Making Markets on the Margins: Housing Finance Agencies and the Racial Politics of Credit Expansion[1]

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Widespread reliance on credit increasingly defines realities of economic citizenship in American society. This article theorizes the racial politics of credit expansion. It examines the federal initiative in the 1960s and '70s to broaden financial access for poor renters in communities of color, which unintentionally sparked the rise of new state-level credit agencies. Drawing on historical evidence, much of it never used before, the author's findings reveal the contentious politics at the heart of this policy shift. Doing so highlights the constitutive whiteness of credit and also illuminates how the project of expanding credit to marginalized groups tests the categorical seams of markets in the public imagination: such initiatives fuel racial contestation around taken-for-granted market rules, which draws governing officials toward increasingly speculative and convoluted financial instruments as a means of rule-bending subversion. Ultimately, this article sheds much-needed light on, and encourages further research into, the racial stratification of the state's market-making power.

INTRODUCTION

Widespread reliance on credit has emerged as an all-encompassing fact of economic life in American society (Carruthers and Ariovich 2010; Quinn 2019) as well as a pivotal arena where boundaries of economic citizenship

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are drawn and contested (Krippner 2017; Wherry, Seefeldt, and Alvarez 2019). Efforts to expand credit for specific constituencies today define realities of economic mobility and inequality (Dwyer 2018). Existing studies highlight credit as an "easy" mode of policy intervention by which elites manage distributional conflict (Krippner 2011; Prasad 2012; Quinn 2017) and foster accumulation (Crouch 2011; Streeck 2014). This article extends this literature by examining efforts to expand credit to racially and economically marginalized populations (see also Hyman 2011; Hartman and Squires 2013). Doing so illuminates how race shapes the politics of credit expansion, which remains undertheorized by sociologists.

This problem highlights a broader set of tensions surrounding the incorporation of marginalized groups into the credit-based economy. On the one hand, most analysis on this issue, focusing on the subprime mortgage crisis, emphasizes how business elites react to capitalism's accumulation crises by expanding credit markets in predatory ways (Wyly et al. 2009; Harvey 2010). This expansion is enabled by speculative financial innovations (Polillo 2011*b*; Fligstein and McAdam 2012; Fligstein and Roehrkasse 2016), which governing officials adopt for reasons of political expediency (Quinn 2017). On the other hand, despite increased antidiscrimination provisions, credit expansion remains deeply constrained by race and class biases, especially the assumption that marginalized groups devalue credit and property (see Block 2014; Wherry et al. 2019). In credit as in other markets, value drives exchange and accumulation (Beckert 2013) but also indexes deeper assumptions about social worth—about who and what actually "counts" and how (Fourcade 2011; Stark 2011). As a potential means of economic citizenship, the expansion of credit to uncreditworthy populations seemingly runs counter to the basic categorical expectation that markets generate exchange value and make economic sense.

This article sheds new light on the tension between credit expansion as a strategic opportunity for elites and the persistence of racially constructed notions of worth and worthlessness in credit markets. Specifically, it highlights the *constitutive whiteness of credit*, that is, the ways that race constitutes credit through the enforcement and contestation of rules that define what markets are in a basic categorical sense (Beckert 2013; see also Hannan,

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Pólos, and Carroll 2007). This includes biased assumptions about who merits credit and who does not and about what kinds of people and things generate market value and make economic sense. These assumptions rationalize the exclusion of—and constrain the expansion of credit to—racially and economically marginalized groups (see Lamont, Beljean, and Clair 2014). Hence, I theorize credit expansion as a problem of making markets for the marginalized. By doing so, my analysis shows how these efforts push up against the categorical seams of markets in the public imagination, stirring up contentious racial politics, especially as credit materializes in real world settings.

Empirically, this article aims to explain the rise of state government–level housing finance agencies (HFAs), which emerged in the 1960s to become—as they remain today—the leading suppliers of credit for producing homes affordable to low-income renters. Most low-cost rental homes built today are funded by revenues from securitized bond deals, rather than direct federal spending, with HFAs playing a key role in ushering in this large-scale policy transformation.[2] This market segment generates billions of dollars in annual private profits; is viewed as comparable to conventional, market-rate housing by investors; and is supported by a bipartisan coalition of political elites.[3]

More broadly, the rise of HFAs illustrates how policies aimed at marginalized groups are increasingly driven by the priorities of speculative finance. "Speculative" here refers, first, to innovations and instruments that boost the capacities of financial elites to "manipulate supply and demand to create and maintain economic rents" (Tomaskovic-Devey and Lin 2011, p. 541), which in turn exacerbate systemic crises and instabilities that disproportionately harm marginalized groups (Minsky 1992, 1996), and, second, to the growing adoption of these financial instruments as policy tools by governing officials, which renders policy itself increasingly convoluted, opaque, unaccountable to the public, and evasive of meaningful oversight (Krippner 2011). According to Marx (1909, pp. 469–88; see also Polillo 2011*b*, pp. 354–58), credit markets under capitalism grow progressively speculative over

[2] While the U.S. Department of Housing and Urban Development's (HUD's) overall budget outlays for housing decreased by 66% between 1977 and 2008 (Schwartz 2010, p. 46), the volume of tax benefits spent to raise bond revenue for low-income rental housing increased more than threefold between 1987 and 2003, from $2.3 billion to more than $7.1 billion (Quigley 2007, p. 306).

[3] Housing-related bonds, by 1998, accounted for $20.6 billion in the sale of tax-exempt securities issued to private buyers in the United States (GFOA 1999, p. 2), and lawmakers have consistently opted to expand and make permanent tax provisions that offer benefits for financial investment in low-income rental housing (Dreier 2006), an approach lauded as "durable, politically resilient, and popular" (Belsky and Nipson 2010, p. 5).

time, opening up new profit-making opportunities, while diminishing the economy of real production.

In explaining the rise of HFAs, this article reveals the implementation of credit expansion policies as a deeply contentious process, especially in terms of race and class. HFAs emerged during a landmark initiative enacted by the Lyndon B. Johnson administration in 1968 to expand credit for the production of rental housing for racial minorities and the poor. Whereas existing studies often culminate in such moments of policy enactment (Krippner 2011; Prasad 2012; Mayrl and Quinn 2016; Quinn 2017), my analysis begins there: it highlights massive white opposition against this initiative as an example of racial boundary policing via the enforcement of taken-for-granted categorical expectations about market forces.

This episode sparked the rise of HFAs, while hastening the decline of federal insuring offices (FIOs). The latter are best known for having popularized the notorious practice of redlining as local arms of the Federal Housing Administration (FHA; Jackson 1985; Massey and Denton 1993), but FIOs abruptly shifted course in the mid-1960s to promote expanding credit for marginalized groups. Both HFAs and FIOs played a key role in implementing that initiative: the former as direct lenders, and the latter by subsidizing and insuring debt provided by private lenders. While FIOs became the focal point of public blame over the credit expansion and experienced declining influence as credit suppliers, HFAs ascended, becoming established in a majority of states between 1968 and 1975 (see fig. 1).

What explains these divergent outcomes? Employing a comparative lens, my analysis points to the contrasting ways that HFAs and FIOs made the case for credit expansion to various audiences in a racially hostile climate.

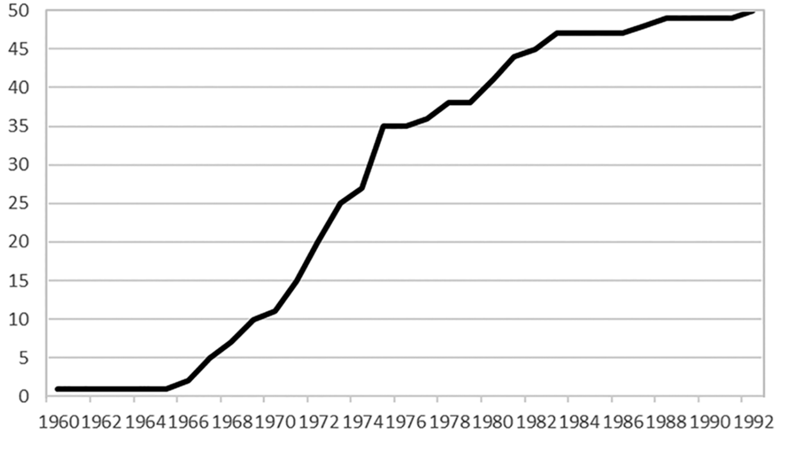

Fig. 1.—Number of states with HFAs, 1960–92. Author's calculations from Brassil (2010).

My core findings show that FIOs merely *redistributed* credit toward marginalized groups by openly defying exclusionary market expectations but without redefining valuation logics and practices around the allocation of debt for marginalized renters (Fourcade 2011). By contrast, HFAs *reconstituted* credit's baseline racial assumptions by introducing new market values and rationalities that—often inadvertently—subverted established market rules and the racially reactionary campaigns waged to enforce them.

Specifically, by relying on speculative bond finance—in particular a novel instrument called "moral obligations bonds"—HFAs mobilized a subversive vision that pioneered (1) new markers of debt soundness, (2) new imaginaries of suburban prosperity, and (3) a new blueprint for managing racial tensions. Ultimately, HFAs' ability to subvert racial backlash is inextricable from their reliance on speculative finance, but the latter ironically strains democratic oversight and public accountability, while disproportionately benefiting the white and affluent. In this way, this article shows how racialized expectations and hierarchies animate money and markets, operating not merely as a variable but rather as a constitutive force in shaping the expansion of speculative finance into the American economy's margins.

RACE, MARKETS, AND THE POLITICS OF EASY CREDIT

Credit has emerged as a driving force of modern economic life (Davis 2009; Graeber 2012). For Marx (1909), credit supplies a form of "loanable money capital" to finance productive and consumptive activities. As capitalism matured, he anticipated, credit would become an economy of its own, unmoored from "real" production and democratic regulation. That prediction is arguably borne out today in the global "rise of finance" and "financialization" of the American economy (Krippner 2005; van der Zwan 2014), where public policy often entails decisions to stipulate and alter credit access and volume (Krippner 2011). Consequently, credit is recognized today as a defining feature of modern capitalism (Cohen 2003), social provision (Prasad 2012), and financial access (Fourcade and Healy 2013).

