with Foucauldian schools of thought, in which a critical history of thought requires the “analysis of the conditions under which certain relations of subject to object are formed or modified” (Foucault 1984). By recognizing how creditworthiness enacts its own veridiction and makes consumers knowable subjects on the basis of profitability, I analyze the way subjects are modified in relation to the object of “creditworthiness.”

On the basis of this literature, I make the argument that creditworthiness is a knowledge object around which subjects are formed and organized into the economy. Embedded into creditworthiness is the relational supposition that creditors have the right to make their borrowers knowable, and discriminate against them on the basis of that knowledge. The economically meaningful subject is one framed by this knowledge, and the material distinctions realized based on creditworthiness adjudications suggest the concept itself is a discursive form of power. Creditworthiness is a knowledge about subjects distinct from the knowledge of producers and their eligibility for income pertinent to the wage labor economy - it is an amalgamation of information that makes consumers commensurable and regulates their eligibility to borrow, in an economy sustained by leveraged purchasing power. This market knowledge about economic subjects intersects with race as a parallel “knowledge,” and I argue that the treatment of racialized subjects, as well as the subsumption of race into empirical economic value in

adjudications of creditworthiness, demonstrates the discursive powers of “creditworthiness.” I posit that this constructed, moralized knowledge facilitates the continued siphoning of wealth from the disenfranchised - I also posit that creditworthiness is unique from structures of capitalism that have preceded it because it involves not the direct siphoning of mere wealth, but the siphoning of wealth and thereby *value*, which, in the leveraged economy, is in and of itself the currency of financial opportunity.

I do this by presenting case studies that articulate 1) the history of race-based economic marginalization embedded into “creditworthiness,” 2) creditworthiness as a state-backed process in which the financial value of a subject is imposed on the consumer, rendering claims about history, social identity, or causation illegible, and 3) the organization based on this knowledge facilitating a materially ontological relationship between those on either end of the worthiness spectrum, such that the adjudication of lacking worthiness facilitates predatory inclusion and siphoning of wealth/value towards the “worthy.” The first case study is of the evolution of creditworthiness throughout the 20th century in racial minority-populated communities, namely addressing the FHA, panic-peddling, and the CRA. The second case study is of creditworthiness in the 21st century that remains intertwined with racial minority populated communities, namely addressing the racial financial mobility gap and the Fringe Economy. I assert that these cases frame “creditworthiness” as a discursive knowledge that organizes consumers into tiered financial environments and posits a subject whose worthiness is determined solely by profitability, facilitating marginalization of consumers made vulnerable through histories of discrimination outside their control. Through the use of these cases, I make the argument that subjects defined by their relation to “creditworthiness” make politically and socially viable the

consumer economy by 1) accurately sorting the consumer in a way that maximizes profit and transfers value 2) limiting political legibility of social identity or structural discrimination, and 3) naturalizing this extractive process in empirical truths about market value (despite the ways in which these truths are self-fulfilling).

Case One: Creditworthiness in Real Estate throughout the 20th Century

The Federal Housing Authority

At the turn of the 20th Century, the shift from an agrarian economy to an industrial one saw unparalleled growth in production that consumption struggled to keep pace with. Concentrations of workers migrating from rural hometowns with familial networks to urban centers meant the loss of financial safety nets for much of the working class, and in the absence of any government assistance or welfare, individuals often turned to loan sharks when financial emergencies arose (Calder 1999; Hyman 2011). Small businesses and banks rarely made loans due to their high costs and the usury laws restricting their interests: the Great Depression is understood, in part, as resulting from this increased demand for consumers framed as an “underconsumption” or liquidity issue.

It is out of this crisis that consumer credit emerged as a market - spearheaded by New Deal policymakers that sought to administer financial welfare to the public through private banks, and establish a public/private hybrid infrastructure for the economy. In an effort to revive labor and consumption, the Roosevelt administration turned its attention to the construction and housing

industry which provided a market for the production of raw materials, employment opportunity, and high-value commodities (SoRelle 2020). The National Housing Act of 1934 was a home modernization and mortgage backing program, in which the government would insure banks willing to lend to consumers looking to purchase a house. The distinctly American obsession with homeownership that entangles the consumer politically and economically with the real estate market, supplements the foundational intertwining of citizenship and property rights at the establishment of the country itself. Given that bank profit was essentially guaranteed by this arrangement, the act was extremely effective and revealed that consumer loans could be incredibly profitable. When government limits threatened to restrict this installment credit during the Second World War, banks created revolving credit, in which a loan is automatically renewed every time the debt balance is paid off: the modern-day credit card. (SoRelle 2020) This act formed the Federal Housing Administration, and the mitigated risk or guaranteed profit of extending credit to homeowners led to the postwar housing boom of the 1940s and 1950s (SoRelle 2020; Taylor 2010).

Creditworthiness emerged in this context to dictate which loans the government would be willing to insure, on the basis of property values. One of the first systemic credit-scoring rubrics in the US, in fact, was the racial hierarchy of property valuation that appears in the FHA's Underwriter's Manual of 1935. The manual proposes a "race and place-based" analysis of loans, aimed to exclude minority consumers from qualifying for these loans by suggesting that neighborhoods or properties occupied by minorities were less valuable on the market and therefore unworthy investments (Taylor 2012). Essentially a eugenics-based speculation metric, "redlining" had the effect of placating white paranoia and engineering the relative rise in

property value of white, affluent suburbs (Taylor 2012). The rubric was written mostly by the real estate industry and scholars, including Homer Hoyt, a former broker and urban sociologist from the University of Chicago, who was "instrumental in creating the federal government's underwriting criteria for mortgage insurance," and "relied on a racial ranking system to determine FHA guidelines from 1934 until 1940. Hoyt used Chicago as the model to illustrate his theory of neighborhood racial composition and property values." (Taylor 2012) The racially based underwriting manual of the FHA, as opposed to the value speculation of property based on any other market knowledge, frames the rubric as an analytical tool created to exclude Black consumers from public aid.