Credit Expansion as a Mode of Governing

Recent work examines how credit structures contemporary relations of power, contention, and inequality (see Dwyer 2018). Much of this work conceptualizes the "credit state" as a feedback loop between policy decisions by officials and the credit markets they help to produce (Quinn 2019). On this front, credit offers an "economically and politically low-cost way of promoting growth" (Quinn 2017, p. 50) that policy elites find "irresistible" because it obscures the costs of state intervention (Ippolito 1984, p. 143). Consequently, elites embrace credit expansion as a tool of "public demand management" for addressing capitalism's growth and accumulation crises (Crouch 2011; Streeck 2014) and reconciling its "uncertainties and instabilities" with its "own need for confident mass consumers" (Crouch 2009, p. 382). They recognize the immense lay popularity of "easy credit" as a policy option (Prasad 2012), its "political appeal" as a benefit for "politically favored groups" (Elliott 2011, pp. 33–34), and its utility as an effective means of evading "politically difficult decisions" (Krippner 2011, p. 22).

These studies acknowledge that credit expansion policies shape credit market processes and outcomes on the ground but focus mainly on policy dynamics furthest upstream, that is, on the way governing officials use credit expansion policies as statecraft techniques to manage distributional tensions around administrative constraints like debt limits (Quinn 2017) and banking regulations (Krippner 2011; Prasad 2012). By expanding credit, governing officials implement policy in a way that influences public perceptions of the state's boundaries (Mayrl and Quinn 2016), creating the impression of minimal state intervention while exaggerating the primacy of market forces in the public imagination (Krippner 2007, p. 480). Hence, the lure of easy credit lies in the promise of "governing at a distance" as a means of exercising state power within market economies (Miller and Rose 2008).

The case presented in this article, however, departs empirically from the existing literature in at least two key ways. First, contrary to existing studies' almost exclusive focus on policies aimed at mainstream populations, this article examines the federal expansion of credit toward the housing of poor renters in racially and economically marginalized communities initiated in the 1960s and '70s by the Lyndon B. Johnson administration (see also Taylor 2019). Second, contrary to the well-founded notion of credit as an easy governing tool, this initiative faced significant political friction and ultimately collapsed under the weight of backlash and controversy only five years after its enactment. I argue that understanding this case requires better accounting for the racialization of markets that is foundational to American capitalism and how it animates distributional struggles around credit expansion on the ground.

Existing studies in the politics of credit often touch on issues of race in primarily indirect or descriptive—rather than theoretical—terms (see also Hirschman and Garbes 2020). On the one hand, these studies are generally designed to explain the rise of credit as policy tool. Here, researchers highlight how racial minorities contributed to growing demand for credit (Cohen 2003; Hyman 2011; Thurston 2018), as well as the pressures and trade-offs this demand created for governing officials (Krippner 2011; Prasad 2012; Quinn 2019). This work clearly illustrates how popular appeals for credit emerged as a universally accepted and acceptable language of political claims making, but it focuses on mainstream policies and initiatives that generally excluded communities of color, despite their growing demands for credit.

On the other hand, other studies describe credit expansion as the latest chapter in an ongoing legacy of capitalist accumulation via racialized exploitation of marginalized groups. Here, elites use credit expansion to open "access to . . . racially marginalized borrowers and communities, and other 'new markets'" (Wyly et al. 2009, p. 337), fueling "the growth of credit markets for [the] poor," including racial minorities (Crouch 2011, p. 114). These studies helpfully illuminate credit markets' "predatory inclusion" of underserved populations (see McNally 2011; Seamster and Charron-Chénier 2017; Taylor 2019), focusing on the exploitative business pursuits of investors as enabled by deregulation and financial innovation (Fligstein and McAdam 2012). But these studies generally overlook the way credit operates as a mainstream mode of governing and pathway of economic citizenship. We know that predation and exploitation overwhelmingly affect those communities excluded from mainstream financial channels (Faber 2019), but we know less about why some credit expansion initiatives fare better than others in fostering meaningful financial inclusion of marginalized groups.

Both these strands of literature touch on race in mostly indirect and descriptive terms—highlighting communities of color's demands for credit access, as well as their vulnerability to predatory forms of credit provision. I argue, however, that without theoretically situating credit expansion as a specific kind of technology deployed in the racial stratification of the market economy (see Massey and Denton 1993; Gotham 2000; Stuart 2003; Oliver and Shapiro 2006; Aalbers 2011), these studies cannot fully understand the problem of expanding credit—and, as I will argue, of making markets—for the marginalized.

Race and Market Making on the Ground

Where existing studies discuss race in indirect or descriptive terms, this article theorizes it as constitutive of credit—both as a political and an economic tool—drawing insights from scholarship on race and the economy, as well as the sociology of markets and valuation. The case examined in this article, and the framework developed here to explain it, foregrounds the racial underpinnings of credit to shed light on an underexamined conundrum: the making of markets for people believed unworthy of market participation.

Race scholars situate credit within the broader racialization of the market economy via laws, policies, and institutions that attribute market worth to whiteness and rationalize the economic subjugation of communities of color (Oliver and Shapiro 2006; Freund 2007; Lipsitz 2011). Critical race theorist Cheryl Harris (1993, p. 1713), for example, points to "the valorization of whiteness as treasured property," wherein "the set of assumptions, privileges and benefits that accompany the status of being white become a valuable asset." The latter affords to whites an invisible support structure for navigating capitalism, one that generally "ensure[s] higher economic returns in the short term, as well as greater economic, political and social security in the long run" (p. 1713). In this way, race operates as a "principle of vision and division" (Bourdieu 1990, p. 210) in the stratification of economic citizenship in a market society (Polanyi 1944).

This article likewise illuminates what I refer to as the *constitutive whiteness of credit*, which points to the legacy of credit expansion as a racially specific mode of policy intervention aimed primarily at boosting the economic power of white, mainstream constituencies, and a commonly used political tool of "white racial politics" (Freund 2007). I argue that this racial legacy generates distributional consequences that powerfully constrain the enactment and especially the implementation of initiatives aimed at expanding credit markets to include communities of color and the poor, and it ultimately shapes the broader politics of credit and the ways policies evolve over time. Extending the scope of analysis beyond statecraft and legislation illuminates the power of race in shaping how credit operates throughout a range of situated, real world settings, like housing accommodations.

On the one hand, while existing studies shed light on the statecraft-related factors that push officials to enact credit expansion as a market-friendly policy option, in practice officials have generally denied this policy option to marginalized groups, deeming them undeserving of credit. As Freund (2007) argues, for example, federal credit expansion policies emerged in the postwar era as a key instrument of white racial politics, overwhelmingly favoring whites, especially powerful business lobbies and affluent families (Massey and Denton 1993; Brown 1999; Lipsitz 2011). Consequently, officials built an economy in which "credit flowed easily through channels made intentionally and unintentionally for married white men, creating for them a lush world of consumption, but for those outside, only a desert" (Hyman 2011, p. 201). By deploying the state's market-making power in this racially specific way, officials exaggerate the role of market forces in fostering white mobility, while relegating marginalized groups to direct and highly stigmatized modes of government assistance.

On the other hand, the problem at the heart of this article—of expanding credit for groups historically perceived as unworthy of it—raises a new set of questions regarding credit's constitutive whiteness and how it undermines the implementation of already-enacted policies. Implementation is where credit expansion initiatives meet the ground, where *market-friendly* policies materialize on the ground as *market-making* interventions that benefit specific target constituencies via transactions and other economic arrangements involving situated people and places (see Hallett 2010; McDonnell 2010; Reich 2014). Here, policy provisions get activated in seemingly routine practices of market exchange: appraisal, origination, insurance, reselling, and so on. Credit expansion in this way exemplifies how "efforts to create the impression that policy is being devolved to markets," as Krippner (2007, p. 480) writes, "do in fact result in new forms of economic governance, reconfiguring relations between state and market actors."

As historically one of the most important arenas for credit provision (see Fernandez and Aalbers 2016), housing exemplifies the way credit expansion policies materialize on the ground. Focusing on the latter, my analysis highlights how racial biases and hierarchies animate the management of expectations about market forces on the ground, which engenders stark distributional consequences and struggles. It therefore begins where other studies end—with the enactment of a high-profile credit expansion initiative, focusing on implementation. As illustrated in figure 2, such initiatives ideally democratize credit and broaden financial access by redefining the structure of credit markets—that is, shared rules and understandings about property rights, governance norms and hierarchies, and rules of exchange (Fligstein 2001)—as carried out by intermediaries like state credit agencies and private lenders.

The emphasis on implementation here offers a more nuanced understanding of the feedback loop between credit policy decisions and credit markets. By this view, market-friendly policies—despite their mainstream appeal—do not necessarily or inevitably make real markets on the ground. Rather, the interlocking feedback loops in figure 2 suggest that officials' effectiveness in selling credit expansion as a market-friendly policy option should be understood as an accomplishment, not a given: it hinges on the work of credit agencies and other intermediaries in cultivating beliefs and perceptions among various audiences that such policies genuinely stimulate market forces.

According to economic sociologists, the making of markets—credit and otherwise—centrally involves intermediaries' "management of expectations" and impressions on the ground (Beckert 2013, p. 323), especially those concerning market value and rationality. Through public relations and institutional support, credit agencies and other intermediaries cultivate various audiences to "form expectations conducive to the creation of demand" (p. 338), by "creat[ing] a public consensus about value" (Carruthers and Stinchcombe 1999, p. 357; see also Fourcade 2011) as well as structuring transactions in ways that seemingly make economic sense and rationalize political buy-in and participation (Krippner 2017). Like engines, these market-related expectations simultaneously propel economic activities and are constantly refueled as people willingly enact them on the ground (Mackenzie 2006; see also Callon 2007). Favorable returns and other positive feedback effects keep this engine running: they signal fulfillment of expectations, which reinforces public consensus on market value and sustains "continuous" exchange. Negative feedback effects, however, are likely to render "the market . . . discontinuous and illiquid" (Carruthers and Stinchcombe 1999, pp. 358–60).

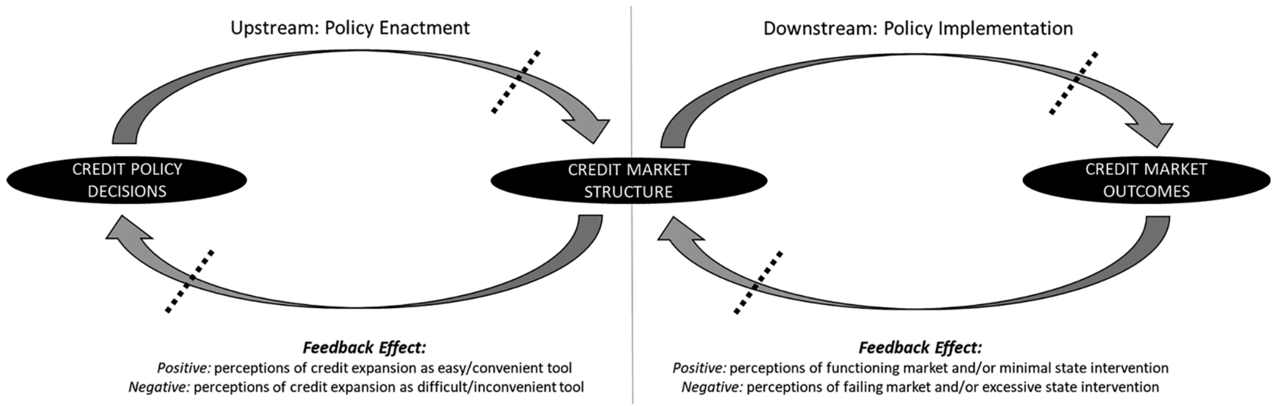

FIG. 2.—How credit policies and credit markets shape each other

But these taken-for-granted expectations defining what constitutes a "market," and what counts as valuable and rational for purposes of exchange, reflect racial meanings and assumptions that produce racially uneven outcomes on the ground (see Sewell 2016). Credit agencies, for example, have widely amplified among various audiences—like developers, lenders and homeowners—the assumption that blackness devalues credit and that blacks are generally "unable or unwilling to play by the rules of the marketplace" (Freund 2007, p. 18). Hence, "assumptions about socially structured imaginaries about worth" get baked into seemingly neutral registers of market value that constitute the very realities for which they are "mobilized to account" (Fourcade 2011, p. 1769). Like other forms of "racecraft" (Fields and Fields 2014), market rules and expectations encode racial and economic bias—equating whiteness with market worth and blackness with worthlessness. By doing so, they demarcate boundaries that rationalize exclusion of people believed unfit for market participation and economic citizenship, namely, communities of color and the poor (see Hannan et al. 2007; Lamont et al. 2014).

Consequently, even when officials enact policies aimed at expanding credit—and therefore making a market—for marginalized groups, they face difficulties in maintaining perceptions that these efforts really stimulate market forces. As the "cumulative effects of the past" undercut marginalized groups'—especially blacks'—capacity to participate in markets in ways that produce favorable market outcomes and sustain continuous exchange, those groups get "cement[ed] to the bottom of society's economic hierarchy" (Oliver and Shapiro 2006, p. 5). Whites, by contrast, because of cumulative advantages (Harris 1993; Conley 2010; Lipsitz 2011), are often presumed by creditors to be creditworthy (Wherry et al. 2019) and are therefore viewed as essential to strong financial performance in credit markets (Stuart 2003). Hence, credit expansion policies are easily sold as market friendly when targeting whites. In short, the notion of easy credit implies an exercise of stimulating market forces on the ground that is deeply racialized in ways that shut out marginalized groups and stratify economic citizenship.

Contesting Racial Boundaries by Testing Market Rules

Understanding credit's constitutive whiteness helps to illuminate the distinctive contentious politics surrounding the Johnson administration's credit expansion initiative of the 1960s and '70s, and how it led officials to adopt increasingly speculative and convoluted financial instruments as policy tools, as embodied in the rise of state-level HFAs. Contrary to existing studies, this article illustrates credit expansion as a deeply contentious arena in which people enforce and contest the racial boundaries that demarcate economic citizenship. Since markets generate distributional consequences that profoundly affect peoples' lives on the ground, they also "frequently become locations of contestation and disruption" (King and Pearce 2010, p. 250), as is particularly evident in the often explosive racial tensions that surround housing and real estate (Hirsch 1983; Gotham 2002; Pattillo 2013).

However, policy efforts to make markets for marginalized groups—like credit expansion—shape distributional struggles on the ground in ways that both mirror and diverge from conventional accounts of racial boundary enforcement and contestation. Such accounts generally characterize white backlash as a way of defending racial and economic boundaries via an array of reactive vocabularies, which stifles political opportunities for marginalized groups (see Meyer and Staggenborg 1996): from public outrage (Anderson 2016), to local fights against racial integration (Hirsch 1983; Massey and Denton 1993), to various kinds of lobbying campaigns against policies (Quadagno 1994; Kruse 2013). These accounts emphasize white backlash against the activist state (see Manza 2000) and against racial integration of established markets (Massey and Denton 1993). But my findings highlight the racial contentiousness of seemingly natural market processes and outcomes, as in housing and credit. This contentiousness is illustrated in extensive white countermobilization and public outrage against Johnson's credit expansion: where critics and opponents perceived the latter as flagrantly violating commonsense market rules, ultimately derailing the initiative. In other words, racial boundary enforcement sometimes means policing how and for whom the symbolism of markets—and therefore the state's market-making power—gets invoked, which fuels contestation over whether situated economic activities line up with market expectations.

Likewise, this article breaks new ground by elaborating how efforts to expand credit for communities of color and the poor test the categorical seams of markets in the public imagination. On the one hand, officials promote them as a way of devolving policy to markets. The case examined in this article, for example, helped to "popularize neoliberal ideas . . . that took a firm hold in American policy-making" decades later (von Hoffman 2013, p. 190). On the other hand, these initiatives are nevertheless fundamentally at odds with the market's taken-for-granted rules. Targeting those widely believed "incapable of engaging the market on its own terms" (Freund 2007, p. 175), they entail deep transgression of racialized expectations concerning market value and can easily seem to defy economic sense.

As my findings suggest, perpetual transgression of market rules means that credit expansion policies aimed at racially and economically marginalized populations are likely to face countless "veto possibilities" during implementation (Mahoney and Thelen 2010), that is, opportunities for critics and opponents to impede market making by calling attention to or raising doubt about the actuality of market forces. These veto possibilities are indicated in the dotted lines in figure 2, which visualize the way market-making dynamics allow credit expansion to proceed smoothly and fluidly for higher-status groups but harden into roadblocks that thwart and frustrate credit expansion for marginalized ones. Such moments prompt "classification struggles" (Bourdieu 1984) over whether new sources of credit really stimulate market forces or merely impose a hefty bill on taxpayers and whether these initiatives engender real market value or, rather, erode it. In this way, the seemingly natural market processes and outcomes produced by credit expansion ignite distributional struggles on the ground over the maintenance or disruption of credit's constitutive whiteness.

My findings illustrate how and why some credit agencies fare better than others in negotiating this exercise of racial and economic transgression in a way that is both transformative and politically durable and why some efforts effectively bend without breaking market rules in the public imagination while others collapse under the weight of outrage and opposition. My findings point to the ability of credit expansion's advocates and proponents to make the case for it—that is, to manage impressions and expectations about market value and rationality—in a way that effectively counters the racial and economic hierarchies encoded in taken-for-granted market rules. By defining market value and structuring transactions in particular ways, credit agencies open up specific political opportunities for rationalizing financial inclusion (Krippner 2017). By influencing perceptions of market outcomes, credit agencies manage a "game of negotiation and manipulation of the interpretation of a situation" that is "partly structurally and partly politically determined" (Beckert 2013, pp. 326, 342).

Employing a comparative lens, this article demonstrates how HFAs and FIOs—which both played a key role in implementing the credit expansion—made the case for it differently and, consequently, followed different trajectories. I argue that FIOs *redistributed* credit to marginalized groups but adopted conventional understandings of market value and rationality, thereby playing into the hands of critics and opponents denouncing the initiative as a threat to mainstream white prosperity. By contrast, HFAs *reconstituted* credit by invoking logics and practices rooted in speculative bond finance—which were relatively novel and not as deeply racialized in rental housing—thereby subverting (in some key ways) credit's taken-for-granted whiteness. As a result, FIOs bore the brunt of public outrage and blame, while HFAs mostly evaded it. As figure 2 also illustrates, implementation feeds back into the enactment of subsequent credit expansion policies: I argue that contentious racial politics around market rules encourage a rule-bending subversion that draws officials to adopt increasingly speculative and convoluted instruments as a means of making markets for the marginalized.

RESEARCH DESIGN, METHOD, AND DATA

To explain the rise of HFAs and decline of FIOs, I focus on 1960–75, the period when HFAs first emerged and came to be established in a majority of American states. Since states could choose whether to establish an HFA, and were under no legal pressure to do so, the institutionalization and expansion of the HFA concept requires explanation. I focus on the Chicago metropolitan area because of its historical significance to this topic—as Illinois became the fourth state to establish an HFA and a key innovator in this field—as well as to put my findings into dialogue with the extensive secondary literature on housing and urban inequality in this area (see Hirsch 1983; Massey and Denton 1993; Krysan and Crowder, 2017).

The analysis below relies on a strategically paired comparison of two different kinds of government agencies: state-level HFAs and locally based FIOs. This research design highlights variation in how HFAs and FIOs participated in and contributed to financialization. Paired comparison lends itself to this objective, as it "offers a balanced combination of descriptive depth and analytical challenge" (Tarrow 2010, p. 246). I treat these agencies as organizational actors positioning themselves within broader fields "composed of constituents, competitors, regulators, and others who affect an organization's workings" (Mora 2014, p. 186; see also DiMaggio and Powell 1983).

This method is appropriate for several reasons. As cases, HFAs and FIOs are mutually exclusive: they operate independently at different levels of government. These agencies are also similar and different in theoretically important ways that can be leveraged by paired comparison. Together they represent, by far, the most active credit sources for private developers of low-income rental housing since the 1960s, and thus no other agencies are remotely comparable. Both supply credit and administer federal subsidies, but they differ in historical legacies, means of credit provision, and otherwise (see table 1).

I draw on these similarities and differences to illustrate how HFAs and FIOs, respectively, responded to and implemented the Section 236 program. In the early 1970s a political scandal erupted that drove the decline of FIOs and the rise of HFAs. I treat this scandal as a "turning point" (Fishman and Lizardo 2013), one that reveals key contrasts in how the two agencies navigated the political climate. This two-level analysis of policy context and implementation (Polillo 2011*a*) highlights FIOs as an illustrative counterpoint (Eidlin 2016): unlike HFAs, FIOs lost—rather than gained—influence during and after the credit expansion. In other words, this research design attends to pertinent similarities and differences between FIOs and HFAs but ultimately maximizes variation on outcome (Gerring and Cojocaru 2016, p. 398). I interpret the outcome of FIOs' decline as "typical" of other accounts

TABLE 1
Comparison of Housing Finance Agencies and Federal Insuring Offices

	Housing Finance Agencies	Federal Insuring Offices
Level of government	State	Federal
Historical legacy	Established in 1960	Established in 1934
Credit supplier role	Mortgage lender	Mortgage insurer
Orientation toward developer	Active steering	Passive regulation
Decision-making structure	Quasi autonomous/ freestanding	Subsidiary of federal government/central office
Primary resource dependency	Bond and mortgage proceeds	Federal budgetary allocations
Geographic coverage	Entire states	Metropolitan areas and larger multimetro regions

involving policies aimed at marginalized groups, while I view the rise of HFAs as a "deviant" one that "register[s] a surprising result" (p. 399).