This original narrative of discriminatory exclusion is organized around a handful of actors that re-emerge throughout the history of credit in the U.S. and locates the State at the origins of a largely expanded consumer credit market. New Deal history and the establishment of the FHA loan guarantees demonstrate how the credit market emerged as an industry made economically viable through the State, and the intertwining of racial economic marginalization with creditworthiness adjudication practices. Race, a knowledge object distinguishing economic subjects from one another, is embedded into "market value" in these original underwriting documents and practices. Discrimination based on race, which is explicitly social knowledge, is replaced by creditworthiness, which takes the fact of racialization's negative market value as the basis for its adjudication. In doing so, creditworthiness "disaggregates" the social or political forces determining the value, in this case, of property, and appeals to the empirical basis of its value on the market (Krippner 2017). The subject that emerges is one ostensibly determined by the price of real estate or demand for a certain neighborhood, a reflection of the myriad of

economic variables comprising their individual financial profile. Not only does this subject not have recourse to the collective identity submerged into these market variables, but the foreclosure of product options available to them makes them vulnerable to the predatory terms of actors that emerge to service them. Under this dyadic complex of worthy and unworthy, the serviceability and economic value of white neighborhoods is, at the very least, related to its lacking in racialized neighborhoods. What was once a disparity of existing material wealth, therefore, takes on a new dimension in the credit market, where the speculative value represented by that wealth informs the resulting financial opportunities for growing that wealth. The creditworthy subject formed in the establishment of a mainstream consumer credit market, that the State has made viable, has at stake not just their wealth, resources, or expenses in the present moment, but their speculated value informing the future of their access to those opportunities in the future. What follows in the form of predatory inclusion throughout the 1940s to '60s would suggest that creditworthiness, as a knowledge that produces economically distinguished subjects, services the privileged in a manner that is market-defining, and sets a standard for purchasing power that affects pricing and demand across the board. This produces consistent demand for faulty financial products from those deemed unworthy of mainstream credit, in a manner that results in the doubled extraction of not just wealth, but speculative value.

Block-Busting

What followed in the wake of FHA redlining practices, that concentrated race into spaces through restricted access to government-backed credit, was a form of predatory inclusion known as “Block-Busting.” As “waves of middle-class whites” left urban centers for their federally subsidized houses in the 1950s (Taylor 2012), brokers recognized an opportunity to capitalize on

the demand for housing in these crowded, redlined neighborhoods. It's important to note that this is a market that became possible through the rise of the middle class - namely between 1940 and 1950, when the annual earnings of nonwhite workers tripled, and continued to rise into the 60s. (Taylor 2012) The influx in purchasing power of a previously neglected class indicated a new group to cater to, particularly for brokers that recognized a shortage of housing. Explicitly and structurally racist credit banking practices adjudicated mortgage loan values and general creditworthiness based on an area's racial composition, making viable housing for Black Americans outside over-crowded, red-lined districts, extremely limited. "Blockbusting" or "Panic Peddling," was the practice of driving white property owners from a neighborhood by leading them to believe their neighborhood was being encroached upon by Black occupants that would drive their property values down. Often they would hire Black people to instill this fear, paying them to push strollers or drive noisy cars or stage fights in alleyways to stoke speculative fear: "... carrying the charade as far as calling out "don't shoot!" (Krippner 2017)

Once one white owner sold, the rest of the block would sell, or "flip", in a matter of months or often weeks. Brokers would purchase these properties from white owners and resell the property at an inflated price to Black consumers, amounting essentially to a "race tax." (Taylor 2012) These additional funds were drawn out through the restriction of racialized, middle-class consumers to mainstream credit, and subsequently predatory inclusion into a substantially more expensive housing market. What's more block-busting brokers often took out FHA-approved loans to acquire the upfront capital necessary to purchase dilapidated homes that would be rented out to FHA-ineligible, Black middle-class workers at an inflated fee. While the FHA refused

loans to Black consumers, appraisers regularly conspired with loaners to approve dilapidated or dangerous properties in the interest of creating new mortgage loans (Taylor 2019).

Wealth amassed by brokers during this period of block-busting had the effect of “boosting the bottom line” for almost all of the Savings and Loan Associations in Chicago. Taylor writes,

“A 1959 survey of SLAs in Cook County found that in a twelve month period of 243-chartered associations only 21 of the SLAs including two Black-owned SLAs, extended mortgages to African Americans. But there were another 141 commercial banks and 229 Savings and Loans that made no loans to African Americans, though they made loans to white speculators who used those resources to sell homes on contract to African Americans.” (Taylor 2019)

Throughout the history of this public-private hybrid credit banking system, Fringe Economies emerging from the restrictive practices of physical and financial boundary drawing have shown time and time again that disadvantaged consumers remaining in debt, or being otherwise unable to have homes or cars (Baradaran 2015), is incredibly profitable. Many of the renters in Taylor’s book, “Race for Profit,” for example, signed contracts with brokers after recognizing there were few other options, and paid exorbitant fees to live in dilapidated homes they could be evicted from if they missed a single payment. For the broker, for the bank that services the broker, and for consumers of the federally backed loans that those banks make in other neighborhoods, the frequent vacancy of a property appears as simply another opportunity to attract vulnerable renters. Much like the subprime mortgage market collapse of 2008, however, this rise in SLA revenues was quickly followed by a crash. Taylor mentions that more SLAs in Illinois were

closed than in any other state between 1963 and 1968, due to the fact that contract buyers would default on loans for overvalued houses - houses that could not be sold for the price at which it was appraised.