I complement lateral comparison of HFAs and FIOs with a "dual-process-tracing" strategy that examines how these agencies' different financial and political strategies contributed to their divergent outcomes. Process tracing involves identifying "causal-process observations," data units that "provide information about context, process, or mechanism, and that contribute distinctive leverage in causal inference" (Collier, Brady, and Seawright 2004, p. 277). The benefit of applying this approach comparatively to two cases is that it enables a "before-and-after" analysis of each case (George and Bennett 2005, pp. 81–82) and increases inferential power by providing an analytical baseline for evaluating the significance of various explanatory factors (Tarrow 2010, p. 244). Throughout the analysis, I use the combination of paired comparison and dual-process tracing—as well as triangulation across data sources—to validate empirical claims.

To gain further analytical leverage, the analysis moves between documenting the broader rise of HFAs across the United States and the geographically situated example of the Illinois Housing Development Authority (IHDA) and its counterpart, the FHA Chicago area office. Illinois was among the earliest adopters of the HFA format, and thus it deeply influenced how HFAs evolved. I use a mix of primary, documentary, and secondary data sources. I rely heavily on the previously classified and never-before-used Chicago History Museum collection of Robert E. Mann, a junior Illinois state legislator who spearheaded IHDA's creation. Other archival sources include the Illinois State Housing Board collections at the Abraham Lincoln Presidential Library, the Chicago Urban League at the University of Illinois at Chicago Library, and the FHA Field Office collections at the National Archives and Records Administration. These sources shed light on the operational and sense-making processes of HFAs and FIOs.

I supplement these primary sources with secondary and documentary material drawn from congressional hearing transcripts, committee reports, HFA and FIO annual reports, and newspaper sources such as the *Chicago Tribune*, the *Chicago Sun-Times*, and the *Chicago Defender*. These sources help to elucidate the broader political forces that constrain the choices and strategies of HFA and FIO officials.

EXPANDING THE CREDIT BOOM TO MARGINALIZED POPULATIONS

Between 1930 and 1960, the FHA and private lenders invested massive credit toward the expansion of suburban homeownership, while simultaneously "redlining" low-income and racial minority urban areas and residents (Jackson 1985, p. 428). It is less well known that public and private interests also simultaneously refused to support private rental housing, which was heavily located in redlined communities and occupied by those excluded from the suburban home credit boom. The FHA's underwriting manual presumed the "'typical' owner-occupant to be white and comparatively affluent" and labeled renters and racial minorities together as financially "hazardous" investments (Freund 2007, p. 157). By 1965, the FHA had insured only 650,634 units of multifamily (rental) housing compared with more than 6.4 million single-family units. Of these, the vast majority (72%) were built for returning World War II veterans, and only 15% were affordable for lower-income families (Bartke 1966, pp. 660–62).

In this way, structural disinvestment in rental housing accompanied and fueled the broader "redlining" of black communities and residents. Ultimately, home credit emerged as federal officials' primary means of making markets that would almost exclusively benefit white families and communities. In this way, conventional appraisal and underwriting standards, as molded by the FHA, exemplified the constitutive whiteness of credit: not incidentally limited to whites, it was conceived and constructed explicitly to serve white residents, who were assumed to be the only ones capable of honoring the market's rules (Freund 2007).

By contrast, postwar federal officials scarcely considered low-cost rental housing a market at all, consigning it to the financial waste bin of "welfare" provision. An Eisenhower administration report concluded as late as 1960 that the production of rental homes for the poor required "the expenditure of large amounts of money and . . . acceptable results cannot be achieved by . . . private enterprise with the expectation of making a profit," adding that "this is no indictment of private enterprise; it is only an identification of the nature of the problem" (Fisher 1960, pp. 25–26). Such pronouncements meant that, unlike homeowners, most renters received no federal help navigating the private housing market. In this way, federal officials played a leading role in normalizing market expectations that equated whiteness with economic worth, while imputing worthlessness to marginalized groups and their communities.

This article examines federal efforts to expand credit for housing racially and economically marginalized renters, which meant stimulating market interest in low-cost rental housing. The latter emerged amid the major social and political transformations of the 1960s. On the one hand, the Johnson administration faced a growing "urban crisis," as riots erupted and racial tensions stewed across American cities between 1965 and 1968. "In many people's minds," writes Pritchett (2008, p. 275), LBJ's War on Poverty was intended as, "'something for the blacks,' a way of placating the protestors in the ghettos." In the Chicago area and elsewhere, housing emerged as a core civil rights issue and focus of LBJ's domestic agenda.

On the other hand, while federal officials sought to increase low-cost rental housing production, their "tried and true" method for doing so—the public housing program—had become too racially controversial (Hays 2012, p. 161). While locals resisted public housing construction even during the 1950s, by 1965 the program had become "one of the most visible targets on which a growing white backlash could project its general concerns over race and state assistance" (Henderson 1995, p. 42). Johnson's National Commission on Urban Problems reported in 1968 that, largely because of localized white resistance, public housing construction, "in city after city the Commission visited, . . . had slowed down or stopped" (U.S. House of Representatives 1968, p. 120).

Federal officials responded in the 1960s by experimenting with a series of initiatives to expand credit for private rental housing production. This experimental era culminated with Johnson's Housing and Urban Development Act of 1968, which pledged an unprecedented $50 billion in credit to ramp up housing production for racial minorities and the poor. Passed in the immediate aftermath of riots surrounding the assassination of Martin Luther King Jr., the bill created programs for racial minority homeowners, as well as established the Section 236 program, which expanded credit for low-income rental housing. The policy allowed developers to purchase a federally insured private mortgage and receive a subsidy that lowered the interest rate payments to 1%–3% and carried the "added political benefit" of allowing "the government to record as a budget expenditure only the interest reduction rather than the entire mortgage" (von Hoffman 2013, p. 183). In this way, the very prospect of credit expansion tested the boundaries that demarcated allegedly thriving housing and credit markets for white homeowners from government-assisted housing for marginalized groups.

CREDIT EXPANSION AS RACIAL AND ECONOMIC TRANSGRESSION

Assigning market value to things—in this case, rental housing debt—often generates important political consequences (Fourcade 2011, p. 1727). Likewise, the policy made an immediate impact in terms of housing production. Fueled by Section 236, the United States saw a sharp increase in private low-income rental housing production. The latter—within four years—came to outpace public housing for the first time in American history, a period still known as "the largest boom in the construction of federally assisted housing which had ever occurred" (Hays 2012, p. 115). This trend has continued in decades since (see fig. 3).

Beyond its immediate productive impact, however, the credit expansion also triggered a wave of racial backlash and opposition that later derailed the policy, as driven by public outrage, the countermobilization of white homeowners, and their lobbying influence on political leaders. This episode illuminates the expansion of credit to marginalized groups as a fundamentally transgressive exercise against racialized expectations about market value and rationality, especially as such initiatives materialize in situated economic arrangements involving real people and places. As elaborated further below, most of the outrage and backlash around Section 236 targeted the FHA's own local insuring offices (FIOs) specifically, and the federal government more generally, rather than the state-level HFAs equally responsible for its implementation.

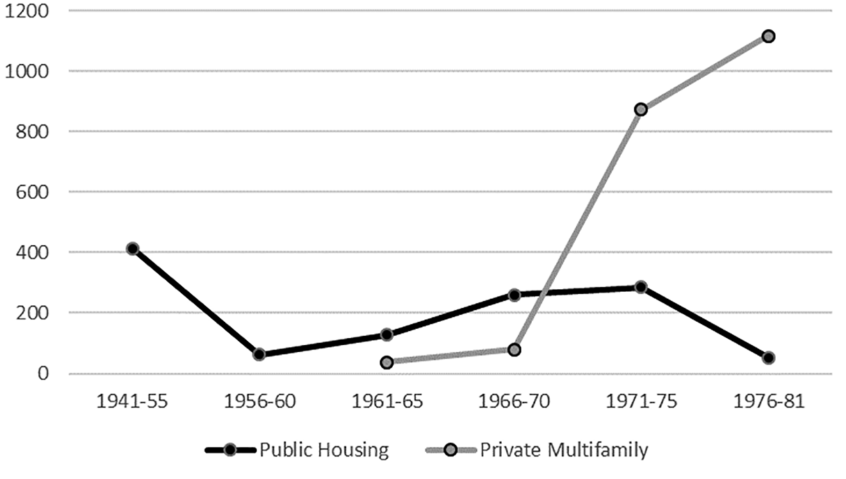

FIG. 3.—Growth in number of subsidized housing units produced, 1941–81 (in thousands). Author's calculations from Connerly (1992) and Olsen (2003).

The Case against Credit Expansion

The specific line of attack against the credit expansion was that Section 236, rather than stimulating market forces, imposed massive financial loss on taxpayers. Media and investigative reports—most of them anecdotal and conjectural—pointed to a growing threat of defaults and foreclosures behind a corruption-fueled scandal of financial mismanagement and accumulating public debt. Highlighting the Chicago area, one 1972 feature story noted, for example, the opening of "a new and ominous chapter [in which] the Federal Government has . . . come into ownership . . . of many projects in default . . . or in deep financial trouble . . . assuming the losses incurred by urban decay and the excesses and mistakes of developers."[4]

Feeding this sense of alarm was the seemingly commonsense assumption that rental properties occupied by blacks were financially worthless as collateral for mortgage debt and therefore only wasted public money. The piece included an FIO official from Dallas expressing concern that the policy fueled white flight into the suburbs, transforming Dallas into a black city: "'If Dallas goes black,' he said, his hand sweeping across a map, 'we are going to wind up owning all this.'" Ironically, even though "policymakers [had] sought to avoid . . . conflict . . . by going from public housing to private sector subsidies," Section 236 projects still often "inherited the negative reputation and the social problems of their surroundings, much as public housing had done earlier" (Hays 2012, p. 124). Rather than cultivating and reinforcing a public consensus that inner-city rental properties could make economic sense, FIOs were accused instead of forcing taxpayers to absorb the financial losses of a broken and failing market, thereby transforming the federal government itself into the "slumlord of the future."[5]

The case that the credit expansion shirked market rules and defied economic sense ultimately resonated with federal officials. Nixon shrewdly pressed this theme in his public appeal to shut down the program entirely, declaring in 1973 that the credit expansion was "backfiring," as "owners fail to meet their payments, and the taxpayer gets stuck with the bill . . . the house . . . and the added expense of looking out for it." He embellished that "over 90,000 federally subsidized housing units are now owned by the Federal Government—your Government—over 14,000 in one metropolitan area alone" (Nixon 1973). Pronouncing that Americans could no longer stand "impassively at the cash register," Nixon eliminated Section 236 and imposed a freeze on subsidized housing programs, as the scandal culminated in 1973.[6]

[4] "U.S. Now Big Landlord in Decaying Inner City," *New York Times*, January 2, 1972, p. 1.

[5] "U.S. Called Slumlord of Future," *Chicago Tribune*, October 25, 1971.

[6] "Federal Aid to Housing Has Produced Widespread Criticism and Condemnation," *New York Times*, January 3, 1972.

Despite the political resonance of allegations concerning financial mismanagement and accumulating public debt, the evidence suggests that they are better understood as reflecting the "political game" of influencing and manipulating expectations about market forces (Beckert 2013, p. 342), rather than as objective diagnoses of policy failure. First, a subsequent federal report found that the initial estimates of Section 236's long-term viability that informed media panic and federal investigations were largely overblown and based on limited data, faulty program comparison, and projections described in hindsight by actuarial professionals as "indefensible," rather than straightforward consideration of current financial performance outcomes (U.S. Government Accountability Office 1978, p. 77). It concluded that failure rates were "better than or equivalent to other FHA programs," including those that financed market-rate housing for middle-class residents.

Second, when Nixon initiated the federal investigation of Section 236, as prompted by media panic, the program had barely begun to produce units. The investigations launched in December 1971, and shortly thereafter Nixon ordered findings to be "purposely made public . . . because we felt the attention of the public and Congress should be brought to this" (U.S. House of Representatives 1973, p. 32).[7] During this time, however, the foreclosure rate nationally for Section 236 projects remained low—that is, between 1% and 4%—until the program's demise in 1973, when financial failure became much more likely (Hays 2012, p. 128).[8] Since failure rates are typically highest in the projects' earliest years, they would have likely stabilized even further if the program had a longer lifespan.

At the very least, these empirical points suggest competing interpretations of financial performance outcomes, but they also throw a skeptical light on the scandal's prevailing narrative. While HFAs and FIOs carried an equal load as the credit agencies primarily responsible for implementing the credit expansion, FIOs became the focal point of public blame and scrutiny. In 1971, the *Chicago Tribune*—along with other newspapers in large cities—launched an exposé of fraud and corruption within the area FIO (Boyer 1973, p. 178). A subsequent federal investigation of Section 236 launched by Nixon led, improbably, to "one of the biggest white-collar prosecutions in history."[9] The final report focused on FIOs exclusively, paying special attention to projects managed by the Chicago area office. By 1974, as many as 71 Chicago area FIO officials and private business interests were

[7] "Federal Agencies Press Inquiry on Housing Frauds in Big Cities," *New York Times*, May 8, 1972.

[8] Nationally, Section 236's foreclosure rate reached a peak of approximately 16% in 1979 (Hays 2012, p. 127).

[9] See n. 6.

TABLE 2
ProQuest Search of "Section 236," 1968–74

Mention of Section 236 Scandal	% of Articles	Number of Articles
Yes:		
Mention of FIOs	22	15
Mention of HFAs	1	1
Subtotal	23	16
No:		
Description of new policy	56	38
Local/neighborhood conflict	21	14
Mention of FIOs	(64)	(9)
Mention of HFAs	(0)	(0)
Total	100	68

indicted in federal court, and 54 convicted, on numerous counts of criminal conduct.[10]

Further evidence of HFAs and FIOs' uneven exposure to public blame can be found in table 2, showing the results of a ProQuest search of newspaper articles on Section 236 in the Chicago metropolitan area between January 1, 1968, and January 1, 1974.[11] The search returns 68 unique and relevant results, which fall into three main categories. Of these, 56% are pieces introducing the details of a new policy (Section 236) or announcing construction on new developments, typically without reference to an implementing agency. Another 21% of these results focus on local conflicts, ranging from complaints made by minority contractors to oppositional campaigns by homeowners. Within the latter category, 64% mention the local FIO, while none mention the HFA. Finally, 23% of results specifically highlight the Section 236 scandal—while all results in this category mention the FIO in connection to the scandal, only one mentions the HFA.

This differential public scrutiny owes in part to the reality that HFA developments were generally in better financial shape than those of FIOs. The only comparative study of HFAs and FIOs during this time found that 5% of HFA properties, as compared to 21% of those by FIOs, were experiencing some kind of financial trouble (Betnun 1975, p. 170). As explained further

[10] "FHA Scandal Spreads across Nation," *Washington Post*, March 10, 1974.

[11] The terms used for this ProQuest search included "Section 236" and "CHICAGO" or "ILLINOIS." The source categories included newspapers, historical newspapers, and African-American newspapers: *Chicago Tribune*, *St. Louis Post-Dispatch*, *Chicago Defender (Daily and Weekend)*, *New York Times*, *Hartford Courant*, *Washington Post*, *Boston Globe*, *Los Angeles Sentinel*, *Los Angeles Times*, *New Pittsburgh Courier*. The search generated 106 hits, of which 12 were duplicates and 23 were unrelated ("unrelated" hits generally included classified ads or newspaper articles from another geographical area). The remaining categories are discussed in the body of this article.

below, however, these financial performance differences likely reflect the contrasting visions pursued and strategies undertaken by FIOs and HFAs, respectively, rather than financial mismanagement. In this case, FIOs took on tougher projects in more disadvantaged neighborhoods: the vast majority of foreclosures (65%) involved properties being rehabilitated by community-based nonprofits, often in the most destitute neighborhoods, and these were the projects most prone to problems of renter marketability and financial insolvency. FIOs were far more likely to finance these projects.[12]

Considered more broadly, the scandal's focus on public debt accumulating from financially unsound properties underscores the distinctive challenge of making the case for expanding credit to marginalized groups. Section 236's failure rate would always necessarily exceed the rate of approximately 1% in privately insured rental housing developments (Hays 2012). Hence, as a subsequent federal report noted, "actuarial soundness is not a valid criterion for judging Section 236 because . . . Congress never intended [Section 236] to be actuarially sound" but rather to cover losses generated by "inherently risky" projects (U.S. Government Accountability Office 1978, p. 76). The ambiguous and contested nature of financial soundness exemplifies how expectations about market outcomes are "open to manipulation by powerful interests" (Beckert 2013, p. 326).

For these reasons, studies have since concluded that "the mortgage default and failure problem under Section 236 was not as serious as it might seem" (U.S. Government Accountability Office 1978, p. iv) and that "even the foreclosures that did occur did not add up to the picture of escalating financial disaster portrayed in the media during the early years of the program" (Hays 2012, p. 129). Since financial performance outcomes were ambiguous and contested, they cannot solely explain the divergent fates of FIOs and HFAs. Instead, the struggle between opponents and proponents of credit expansion hinges on the management of expectations about market forces and the circumstances under which some interpretations of the situation—and not others—prevail. As is illustrated below and throughout this article, these circumstances encompass an array of concerns, tensions, and engagements beyond those pertaining strictly to financial performance indicators.

Testing the Categorical Seams of Markets

That the scandal's accusations of financial failure were misleading and largely overblown suggests that this narrative resonated with credit expansion's

[12] In the Chicago metropolitan area, e.g., only 8.7% of the local HFA's properties were developed by nonprofits, as compared to 43.2% of the projects financed by the local FIOs (Betnun 1975, p. 197). In fact, removing nonprofit-sponsored rehab projects from the overall total slashed the national foreclosure rate for Section 236 from more than 12% to approximately 7% (Hays 2012, p. 129).

critics and opponents mostly because it offered a strategic language for expressing reaction against a fundamentally transgressive initiative. Political framing narratives, in order to resonate, must tap into "broader societal . . . ideas about what is sensible, realistic or legitimate in political culture" (Vasi et al. 2015, p. 935). In the case against the credit expansion, the idea that markets were driven by immutable rules supplied that discursive resonance. By this view, the worthlessness of collateral in black and poor areas meant that credit expansion shirked basic market rules and thus threatened the mainstream prosperity that many whites enjoyed.

As Freund (2007) explains in his conceptualization of "white racial politics," by embracing a "story about market-driven growth and market-driven inequality" (p. 9), whites in the postwar era could abandon passé "theories of biological difference and hierarchy" (p. 12). Increasingly, they could believe that "they were discriminating not because black people were inherently different but rather because black people—for whatever . . . market-driven reason—posed a threat to communities of white property owners" (p. 12). Hence, what gets referred to as white "backlash" represents a form of active racial lobbying and boundary enforcement by whites that defines the political opportunity structure that marginalized groups confront. Likewise, the public case against credit expansion—while exaggerating the theme of financial loss—expressed real white anxieties about the racial and economic implications of transgressive initiatives that stretched the categorical boundaries of markets beyond recognition.

For this reason, the outrage generated by this narrative also served as a convenient vehicle for Nixon's "suburban strategy" of appeasing and coopting the racial lobbying of angry white homeowners (Kruse 2013). Bonastia (2008) identifies in this strategy a second undercurrent of attack against the credit expansion, this one emerging as much in the homes and streets of local communities as in the offices of media companies and federal prosecutors. Intended to reverse patterns of redlining in the inner city, the credit expansion soon spread beyond the urban core into predominately white areas, which many white homeowners perceived as a racial and economic threat to their families and communities.[13] They lobbied against the credit expansion in a way that ultimately influenced Nixon's decision to kill the program.

In Chicago, for example, the largely white Irish outer city on the southwest side mounted the fiercest resistance. In one neighborhood, West Englewood, Father Francis X. Lawlor began in 1971 to organize a coalition of block clubs against a local Section 236 project after "large numbers of blacks began to

[13] Indeed, only about one-fifth of the units financed via the 1968 legislation were being sited in black or Hispanic neighborhoods by the end of 1969, even less in the inner city. "Cities Shortchanged by '68 Housing Bill," *Boston Globe*, July 21, 1969, p. 15.

move into" his area.[14] That same year, in multiple separate instances, "goon squads" firebombed the homes of black families in the neighborhood, attacks widely attributed to Lawlor's group.[15] The latter also pushed disaffected neighbors to "take the block club program to Washington."[16] The group unsuccessfully filed suit in 1971 to force HUD to limit Section 236 to no more than 15% of the area's total mortgages, building on an earlier court decision imposing a similar 15% limit on public housing units.[17] In this way, the suit explicitly likened the credit expansion to public welfare.[18]

In another southwest side neighborhood, Auburn Gresham, residents organized the "Southwest Coalition against FHA," a group that convened massive rallies of more than 1,000 residents between 1971 and 1972, where people accused the FIO of ruining property values and spurring racial turnover.[19] Exacerbating white anxieties were the exploitative actions of private developers, many of whom used Section 236 to carry out "blockbusting" campaigns to stoke racial fears about falling property values, so that white families would vacate their investments. By 1971, developers in the Chicago suburb of Harvey, Illinois, had built a large project and filled it with low-income black families, part of what local officials called a "panic-peddling" scheme. Locals called the project a "conspiracy . . . among real estate dealers and the construction industry, along with FHA, to turn this [suburb] into another black ghetto."[20]

Against this backdrop, the Section 236 scandal offered Nixon a politically resonant case for dismantling the program altogether. By doing so, Nixon could deftly undermine the threat that the credit expansion posed to white communities, while "avoid[ing] the perception that he was directly attacking

[14] "The Rev. Francis X. Lawlor, 1917–2013: Catholic Priest Won Term as Alderman, Drew Controversy for Efforts to Slow Black Migration in 1960s and '70s," *Chicago Tribune*, November 13, 2013.