Through this process of economic organization, the original speculation, of creditworthiness on the basis of race, becomes materially inscribed in the racialized consumer from whom wealth is siphoned. The cyclicity of this performative adjudication is further compounded by the improved financial opportunities and therefore profiles of those on the opposite end of the worthiness spectrum, in this case, white homeowners in their FHA-backed suburban homes. The “racial tax” (Taylor 2012) imposed on spatially bound, Black consumers denied mainstream credit in this schema, appears to have gone through brokers' deposits, to those very banks that would not service them, to credit channeled into predominantly white neighborhoods. This would suggest, then, that the comparative creditworthiness of white consumers at the time is not solely contingent on the existence of racialized, “unworthy” consumers in a metaphysical sense, but also involves the literal, material transfer of wealth, opportunity, and thereby worthiness away from Black consumers.

The FHA to panic-peddling complex of this period illustrates the production of a subject around the object of “creditworthiness,” which facilitates the credit economy. The State, seeking to administer aid through the credit market, proposes the use of information about a consumer’s implications on property value, indicated by race, to create knowledge about the distinction between low and high-risk loans. In turn, the consumer or property being evaluated is understood in reference to “credit worthiness,” or likelihood to produce returns, rather than social identity,

circumstantial financial barriers, context, etc. The subject that emerges, and becomes legible to banks, brokers, and the FHA, is one defined by profitability - this subject-to-object relation is necessary to regulate consumption and determine who is permitted to consume what.

Creditworthy consumers in the mid-20th century were white because the speculative basis for evaluating creditworthiness was the racial composition of the neighborhood, and therefore white, creditworthy consumers were permitted access to government aid through the FHA, while Black consumers were not. Creditworthy consumers were also white because un-creditworthy consumers were Black, meaning the predatory real estate market kept Black consumers in a perpetual state of lacking worthiness in low-value neighborhoods while the wealth extracted from them was pooled into reserves leveraged for loans in wealthier, whiter neighborhoods instead. While racial and thereby speculative value-based creditworthiness may appear as little more than a thinly veiled ploy to exclude Black consumers from the FHA program, it demonstrates the submersion of political and social identity into variables relevant to the market. This embeddedness transforms the Black consumer into the un-creditworthy consumer, which is treated as an irremediable market fact rather than a socially constructed discrimination technology. It is this transformation, and consequent inaccessibility of social or political identity to the consumer, that is necessary for a profit-maximizing and consumer-organizing market that circumvents the question of equitable distribution. The knowledge and thereby subject is also affirmed as necessary to the establishment of the credit economy because it marginalized Black consumers from a public welfare program that could not explicitly reject applicants based on their race without political backlash but could rhetorically do so through claims to market value. Organization based on “creditworthiness” rather than race, facilitated predatory lending institutions, wealth transfer, and most useful for credit lending, general value transfer. The

subject formation, therefore, of the un-credit-worthy consumer in overcrowded, debilitated ghettos that happens to be Black, facilitated the creditworthiness of the consumer in white, affluent suburbs, and the lending economy thereby. This is once again emblematic of the way that creditworthiness siphons not only literal wealth, but the speculative value that wealth generates, upon which access to credit is contingent. The construction of creditworthiness as a form of market knowledge, therefore, created subjects from which not only existing wealth but opportunities for future expansion of said wealth could be siphoned. Even in the establishment of the Community Reinvestment Act, the kinds of claims that are politically viable demonstrate the effectiveness of market-value based lending parameters at obstructing social identification and movement.

Community Reinvestment Act 1977: Wealth Siphoning and Claims Making

In response to the “race riots” of the ’60s (Taylor 2019; Krippner 2017), sparked in many ways by this designed housing crisis (Taylor 2019), the FHA was “retooled to support minority homeownership” (Krippner 2017) in the ’70s. The alleged transformation, however, did little more than incentivize FHA-backed loans around faulty properties that would inevitably foreclose, tearing apart those communities and fleecing the poor and Black in the process (Taylor 2019). Neighborhoods began to organize around these issues, including coalitions between Black and white tenants to mitigate “flipping” in areas where “the interests of white residents converged with those of arriving Black consumers, but nowhere more critically than with respect to the discriminatory lending practices that starved urban areas for credit.” (Krippner 2017)

It is out of these conditions that the events precipitating the Community Reinvestment Act (CRA) of 1977 occurs, starting with a demonstration on the floor of a local bank where two immigrant patrons had been denied business loans (believed to be the result of their living in areas “undergoing racial transition”) (Krippner 2017). In their aforementioned work, Krippner tells the story of its originating activism, in which community residents took out a dollar in pennies, re-deposited 50 cents, and returned to the back of the line with the intention of stalling banks and otherwise prohibiting tellers from servicing other clients. Led by Josephine Kozial, an elderly Polish woman, demonstrators then began to throw their coins to the floor until the banks’ president agreed to a community board review of large loans that were denied. This movement grew into the Metropolitan Area Housing Alliance, a group of residents in urban Chicago that suspected banks were specifically withholding credit from their neighborhoods. Krippner writes, “The organization’s demand was a simple one: they wanted disclosure of the areas in which financial institutions collected deposits and made loans in order to substantiate their claim that local savings and loans were siphoning money out of Chicago neighborhoods.” (2017)

The alliance evolved into the National Training and Information Center, partnering with policymakers to pass bills like the Home Mortgage Disclosure Act and Community Reinvestment Act (CRA), both of which were oriented around disclosure by banks as to the location and amount of deposits and lendings occurring. These bills originally intended to mandate that institutions identify a “primary savings area” from which they gathered the majority of their deposits, and indicate the proportion of those deposits that would be reinvested into the area, but were removed due to opposition from creditors. (Krippner 2017)

Advocates of the movement argued that the bill would help alleviate the urban housing crisis without “costing the State a single dollar”- indeed from Krippner’s account, it would seem political tension was concentrated between consumers and lending institutions, using the law to mediate their relations to one another.