[15] "Whites Split over Tactics: Blame Lawlor 'Goon Squad' for Fire Bombings of Blacks," *Chicago Daily Defender*, July 26, 1971, p. 1.

[16] "Lawlor to Seek Federal Help," *Chicago Tribune*, March 28, 1968, p. A12.

[17] "Father Lawlor Loses Bid to Restrict FHA," *Chicago Daily Defender*, November 4, 1971, p. 1.

[18] White homeowners mounted similar high-profile campaigns in other localities, including those in and around Black Jack, Missouri; Greensboro, North Carolina; Flint, Michigan; Cleveland, Ohio; as well as Pittsburgh and Philadelphia, Pennsylvania. "US Sues to Push Integrated Housing in Missouri but Backs 'No Force' Idea," *Wall Street Journal*, June 15, 1971, p. 8; "Blacks and Whites Joining to Block Housing for Poor," *New York Times*, February 15, 1971, p. 33; "HUD's Low-Income Housing Plan in Trouble," *New Pittsburgh Courier*, March 6, 1971, p. 24.

[19] "Large Crowd Expected at Anti-FHA Rally," *Suburbanite Economist*, February 23, 1972, p. 1.

[20] "Harvey Group Says FHA Is Creating 'Black Ghetto,'" *Chicago Tribune*, August 29, 1971, p. SCL7.

civil rights" (Bonastia 2008, p. 537). Hence, for black and Hispanic groups, Nixon's move to kill the program had "a racist flavor to it," amounting to "a surrender to white interests and a denial of free movement to minorities."[21] Just as market symbolism offered whites a useful language for justifying "racial exclusion as a defense of hard-earned, and presumably nonracial, privileges" (Freund 2007, p. 6), so did the panic of financial mismanagement and accumulating public debt lend critics an ostensibly color-blind line of attack against the racial and economic transgression of credit expansion to marginalized groups. The dismantling of Section 236 "contributed to the loss of political support for housing assistance in general" (Hays 2012, p. 123), as well as the long-term decline of FIOs and rise of HFAs.

In this way, credit expansion pushes up against the categorical seams of markets in the public imagination. The demarcation of credit from welfare encompasses a struggle to manage racialized expectations about market forces. And those expectations are "performative" (Callon 2007) in the sense that, by equating whiteness with market worth, they embolden white constituencies to defend racial and economic boundaries by enforcing taken-for-granted market rules against transgression (Lipsitz 2011). Hence, the outrage mobilized by critics and opponents—by casting doubt on the premise that credit expansion stimulates market forces and recasting it as yet another coercive state intervention—amounts to a form of categorical policing: one that serves to limit who is allowed to call upon the market-making power of the state in ways that effectively maintain credit's taken-for-granted, constitutive whiteness.

As explained further below, FIOs pursued a vision of redistributing credit by openly defying racialized expectations about the market value of rental housing debt. Meanwhile, HFAs mobilized a subversive vision that reconstituted credit by pioneering new markers of debt soundness, new imaginaries of suburban prosperity, and ultimately a new blueprint from managing racial tensions through speculative finance.

ADMINISTERING TRANSGRESSION: BENDING AND BREAKING MARKET RULES

The expansion of credit to marginalized groups necessarily tests the categorical seams of markets in the public imagination. However, I argue that HFAs, unlike FIOs, managed to administer credit expansion in a way that bent the market's rules without breaking them. Understanding this contrast requires examining the "specific techniques and arguments laymen and experts . . . use in order to elicit monetary value where value is hard to produce" (Fourcade

[21] "Citizens Unite on FHA Protest," *Chicago Daily Defender*, April 1, 1972.

2011, p. 1727). This section shows how HFAs and FIOs inherited different legacies of valuation, which ultimately shaped their effectiveness in making the case for credit expansion and managing expectations about market forces.

Federal Insuring Offices: Credit Expansion as Conscientious Market Rule Breaking

Before the 1960s credit expansion, FIOs played a key role in establishing and maintaining the taken-for-granted whiteness of credit in the housing arena. Inheriting the legacy of the federal government's role as insurer of mortgage debt, FIO officials strove to maintain their reputation of running a "conservative business operation" by guaranteeing only "economically sound" debt (Bonastia 2008, p. 62; see also Stuart 2003). The latter equated largely to accepting only low loan-to-value ratios, the amount of collateral that borrowers could put up to secure a mortgage. FIOs were to issue "loans no higher than the value of the assets . . . would support" (Jackson 1985, p. 213).

The emphasis on collateral and real estate value bolstered FIOs' claim that they intervened into market activities passively rather than actively. To guide builders and lenders toward the most economically sound credit opportunities, FIOs notoriously popularized an appraisal scale that rated properties in white areas as "superior," investment-grade quality, while classifying those occupied by racial minorities as too "risky." In circular fashion, this appraisal scale defined the very market values that were subsequently used by FIOs to determine which loans were "sound" and thus eligible to receive the blessing of federal insurance. In this way, economic soundness can be understood as a language signaling conformity with the legitimate means and aims of market activity (Merton 1968), especially the economic sense of avoiding risks that predictably generate financial loss and diminish value. By 1960, FIOs' valuation logics and practices—and their implicit and explicit racial bias—had become a taken-for-granted feature of housing and credit markets. Consequently, "most black families were ineligible for federally insured loans [and,] thanks to the FHA, no bank would insure loans in the ghetto, and few African Americans could live outside it" (Quadagno 1994, pp. 24–25). By 1947, only three of the 374 properties insured by the Chicago FIO were located in the central city, with the rest built in predominately white suburbs (Hirsch 1983, p. 10).

The mid-1960s credit expansion put FIO officials squarely at odds with the same racial biases they had done so much to institutionalize over the years. Federal officials changed how FIOs operated in far-reaching ways but without disrupting the particular racial biases that informed their valuation of debt and assessments of economic soundness. To implement Section 236, and redistribute credit into disinvested black communities, FIO officials felt they needed to launch a full-on agency transformation, which included rejecting their long-held commitment to avoiding risk. In a 1967 speech to a national audience of FIO staff, for example, FHA director, Philip N. Brownstein acknowledged the "attitude on the part of some, that FIOs' principal job is to avoid making mistakes, and to preserve the sanctity of their insurance reserves," but insisted that tackling the "enormous and explosive problems that ferment in the ghettos of our cities," required FIOs "to take the risks that are justified and prudent in the light of the urgent social objectives to be achieved."[22]

Yet, FIO officials ultimately still clung to the same racially biased logics for assigning market value to debt. On the one hand, the plan called for eliminating the requirement that agencies only guarantee economically sound debt. In 1965, top federal officials issued a pivotal directive instructing FIOs to lower their underwriting criteria from the standard of "economic soundness" to that of "acceptable risk." FIOs had already removed formal references to race from underwriting manuals by 1947 (Glock 2016); by lowering actuarial standards they intended to address the informal effects of race. On the other hand, even under this new scheme, FIOs continued to classify predominately black places and properties as financially "risky," that is, lacking the collateral value adequate to secure economically sound mortgage debt. They just pushed to actively pursue these riskier deals anyway.

In their earliest proposals, for example, officials specifically waived economic soundness for mortgaged dwellings in black areas, especially those "situated in an area where rioting or other civil disorders have occurred or are threatened" or where "as a result of such actual or threatened rioting . . . the property cannot meet the normal requirements with respect to economic soundness."[23] In 1967, they expanded the "acceptable risk" provision to all blighted or declining areas of the city. To support the expansion of credit to disinvested areas, lawmakers created a "Special Risk Insurance Fund," designed "not . . . to be actuarially sound through the payment of mortgage insurance premiums" (McClaughry and Percy 1975, p. 16) but rather to absorb heavier than normal losses. Hence, where the original FIOs celebrated the virtues of risk avoidance, the reinvented FIOs would prioritize the riskiest areas.

In this way, FIOs, seeking to redistribute credit into marginalized communities, ultimately left intact the core racial biases and assumptions that informed how officials defined and assessed the value of credit. By envisioning credit expansion as a matter of de-emphasizing economic soundness and habituating to "acceptable" financial risk and loss, FIO officials conscientiously

[22] Remarks of P. N. Brownstein, Assistant Secretary-Commissioner, at Directors Conference, Monday, October 23, 1967, on FHA's Job Today; U.S. Senate (1968).

[23] Demonstration Cities and Metropolitan Development Act of 1966 (Pub. L. No. 89-754, 52 Stat. 10).

broke market rules and inadvertently presaged narratives that would later fuel public outrage and racial reaction: that the credit expansion rewarded financial mismanagement, drove up public debt, and ultimately posed a threat to white prosperity.

Housing Finance Agencies: Credit Expansion as Strategic Market Rule Bending

Having emerged from very different historical circumstances, HFAs introduced new valuation logics and practices that downplayed racial overtones around rental housing. Their emergence came largely in response to the shared calls of state government officials, activists, and advocates pushing for a subversive vision of credit expansion: one that would at least superficially align with, and avoid openly breaking, the market's commonsense rules. One example can be found in the IHDA, established in 1967 as the fourth HFA, after New York, Massachusetts, and Michigan.

IHDA emerged as part of an organized effort launched in the mid-1960s by officials in big liberal states to adopt a larger role in addressing urban problems. In Illinois, a state legislator named Robert E. Mann founded in 1965 the Legislative Commission on Low-Income Housing, which became the leading proponent for creating IHDA. Convened to study public aid and slum housing, the Mann Commission organized a series of public hearings and invited and heard extensive testimony from a group of local activists affiliated with the Chicago Freedom movement.[24] Led by a young organizer named Albert Raby, the group served as a wing of the Southern Christian Leadership Conference in its efforts to launch the civil rights movement's first northern campaign, against housing injustice in Chicago.

Their proposal outlined a new vision of credit expansion that made a lasting impact on Mann and other state officials and echoed in the commission's final report, which became IHDA's enabling legislation. To achieve economic self-determination, the activists insisted, marginalized communities needed legislators to enact policies not merely to redistribute credit by fiat but rather to genuinely stimulate market forces to envision inner-city areas as investable.[25] Specifically, they called for a new agency that would finance property investments so that landlords could meet debt obligations on low-rent properties without allowing them to depreciate in value. Their rationale

[24] Internal memo, "Minutes of First Meeting of Commission to Study Housing Expenditures," November 9, 1965, Robert E. Mann papers (1965–74), Chicago History Museum, Research Center, box 14, subject file H, folder: Low-Income Housing Commission/1st Meeting.

[25] Speech, "The Chicago Federation of Tenant Unions to the Mann Commission," Robert E. Mann papers (1965–75), Chicago History Museum, Research Center, box 14, subject file H. State, folder: Low-Income Housing Commission/Housing and State Action.

was that such an intervention would only enhance the economic soundness of mortgage debt since “the value of the collateral, the building, will increase proportionately with the amount of money expended for repairs” (p. 5).

While ostensibly offering an alternative to the federal paternalism of the War on Poverty, the proposal convinced the Mann Commission, in its final report, to recommend the creation of a “little FHA” to extend credit more easily and directly to landlords and neighborhood groups “in areas where private financing is unavailable” (Illinois General Assembly 1967, p. 47). This language echoed the Massachusetts HFA commission, which had earlier that same year recommended creating a “baby FHA” (Legislative Research Council 1970, p. 49). Like their counterparts in Massachusetts, Illinois state officials found a blueprint for their little FHA in the first HFA, created by New York Governor Nelson D. Rockefeller’s administration half a decade before in 1960. Like the original FIOs, the New York HFA was created to serve an exclusively white, middle-class consumer base, and Rockefeller never expected it to be taken up by other states or adopted to serve marginalized groups. Beginning in the mid-1960s, however, other states, including Illinois, repurposed HFAs as a means of realizing a subversive vision of credit expansion—one that strategically bent market rules.

New York state officials created the first HFA as a way to produce rental housing for white middle-class families that would stem their exodus to the suburbs. The problem was that people widely linked government-subsidized rental housing with poor racial minorities (Botein 2009). Consequently, while state officials previously had little trouble getting voters to support bond issues, they experienced regular ballot defeats when they started to include borrowing for low-rent housing in bond issues in 1956 (Tobier and Espejo 1988), especially as whites increasingly fled to suburbs (Clapp 1976). Seeking to erase connotations of racial marginality around subsidized rental housing that scared away white middle-class families, officials devised HFAs, equipped with a new financial instrument called *moral obligation bonds*. By doing so, they pioneered a novel set of valuation logics and practices that would sanitize subsidized renting for the white mainstream.

First, the HFA would evade the racial stigma of direct government programming by issuing credit backed by private capital rather than public expenditures: a combination of project revenues and bond proceeds, offering buyers tax-exempt interest in exchange. Before HFAs, this approach had been used mainly to finance public utilities and infrastructural projects (Peterson 2019). Unlike other bond-issuing authorities, the HFA would also securitize mortgage debt and lend it directly to rental housing developers, using debt service revenues to finance bond issues. The idea was that using HFAs “as an intermediary” in the housing of renters could defuse white animus toward direct state intervention by organizing policy, in Rockefeller’s words, “like a business, not like a bureaucracy” (Botein 2009, p. 838).

Second, through moral obligation bonds, officials also added a speculative twist to bond finance that would allow HFAs to circumvent white electoral dissent. In particular, they devised a way to pledge the state's credit without public consent, on the basis of moral obligation: this fuzzy distinction meant that HFAs could establish a taxpayer-funded reserve from which to repay bond buyers and would be expected to do so but were not obligated in a hard legal sense. Officials from Illinois and other states later repurposed the HFA during the mid-1960s, thereby introducing a novel, fundamentally "speculative structure" of credit provision into the housing of marginalized groups (Botein 2009, p. 842), one insulated from the "vagaries of public mood" (Reilly and Schulman 1969, p. 135) and reliant instead on officials' ability to exploit price gaps between bond and credit markets and furnish public money without public consent.

Introducing new valuation logics into any given arena can potentially shift the terms of contentious engagement (Boltanski and Thévenot 2006; Stark 2011) and unsettle established conventions (Sewell 1992). What distinguished moral obligation bonds was their relative lack of racialization in the rental housing arena. Indeed, these instruments "persist[ed] without any clear meaning [and] without any standard definition'" (Osborn 1976, p. 241), which also meant that HFAs never adopted the explicitly racialized criteria of debt soundness that had become commonplace by the 1960s. By eschewing direct public money in favor of mobilizing speculative financial instruments, HFAs were created explicitly to "skirt such divisive issues [as] race [in] publicly supported housing" (Botein 2009, p. 842).

In sum, FIOs sought to reshape credit markets without challenging the presumed financial worthlessness of marginalized people and places, which meant openly breaking market rules. By contrast, HFAs emerged from a push to strategically bend market rules by importing new, less racially defined market values and rationalities. The following section illustrates how HFAs mobilized this vision to implement credit expansion in a way that subverted—often unintentionally—racial biases and hierarchies that constituted credit.

RACIALLY RECONSTITUTING CREDIT THROUGH SPECULATIVE FINANCE

The rise of HFAs occurred simultaneously with the federal expansion of credit to marginalized groups. HFA officials gradually began to negotiate a share of Section 236 subsidies from the federal government, and Section 236 eventually became the "greatest boon" to HFA emergence across American states in the late 1960s and early 1970s (Betnun 1975, p. 26). As explained below, HFAs' ability to counter white outrage and opposition owed largely to their reliance on speculative bond finance. While state government officials adopted HFAs as a way to more easily raise private capital for disinvested areas, doing so inadvertently helped them to reconstitute racialized expectations in housing and credit. Specifically, HFAs mobilized a subversive vision of credit expansion that subtly undercut key economic, ecological, and governance-related assumptions underlying credit expansion, pioneering (1) new markets of debt soundness, (2) new imaginaries of suburban prosperity, and (3) new policy tactics for managing racial tensions.

Racial Economics: From Collateral to Credit Ratings

As previously discussed, racialized beliefs and assumptions that marginalized renters devalued both real estate and mortgage credit fueled public outrage and white opposition against the credit expansion. HFAs weathered these political winds better than FIOs in part because they effectively made the case that expanding credit to marginalized groups did not require sacrificing debt soundness or imposing financial loss on the taxpaying public, thereby reconstituting the racial economics of credit expansion.

For FIOs, as noted previously, credit expansion meant conscientiously embracing the financial loss that came with serving marginalized people and places. Hence, FIO staff and officials envisioned credit expansion not as a problem of redefining how people assigned market value but rather as one of adopting a more aggressive tone and stance. A top FHA official delivered the message himself to the Chicago area office in August 1968: staff members over the next 10 months needed to produce 300,000 units, which amounted to "six times our past average annual production and three times . . . our peak production of 100,000 last year."[26] Guidelines issued in 1969 mandated faster processing of rental housing deals and "sent task forces into FIOs to expedite handling of lower-income cases" (Hult 1987, p. 132).

By contrast, while HFAs were adopted mainly as an alternative to the perceived failures of the federal War on Poverty, HFA reliance on bond finance created a fundamentally new web of incentives, pressures, and dependencies relative to FIOs. As a result, HFA staff and officials, unlike those at FIOs, envisioned the expansion of credit to marginalized groups as a problem of cultivating and sustaining public perceptions that such an exercise could engender real market value and stimulate market forces. Hence, for HFAs, credit expansion necessarily entailed countering racial biases that ascribed financial worthlessness to marginalized people and places, which HFA officials often accomplished unintentionally.

Credit ratings played an essential role in this racial reconstitution. There are generally two ways that credit markets manage uncertainty: either by

[26] "HUD Officials Ordered to Produce More Housing," *Chicago Daily Defender*, August 17, 1968.

securing debt with "collateral" or by leveraging "connections" that provide information to minimize the risk of financial loss (Rajan and Zingales 2004). Credit ratings are an example of the latter. Where FIOs were mainly accountable to taxpayers, and demonstrated due diligence by keeping risky assets (i.e., collateral) out of their investment portfolios, HFAs were accountable instead to bond buyers and demonstrated due diligence primarily via the medium of agency credit ratings (i.e., connections). HFAs' elevation of credit ratings, however, served to unintentionally downplay the racial significance of collateral as a marker of debt soundness.

Credit ratings contributed to HFAs' transformative effects in part because ratings agencies embraced new markers of debt soundness that were far less imbued with racial meaning, as compared to the material and geographic qualities of place underlying collateral value. For example, a comparative study of FIOs and HFAs—including the Chicago area—found that HFA officials were by far primarily concerned with the "perceived security" of the agency's bonds in the eyes of private bond buyers, for which credit ratings proved by far the most pivotal indicator (Betnun 1975, p. 242). In stark contrast to FIOs' original underwriting guidelines, ratings agencies ascribed little significance to either loan-to-value ratios or neighborhood location. Since they often lacked real estate expertise, ratings agencies found it "difficult . . . to examine each project contained in most bond issues" and so generally trusted HFAs' expertise in "determining the adequacy of project sites and amenities" (p. 257).

Instead of fixating on collateral value, ratings agencies placed far more importance on the "skill of housing officials as money managers" (Brassil 2010, p. 58), which racially reconstituted debt soundness in at least two ways. First, on the lending side, one of HFAs' "primary means of controlling risk," in contrast to FIOs, involved the selection of developers who could "absorb the costs" of housing marginalized renters (Betnun 1975, p. 215). In practice, that meant HFAs prioritized lending to better-resourced, for-profit developers, which ultimately diminished opportunities for minority contractors, who were more likely to work with FIOs.[27] In theory, however, HFAs' emphasis on assisting developers, rather than investing in properties, communicated the message that debt attached to marginalized people and places could be financially valuable, if paired with the right developer.

Second and more importantly, ratings agencies paid close attention to HFAs' money-managing capabilities on the revenue side (see Betnun 1975; Brassil 2010). This included speculative financial trading practices intended to enhance the marketability of HFA bonds via bundling together debt products and selling them (i.e., securitization) and exploiting gaps in prices of debt

[27] "IHDA Hoping for Raise in Its Bonding Authority," *Chicago Tribune*, June 5, 1977.

in bond versus credit markets (i.e., arbitrage). Altogether, these practices elevated the novel and racially undefined valuation criteria of bond buyers and ratings agencies over the more explicitly racialized terms of power players more conventionally rooted in housing and credit markets (i.e., developers, lenders, and appraisers).