Though the CRA never provided any strict mandates as to what the exact proportion of savings to reinvestment would be, financial industry lobbyists blocked the bill as “credit allocation” that presumably infringed on their free enterprise. The provisions dictating these proportional disclosures were removed from the bill, but the bill itself reflected tactics already employed by “greenlining” activists that proved effective in garnering institutional attention. By June of 1974, Chicago organizers had successfully raised \$26.5 million in pledges from members that agreed to withdraw funds from banks failing to demonstrate commitment to reinvesting in communities. Organizers projected an additional \$60-\$85 million by the end of the drive, which would be 17% to 25% of the net lendable assets in the Chicago banking system at the time. The success of the CRA was a rare and hard-fought win against the real estate and credit complex that trapped racial minorities into cycles of predatory exclusion and inclusion.

While the relative success of the Community Reinvestment Act indicates the effectiveness of property-based claims over social discrimination-based claims (Krippner 2017), it parallels the predatory real estate practices of the decades preceding it in several ways. The act's central claim is contingent on the fact that mainstream loans are denied to the same consumers that fund crediting practices in surrounding areas, as was the case with the boosted SLAs in Chicago. Given the removal of “credit allocation” mandates proposed in the original bill, the act, while

effective, is essentially an information transparency act that is compatible with popular rhetoric describing the individualized burden of creditworthiness as a reflection of the consumer rather than the creditor.

As was the case with the history of FHA and block-busting, the case against creditors in the CRA demonstrates wealth siphoning from less creditworthiness to more creditworthy areas, by capitalizing on reserves from communities to whom loans are nevertheless denied. In this instance, the framing of the “creditworthy” subject justified the denial of loans to consumers in minority-populated areas and approval of loans elsewhere, omitting greater contextual information about the relation of disinvestment from a neighborhood to the consumers lacking creditworthiness, or the source of the reserves being leveraged out to surrounding whiter areas. Subject formation of worthiness, therefore, around the object of profitability *rather than* alternative objects, like knowledge about who funds banks, or who has been historically underserved, reveals once more the necessity of using actuarial techniques to describe consumers for banks to effectively maximize profit and organize consumers. While the CRA was somewhat successful in that it was able to establish any degree of regulation for creditors, it is telling that this was done on the basis of “collateral” claims rather than “connections” (Krippner 2017), where the fundamental right of creditors to discriminate against consumers, even those consumers funding their operations through deposits. The history of FHA enacted financial violence and predatory brokerage practices that left urban areas as well as the consumers inhabiting them economically dilapidated, does not appear in this case against creditors denying lines of credit to the “uncreditworthy” of minority populated neighborhoods in Chicago. This again is a case in which the history of race-based economic marginalization is embedded into

financial variables that are measured for their flattened, actuarial relations rather than their contextual, and incommensurable reality. Again, the State fails to protect consumers from this wealth extraction process, and ultimately upholds the right of private firms to maximize profit at the expense of constituents who turn to banks as their primary form of welfare. And again, the relationship between worthy and unworthy consumers is shaped by siphoning wealth out of areas lacking creditworthiness, to be leveraged and invested in creditworthy areas in a manner that is self-affirming. Creditworthiness, a form of knowledge around which subjects are formed throughout the 20th century, facilitates the organization of consumers that not only transfers material wealth, but speculative value determining participation in the credit economy at large.

Creditworthiness in the 21st Century

The Racial Financial Mobility Gap

Wealth gaps in the U.S. reflect legacies of social marginalization that remain consistent and unrepaired throughout the evolution of credit banking. Recent studies examining differences in mobility suggest the racial wealth gap, for example, extends beyond existing wealth to include financial opportunities for growing wealth as well. Scholars refer to these opportunities for mobility and their absences as an individual's "financial environment," which I propose is related to a large economic ecosystem. According to studies by the National Bureau of Economic Research, a 10 percentile increase in parent income is associated with a 3.4 percentile increase in a child's income, but this figure varies substantially across areas within the U.S.: "For example,

the probability that a child reaches the top quintile of the national income distribution starting from a family in the bottom quintile is 4.4% in Charlotte but 12.9% in San Jose.” (Chetty 2014). The study further reveals that income mobility is significantly lower in areas with larger African-American populations - not only for African-American populations but for whites too, implying that economic opportunity is shaped at the community level: in the case of this particular study by commuting zones within which the relation between the child’s wealth ranking and their parent’s rank is almost perfectly linear.

Five factors are strongly correlated with the variation in rates of mobility across distinct areas: segregation, income, educational opportunity, social capital, and the strength of family structures. While areas with greater inequality (as measured by the Gini coefficient) exhibit lower levels of mobility, the highest income shares do not reflect the same correlation with mobility. Authors state, “Although one cannot draw definitive conclusions from such correlations, they suggest that the factors that erode the middle class hamper intergenerational mobility more than the factors that lead to income growth in the upper tail.” (Chetty 2014) The study also indicates a clear correlation between areas that are more residentially segregated by race or income, and low levels of mobility. The dynamics emerging out of this information indicate a relationship between race, wealth, space, and financial opportunity. It would appear that these statistics relating segregation to mobility, in tandem with lacking mobility that undermines the middle class, suggests something unique about the financial environment of the highly segregated middle class.

The existence of a racial wealth opportunity gap, that concentrates around the middle class, reaffirms an established consensus in the literature: financial health in the 21st century is largely predicated on access to affordable lines of credit. Scholarly research recognizes that access to loans is key to financial stability and growth for consumers (Baradaran 2015; SoRelle 2020), and studies show that the majority of the American public uses credit to move up the income ladder, mitigate emergency costs, and participate in the economy (SoRelle 2020). Credit is the ability to move through the market, fundamentally priceless in potential for those with access but incredibly costly for those without. It is entirely possible that the transformative agency of credit is the variable that ties segregation and middle-class erosion to unique rates of mobility - indeed scholars like law professor Mehrsa Baradaran, argue that the U.S. banking system creates a “dual banking system” in which the “unbankable” are filtered into a more expensive financial environment, while the biggest banks, as well as their patrons, are subsidized by the government.

The macro sociological context of a credit economy is noteworthy for having shifted the site of distributional struggles from the labor and commodity market, to the financial one (Krippner 2017). Banks and their ability to lend have become central drivers of the economy, the result of varied but interdependent forces throughout the 20th century. These forces are mobilized on the basis of neoliberal laissez-faire rhetoric on the one hand, and path-dependent rationales of public welfare through economic infrastructure on the other. Not only does the shift to a leveraged economy change the scope of disparity amongst racially embedded classes, it suggests that the social relations involved in the production of capital are distinct from what they may have been in the production and commodity-based economy. What was once a matter of income or expenses, is now further complicated by distinctions in the credit services available to distinct

classes of consumers. Creditworthiness, the measure of a consumer's viability for loans, is the central rhetorical mechanism upon which discriminatory credit practices hinge. It is the popular adoption of particularly empirical, profit-incentivized knowledge as the basis for lending that defines the history and present of wealth distribution.

Alternative Financial Services

The Fringe Economy and the generation of its consumer base illustrate the difference in financial environments for those right at the boundary of entrance. Today this market space is indicated by the presence of Alternative Financial Services (AFS), low-quality financial products that facilitate lending for those who do not have access to (or are otherwise discouraged from capitalizing on) more affordable lines of credit from chartered banks. AFS are characterized by exorbitant interest rates, exploitative terms, and a sense of informality that enhances their accessibility. These services are sometimes referred to as "storefront" financial services (Faber 2019) and may include products like Title Loans, Refund Anticipation Loans, Pawn Loans, Check Cashing Outlets, and most notably, Payday Lending.

Payday Lending Institutions require proof of a regular paycheck against which the loan is taken out (for example a paystub), an ID, and a bank account. The borrower gives the lender access to their bank account in the form of either a postdated check or permission for direct withdrawal, and can typically borrow up to \$500. Lenders are permitted to deduct outstanding payments when they become due, which is typically a window of 14 days, meant to reflect the average window for a paycheck. According to statistics from Mehrsa Baradaran's book "How the Other

Half Banks,” a typical payday loan has an APR of about 400%, costing \$15 for a loan of \$100 over two weeks. On average, a typical loan of \$325 is rolled over eight times (within four months) and amounts to \$468 in interest. This means that solely through interest, the borrower pays \$793 for a loan of \$325: this is not including the cost of extending the loan every two weeks, which typically involves a fee of around \$50 for every extension. Baradaran cites a director of the Consumer Finance Protection Board to succinctly state, that “the payday lending industry depends on people becoming stuck in these loans for the long term since almost half their business comes from people who are paying high-cost rent on the amount of the original loan.” (Baradaran 2015) That \$325 is the average loan is also particularly disheartening when considering that government studies suggest “...over half the households in the United States could not come up with just \$400 to cover a medical emergency without having to borrow, and 60% lacked enough money to get by for three months.” (Baradaran 2015)

As of 2016, the FDIC estimated one in four households used Fringe Economy services, and payday lender storefronts outnumbered those of Starbucks and McDonald's combined. By race, only 17.3% of households reported using AFS, compared to 22.5% of Asian households, 38.5% of Latino households, and 42.2% of Black households (Faber 2019). Despite rhetoric implied by information disclosure-based consumer protection policies (SoRelle 2020), “lack of financial literacy” does not explain the rise of this multi-billion dollar industry. Baradaran lays out statistics on payday consumers that describe them as relatively educated borrowers (74% minimum high school, often with some college), that understand the fees on their loans before taking them out (in a 2007 California survey, 92% of respondents said that they were aware of the fees on their loans before taking them out). Many of these patrons report feeling “snubbed”

by larger banks or are otherwise suspicious of the extensive documentation and complex procedures involved in banking. “Storefront” services capitalize on this distaste, according to Baradaran: “The primitive, hands-on processing and tawdry exterior of the outlets both exude welcome to poor customers and mask [the firm’s] close ties to and substantial financing from large corporations and big banks.” (Baradaran 2015) Consistent with the aforementioned research that names segregation as a defining indicator of mobility, AFS locations are correlated with minority communities, reflected in research that states being Black significantly increases the probability that an AFI is closer than a bank in an urban setting (Small et al. 2021). Other studies demonstrate that while AFS presence declines with neighborhood income, the gap between the number of AFS in a largely Black neighborhood and a non-black neighborhood increases with income (Faber 2019) - which is to say vulnerability to Fringe Economy services is tied not only to wealth but also to the racial composition of particular spaces. Beyond preferences or eligibility, research also reveals that disparate exposure to financial services is correlated with disparate use of mainstream versus fringe services (Faber 2019). Two crucial pieces of additional information frame this issue: the typical Payday advance customer has a “middle-class income” between \$25,000 and \$49,999, and averages five credit inquiries in the 12 months leading up to the initial payday loan application. (Baradaran 2020) These two statistics in tandem clarify that the Fringe Economy is facilitated by the absence of alternative options for middle-class consumers in spaces with high minority populations.

Social scientists diverge around the proposition that the Fringe Economy services a “Spatial void.” A study conducted by sociologist Jacob Faber in 2019 shows that AFS are significantly more common in neighborhoods with larger Black and Latino populations, poorer residents, and

more immigrants, while bank branches are more common in wealthier, white neighborhoods (Faber 2019). Faber states that bank branches and AFS often “co-locate” in neighborhoods, making it difficult to assess whether Fringe Economies emerge to service a “spatial void.” In this instance, the theory would posit that the demand for AFS is created by the withdrawal of banks from certain spaces, particularly given that redlining practices historically barred banks from financing mortgages beyond a certain distance from the branch's location. While Faber is unable to offer conclusive findings for or against this theory, his results show that Black neighborhoods are significantly more likely than white neighborhoods to have no financial services at all, and even well-off Black communities are vulnerable to AFS absent from the wealthiest white communities. These results offer support for the argument that “... segregated places present easily identifiable markets for mainstream financial institutions to avoid and conversely, alternative financial institutions to exploit.” (Faber 2019)

The concentration of credit-poor consumers with low to middle-class incomes, in highly segregated areas, serviced disproportionately by AFS, are an example of the “Ghetto Tax.” The Ghetto Tax is a tax so named by scholars to indicate the inflation of prices in “the ghetto,” and is well documented across a range of products from groceries to real estate to financialization (Faber 2019). It is closely related to “Predatory Inclusion,” which is a form of inclusion into the market that preys upon the high demand and restricted access of certain consumers, as, for example, in the case of the AFS market. The exorbitant fees and debt cycles of AFS are far more costly than those of mainstream banking services that often do not have many of the transactional fees that AFS do. Faber writes, “Using a CCO [Check Cashing Outlet] in lieu of

mainstream banking... could cost a full-time worker \$40,000 over the cost of a career (Fellowes and Mabanta 2008).”

AFS, recognized for their accessibility and distinguished in their branding from the sophistication of chartered banks, are nevertheless closely affiliated with such institutions. AFS operations are funded by revolving credit extended to them by the largest banks, such as Bank of America, JPMorgan, and Wells Fargo amongst others. (Connor et al. 2010) A pamphlet put together by the Public Accountability Initiative, authored by Kevin Connor and Matthew Skomarovsky, draws on publicly available SEC filings to chart not only the extent of these financial relations but the revolving door of upper management at larger banks to the boards of AFS. This layering of interpersonal and financial ties between AFS and banks is embodied in an example authors of this report provide through reference to Gary Rivlin’s book, “Broke USA”:

“This is perhaps illustrated by the case of Advance America, the largest payday company by far, which secured \$40-50 million in financing from Wells Fargo, Wachovia (now part of Wells Fargo), and NationsBank (now Bank of America) before it had even begun operating. The company’s founders, William Webster IV and George Johnson, lined up this credit in the mid-nineties by ‘using their connections,’ according to Gary Rivlin’s Broke USA: ‘We basically borrowed forty or fifty million before we made anything,’ Webster said. ‘We had an infrastructure for five hundred stores before we had even one.’” (Connor et al. 2010)

In these SEC filings, AFS like Advance America, Cash America, EZCORP, amongst others are quoted as explicitly expressing that credit is crucial to their operations. Payday loan corporations

are also tied to policymakers through lobbies, working to deregulate loaning practices and erode usury laws (Baradaran 2015). Following acts that allow lenders to export the interest of one state to another, local governments predictably raised their legal rates to attract business and caused a “race to the bottom” of lowered borrower protections (Baradaran 2015). Many attempts to curb these predatory practices have been evaded by AFS, who have gone so far as to “borrow” bank charters to avoid AFS specific restrictions, moved onto Native American Reservations where federal usury laws do not apply, and otherwise concealed their ties to banks.

The industry’s main lobby, the Community Financial Services Association (CFSA), was established by AFS founders that includes William Webster IV, a former Clinton administration official (Connor et al. 2010). As is typical of Payday industry Titans that fund campaigns across both sides of the aisle, the Public Accountability Initiative report claims Webster donated \$30,800 to President Barack Obama’s Victory Fund in October 2008. In a Financial Service Centers of America pamphlet from 2002 intended to “acquaint bankers with the check cashing business”, Gerald Goldman and James Wells (with review from check cashing outlet executives) write, “Most of these customers are hard-working men and women many of whom live from one paycheck to the next... it is more accurate to view them as ‘Self-Banked’ rather than ‘Un-Banked’” (Goldman et al 2007). This statement is half-true - it may not be accurate to characterize these consumers as “self-banked,” but considering that AFS, like the Check Cashing industry, operates on credit extended to them by the very banks that generate demand in the first instance for these services, perhaps the term “Un-Banked” does not tell the full picture. According to the 10-k filing for Dollar Financial in 2008, for example, their interest expense was \$36.6 million, which, for banks that borrow with near-zero interest rates from the Federal

Reserve (Baradaran 2015), becomes almost entirely reserves. This is profit from a storefront that lends money at an average of 400% APR, compared to credit cards that range from 12% to 30% APR. As the title of the aforementioned pamphlet states, “Check Cashers are Good Bank Customers.”

These relationships between AFS and chartered banks essentially illustrate that a large portion of the Ghetto Tax goes directly to banks that denied those consumers credit in the first instance. Not only does the withdrawal of bank service to a specific area create the foundational conditions for predatory lending, but in doing so those institutions see returns through third-party lenders that violently siphon wealth. In so far as those additional revenues are presumably being used to create new loans and credit for more creditworthy consumers, it is not unreasonable to consider this an instance of wealth reallocation through discriminatory lending. This siphoning of wealth out of racialized, credit-poor communities to service operations in affluent white neighborhoods appears to be part and parcel of creditworthiness adjudications, in which the exclusion of disproportionately minority consumers based on their lacking financial standing facilitates the extraction and reallocation of their wealth through predatory lenders. As Keeyanga-Yamahtta Taylor describes in their “Backstory to the Neoliberal Moment,” the history of exclusion from financial products becomes the foundation upon which predatory inclusion in the present builds. This cycle, of credit choking and geographic organization facilitating predatory inclusion, is well documented in the shift from redlining practices to panic peddling. This history casts into relief the role of the State in particular, its failure to protect consumers or address “creditworthiness” adjudications, despite a century-long history of commissioning creditors to stand in for social welfare programs.

There is a persisting overlap of areas with concentrated minority populations, lesser financial mobility, and a greater likelihood of falling into debt traps that make material the speculative adjudication of their lacking worthiness. Creditworthiness, the central discursive hinge on which these dimensions of the credit market revolve today, continues to organize consumers into the economy by objectifying profitability and collapsing context into the narrowed frame of subject recognition. The very existence, much less the growth, of Alternative Financial Services suggests the inadequacy of access to mainstream financial services - access regulated by the concept of “creditworthiness” based on profitability rather than equitability. In this way, creditworthiness materializes its adjudications by relegating the unworthy to tiers of the economy, where they are victimized by predatory services and extorted for wealth that flows to lenders and consumers at the other end of the spectrum. Despite the extensive documentation and research about exactly *why* consumers appear the way they do in historically underserved, disinvested areas, creditors continue to construct subject knowledge from indications of profitability alone and negate responsibility for their past or present financial harms to minority consumers. Not only has the State's failure to protect consumers become increasingly pronounced as economic volatility worsens, but most recent financial crises and policies reveal that the relationship between the federal government and banks is stronger than ever (Baradaran 2015). This case, as in the case of the CRA, and the case of Blockbusting, articulates how creditworthiness denies consumers access to mainstream financial services, facilitates predatory markets that emerge to service them, materializes the original adjudication in a performative manner by allocating wealth, value, and consequent worthiness from marginalized, minority consumers to whiter, wealthier areas. The construction of a subject defined by “creditworthiness,” based on empirical,

profit-based statistical calculations, rather than purely social discrimination, allows creditors to accurately organize consumers into profit-maximizing environments while rendering claims of exclusion or violence on a social basis illegible. Removing explanatory variables from the formation of subjects in the credit economy obscures circumstance and moralizes the consumer as a collection of behaviors, for which the range of choice is supposedly infinite.

“Stretched” Marxism and the Subject-Object Relation

Theoretically speaking, credit and consumption-based economy has complicated Marxist analysis of the social relations of capital. In “Valuing Race? Stretched Marxism and the Logic of Imperialism,” Robert Knox engages with the Marxist account of imperialism, and proposes race is not merely a superstructural social pattern, but a necessary dimension of “primitive accumulation” comprising the material “base.” Citing “Third World Marxism” as presented by Frantz Fanon, Knox amends the original Marxist argument in which the historical origins of wage labor can be found in the accumulation of assets in the concentrated hands of the original capitalist class. Imperialism witnessed the plundering of resources from all over the globe and soon matured into a competitive, production-based market. In these early forms of industrialized commodity production, individual capitalists were incentivized to consistently invest in productive technologies undercutting their rivals on price. These investments, however, necessitated the increase of production to secure the same profit levels, and the search for cheap labor soon became the principal project of production. In the Marxist story, the lack of demand for those commodities efficiently produced by the domestic working class provides the impetus for capitalists to export capital, to set up shop somewhere with lower labor productivity, lower

production, and higher profits. The export of capital necessitated the “freeing” of pre-capitalist social relations and direct colonization to increase production - it necessitated the export of capitalism. These are the original relations of capitalism in which peripheral, underdeveloped economies are developed around a “few consolidated, organized economic bodies,” in which profits extracted from labor elsewhere flowed back to the colonizing homeland. Politically speaking, imperialism was a method of production that allowed the exploitation of cheap labor while systematically underdeveloping those territories so as to maintain conditions for profitability. Knox cites David Harvey on this, stating “Imperialism is thus a ‘historical solution worked out at the “political” level in response to the fundamental contradictions of the corresponding globally dominant mode of production.” (Knox 2016)

While many of these original conditions of wealth extraction and spatially bound underdevelopment parallel the story of credit banking in the U.S., particularly relevant to the discussion of creditworthiness is the way imperialism is tied to the social and legal transformation of colonies into “objects.” Indeed, scholars of international law and imperialism note that a shift from mercantile to production-based economic practices reflected a shift in the “simple” plunder of native societies to the need to have greater control over them. For Fanon, this shift is not possible without race: “... in structuring the distribution of the political and economic benefits of imperialist exploitation.” (Knox 2016) It was necessary for production, in other words, to create a knowledge that tied value to subjects. In the U.S., slave labor and the slave trade formed along these social relations of industrialization consistently supplied sustainable labor and capital. Race installed a “bottom floor” for white indentured servants that limited their identification with enslaved Africans, and became a mode of objectification or

knowing that organized people into the economy. Industrial production in the U.S. on a national scale has always necessitated Fanon's intertwining of race and value that transforms the subject into a laboring asset.

The reframing of a discursive technology like race as not simply aiding, but fundamentally necessary to mature capitalism answers a larger question that Marxist analysis poses. In their work "The Unhappy Marriage of Marxism and Feminism: Towards a More Progressive Union," Heidi Hartmann revisits this notion of knowledge as integral to material production when they express the failure of Marxism to account for the subjugation of particular classes of people. Indeed, they write "... the categories of Marxist analysis, 'class', 'reserve army of labor', 'wage laborer', do not explain why particular people fill particular places." (Hartmann 1979) These roles, what Hartmann calls "empty places," necessitates the production of a subject to fill them. For feminists, this is the material basis for the sex/gender system in which sexuality is directed towards heterosexual fulfillment that sustains a domestic division of labor. Knox echoes this understanding of knowledge as social, economic control in the context of imperialism in the following passage:

"If for purposes of social control, capitalists organize work in a particular way, nothing about capital itself determines who (that is, which individuals with which ascriptive characteristics) shall occupy the higher, and who the lower rungs of the wage labor force. It helps, of course, that capitalists themselves are likely to be of the dominant social group and hence racist (and sexist). Capitalism inherits the ascribed characteristics of the dominant groups as well as of the subordinate ones ." (Knox 2016)

In these theories, knowledge, and therefore subjects that form based on where they stand in relation to that knowledge, are designed by capitalists to fill these “empty places.” The salient argument that unites these two takes on what is missing from the Marxist analysis, is the understanding that economic activity has a structural relationship to subject formation, such that the history of gendered and racial prejudice are embedded into disadvantaged positions in the market, but also that the social construction of these subjects emerged out of a demand for labor.

The shift, therefore, from a laboring economy to a credit-based economy, is significant for the understanding of subject formation. Accumulation, in this context, has moved from production and therefore the formation of a laborer, to consumption and therefore the formation of a consumer. In the tradition of stretched Marxism, creditworthiness is framed as an economic organizing technology that traces the historical paths laid out by the “dominant groups” and their racism/sexisms, but also as a kind of knowledge, shrouded in the sentiment of worthiness, about who can have access to financial opportunity and who cannot. That credit markets rest on the commensurability of loans, reduced from their structural contexts to the abstract statistical fact, suggests that the ideal subject for the credit market is one that has no social identification. Unlike the technology of race, for example, that produced assets for the laboring market, the technology of creditworthiness is found based on disaggregating an individual's social location to a series of variables that articulate profitability. This limits political recourse to “collective mobilization,” and continues to discriminate against consumers to maximize returns to financial super firms. The aforementioned case studies of creditworthiness in the U.S. reifies that debt has historically filled the vacuum of racial marginalization in the “post-racial” economy. The continued profitability of perpetual indebtedness indicates that the formal equality of a post-racial society

not only fails but is integral to the exacerbation of resource disparities through creditworthiness. By organizing around the abstract market logic of profit incentives and regulation, creditworthiness is “race blind” and “gender blind” in a way that limits political mobilization, maximizes profits based on distinguished consumers, and reinscribes inequity in financial opportunity.

Discussion

Creditworthiness contextualized in the history of its emergence, particularly in the 20th Century, reveals how the depoliticization of subjects formed around the object of profit makes possible forms of marginalization unique to the credit-based economy. The vulnerability of the Black middle class in particular, to practices based on “worthiness,” suggests discursive technology effectively protects those whose wealth is historically and contemporarily contingent on extraction from marginalized classes. Embeddedness of social discriminations like race into the financing markets of the 21st century demonstrates how the disappearance of political identities from the formal process of credit distribution fails to remedy inequality along those lines. De-commensurating creditworthiness does not suggest that the practice itself is illogical or malicious, but describes a larger political economy that fails to protect vulnerable classes through the provision of direct welfare or lender regulations. By tying public resource distribution to profitability, the State implicates itself in the exploitative economic organization of consumers. Framing creditworthiness as a discursive technology of subject production may suggest avenues for further research, such as the moralization of the consumer at the policy-making level, and the relationship between securitization markets and the normative understanding of creditworthiness.

These case studies are emblematic of the “embeddedness” of market technologies like creditworthiness, in that the most historically financially vulnerable populations continue to be disenfranchised by an ostensibly “amoral” organizing technology. “Creditworthiness” that assumes lenders are within their rights to calculate and employ knowledge about profitability allows lenders to identify consumers at the “razor's edge of profitability” - that this demographic is minority consumers that generate economic value through income reaffirms that historically disenfranchised consumers do not have the same experience in the market as privileged consumers. This marginalization I have sought to demonstrate is not *despite* formal equality, but *because* of the formally equal metrics of determination used to construct “creditworthiness,” that obscure contextual disparities in where we might place blame for poor financial standing and limit social claims of discrimination. Conflating uniformity of information aiding commensurability with financial equality allows “creditworthiness” to go morally unexamined for policymakers and lenders, despite the unequal, preferential treatment lenders receive from the State. This process of abstracted knowledge production, in which the claims that marginalized consumers can make against their treatment are narrowed or otherwise foreclosed, is politically complicated by the history of the lending market as the States’ welfare program of choice.

Knowledge of creditworthiness, despite the social, technological, and political processes through which it becomes industry practice, is presented as an inevitable, unavoidable fact of market behaviors. Not only does this side-step the question of equity, but it obscures the States’ role in protecting lenders' use of this information on the basis of actuarial fairness, facilitating a market that wasn’t historically viable preceding government involvement, and underwritten by its

programs in the first place. The argument here is not necessarily about the accuracy or right of private firms to use this information, but the transformation of creditworthiness into a naturalized concept of knowledge involved in the administering of public welfare that nevertheless restricts affordable access for those who need it most. If Creditworthiness is the frame of knowledge in which subjects can appear, the moral right of creditors to construct and employ this frame in a market that doubles as welfare provision is subsumed into it. The “creditworthy” subject is one defined in relation to this knowledge, a knowledge that makes consumer organization begetting wealth and thereby value transfer possible, but also, crucially, makes *lender* adjudications or action appear to be based on qualities innate to the *consumer*. Creditworthiness is a practice of discerning profitability, and has more or less value as information depending on the market climate, but is always an amalgamation of information picked and analyzed by lenders. It is this treatment of knowledge about a consumer as natural or self-evident that seems to uphold, in part, the rhetoric of actuarial fairness that fails to acknowledge how these traits appeared in a consumer’s financial profile. The implication of innate “creditworthiness” is that it emerges from the consumer and their choices, when, as these case studies demonstrate, this is not the case. The consumer economy dictates that the purchasing power of even the most marginalized consumers needs to be capitalized on, and the relation of “creditworthiness” knowledge to raised expenses for this demographic demonstrates that the appearance of subjects along a spectrum of “creditworthiness” ensures they remain profitable even if they lack that purchasing power.

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