Essential to HFAs' reliance on speculative finance, however, was their ability to furnish public money without public consent. One the one hand, IHDA officials sold credit expansion to the public as a wholly "self-supporting" enterprise, by implementing an array of "off-budget" spending schemes (Quinn 2017), in addition to moral obligation backing. These fiscal tactics, according to the private letters of legislative aides, made IHDA akin to "a large bank or corporation . . . with no distinction made by virtue of its nature as a public body."[28] Where FIOs called for more aggressive risk taking, IHDA officials strove to pass off the agency's credit as "a 'subsidy' . . . achieved at no cost to the State" (IHDA 1973, pp. 9, 14). Doing so helped HFA officials subvert the racialized distinction between "credit programs . . . that harnessed existing market mechanisms" and the "more controversial 'subsidy' programs" that allegedly wasted public money on marginalized groups (Freund 2007, p. 147).

On the other hand, ratings agencies evaluated HFAs on their ability to market their bonds to bond buyers as secured (through moral obligation) by taxpayer money. Thus, HFAs and ratings agencies reimagined debt soundness as a function of bond marketability, as opposed to real estate–specific criteria. By "look[ing] past the projects themselves to each other in determining the [financial] strength" of mortgage debt (Salsich 1977, p. 604), HFAs and ratings agencies reconstituted debt soundness in ways that helped to initiate a positive feedback cycle—one that avoided the negative effects of racial biases about the financial worthlessness of marginalized people and places, as well as cultivated and sustained a sense that credit expansion made economic sense in mainstream terms.

More specifically, through speculative finance, HFAs promoted credit expansion as an economically sound and self-supporting enterprise by demonstrating their money-managing capabilities to ratings agencies and bond buyers. Ratings agencies, in turn, positively and continuously reinforced the market value generated by the credit expansion by rewarding HFAs with high credit ratings, which made bonds marketable to buyers. Up until 1973, for Moody's Investors Service and Standard & Poor's ratings agencies, "the presence of the moral obligation clause . . . meant an automatic good rating" (Committee on Housing and Urban Development 1974, p. 490), and IHDA received the second-highest rating of "AA" from both (Betnun 1975, p. 247). Taking cues

[28] Letter from Charles Percy to Otto Kerner (9/28/67), Otto Kerner Collection, Lincoln Presidential Library, box 525, State Housing Board, 1967.

from the ratings agencies, the state legislature granted IHDA a bonding capacity of $100 million in 1967 and raised it to $500 million in 1972, $800 million in 1977, and $1.5 billion in 1979. Hence, ratings agencies played a key role in supplanting highly racialized place-based valuation logics and practices with new criteria.

Their effectiveness in making the case that credit expansion genuinely stimulated market forces likely contributed to HFAs' ability to fly under the public radar, especially as public outrage boiled over.[29] HFA officials so fervently touted their own "financial self-sufficiency" that some experts worried it "may not be politically feasible to return to the legislatures in the years ahead when operating or other forms of financial assistance may be essential for agency survival" (Stegman 1974, p. 313). Likewise, while FIOs sought to manage a tide of bad press, IHDA struggled to attract any publicity at all. In 1972, as Illinois Governor Richard B. Ogilvie and IHDA director Daniel Kearney celebrated a year in which the agency produced as many as 4,000 new units, they were "pictured frequently in that period . . . with shovels in hand at groundbreaking ceremonies for IHDA-assisted projects [as] a way for the governor to get political mileage out of a program with low visibility" (Pensoneau 1997, p. 220). For Section 236, then, IHDA generally attracted neither praise nor blame.

In this way, speculative bond finance enabled HFA staff and officials to embrace new markers of debt soundness and make the case that expanding credit to marginalized groups made economic sense. Dominating the bond buyer constituency that would increasingly capitalize on these low-rent housing deals, however, was an overwhelmingly white and affluent class of commercial banks, insurance firms, and the highest net worth households (Feenberg and Poterba 1991). Hence, while HFAs' subversive vision of market value likely helped to insulate them from public blame and scrutiny, it still ultimately rationalized credit expansion primarily as a distributional benefit to mainstream interests (see Berrey 2015).

Racial Ecology: From Contradictory to Complementary

Before the 1960s and '70s, FIO policies and practices had established a specific racial ecology of credit expansion, where the lure of easy credit drove many whites to flee the problems of disinvested black areas for racially exclusive communities in outlying urban, and especially suburban, areas (Jackson

[29] Even in cases in which IHDA engaged in fraudulent deals, legal authorities and media outlets tended to blame the developer, not the agency. For example, in 1968, a loan made by IHDA to a private developer triggered accusations of fraud and corruption. However, media outlets and legal authorities focused scrutiny on the private firm, which they accused of having scammed IHDA. Bernard Judge, "State Repaid Cash Misused for Housing, Involves South Side Prefab Project," *Chicago Tribune*, July 9, 1969.

1985; Massey and Denton 1993; Gotham 2000). As previously noted, many white homeowners voiced outrage and opposed the subsequent credit expansion, which for them—by reaching beyond the inner city—threatened the mainstream prosperity that markets had created for white families and communities. HFAs better navigated this tumult in part because, by mobilizing speculative bond finance, they reconstituted these assumptions, pioneering new imaginaries of suburban prosperity.

Ironically, HFAs played a crucial role in bringing the credit expansion to the doorsteps of predominately white communities, including suburbs.[30] This ecological footprint reflected a broader contrast in how FIOs and HFAs transgressed the racial and economic boundaries that marked off market-friendly white communities from uninvestable black ones. Generally, FIOs were more likely to finance Section 236 developments in black, inner-city areas and housed a higher share of racial minority occupants in overall terms (Betnun 1975, p. 124). In other words, FIOs' ecological footprint closely mirrored the credit expansion's original aim of redistributing credit to address racial disparities in financial access between places.

For HFAs, however, expanding credit for housing marginalized groups meant integrating them into the "white spatial imaginary" (Lipsitz 2011). Early IHDA officials believed the novelty and innovation of moral obligation bonds enabled subversive race and income mixing, since it provided marginalized groups a chance to "live in decent apartments, *without identification*, in close proximity to families of differing economic and social levels" and therefore "join the lifestyle of middle-income groups" (Illinois General Assembly 1967, pp. 6, 50, italics added). Officials hoped this approach would ultimately "satisfy the needs of the poor" and "eliminate the . . . sometimes violent demonstrations of discontent" (Illinois General Assembly 1967, pp. 50–51). IHDA's ecological footprint mirrored this specific vision. Possessing the "best record for integration" of all HFAs, IHDA's developments were all racially integrated, most with significantly higher shares of minority occupants than the surrounding community; by contrast, more than one-fifth of Chicago-area FIO residents lived in "totally segregated" developments (Betnun 1975, p. 126). More generally, HFAs "clearly produced far more [developments] with varying types of income mixtures" than FIOs, while also housing a higher share of specifically low-income renters (pp. 92, 142).

HFAs better navigated racial contention in predominantly white areas in part by countering the market-justified assumption that marginalized renters threatened white mainstream prosperity. Given that FIOs embraced conscientiously breaking market rules via an aggressive style of state intervention,

[30] Beyond HFAs, another key factor driving the credit expansion's shift into predominately white areas was the desegregation agenda pushed by HUD Secretary George Romney (see Bonastia 2008). But I argue here that HFAs played a major, independent role that has been overlooked.

their game plan for engaging white areas involved mainly the use of regulatory power. For example, the Chicago area FIO sought to pry open suburban borders by issuing a declaration prohibiting as "discriminatory and unacceptable" resolutions passed by several white Chicago area suburbs to limit Section 236 units to existing and longtime residents.[31] Echoing the credit expansion's original aims, FIOs articulated the initiative in a way that enabled critics and opponents to easily liken it to an expansion of public housing that violated and perverted commonsense market rules. By contrast, HFAs—given their deep investment in genuinely making a market for rental housing debt—articulated credit expansion in a way that made it harder for those in the white mainstream to reject it as something intended for others and easier for them to claim it as their own.

Consequently, for HFAs, implementing Section 236 in outlying and suburban areas not only promised integration but also made economic sense. Many HFAs adopted "a suburban strategy . . . consistent with agency efforts to minimize long-term investment risk and to develop investor-confidence in agency securities," which staff and officials also "intended to provide the basis for a longer-run, more broadly-based housing assistance program" (Stegman 1974, p. 314). In this way, staff and officials avoided "the dirty work of . . . inner city housing," pursuing instead "the easier risks in the outlying areas."[32] Thus, even though HFAs generally downplayed the racial significance of collateral in credit provision, their broader drive to genuinely stimulate market forces meant that HFAs were more financially drawn—relative to FIOs—to white communities and suburbs in particular.

HFA officials minimized the political fallout surrounding credit expansion by effectively making the case that it stimulated market forces—although again, they rationalized credit expansion primarily as a distributional benefit to the white mainstream. For example, IHDA officials increasingly touted speculative bond finance, given its relative lack of racial definition, as a means of tailoring credit expansion to the interests of white, middle-class communities. These included places where, as one IHDA official put it, the "hesitancy of local authorities to 'invite the federal government into their back yard' has put the communities in a bind."[33] Indeed, 10 of the IHDA's 11 earliest applications for credit were submitted by developers from predominately white western suburbs.[34] Officials sought to mimic the earlier suburban credit boom by engineering a style of housing policy that would avoid clashing with the belief that "whites had the right . . . to be free from government

[31] "HUD Rejects Glen Ellyn's Residency Rule," *Chicago Tribune*, November 7, 1974.

[32] See n. 28.

[33] "Solution Sought for Suburb Housing Plight," *Chicago Tribune*, June 27, 1968, p. W1.

[34] Ibid.

interventions that might interfere with the market mechanism that had allowed them to prosper" (Freund 2007, p. 19).

Even though HFAs were disproportionately responsible for racially and economically integrating many white communities, their public relations work encouraged middle-class whites to consider themselves the true beneficiaries of the new credit expansion. They especially appealed to white suburbanites with a tenuous grasp on prosperity, a segment that—in the words of Illinois Governor Ogilvie—had "previously been priced out of the market for new housing because of soaring land, construction and financing costs."[35] Officials promised that HFAs' speculative magic generated savings that provided the precarious middle class access to amenities they otherwise could not afford.

In promoting IHDA's first development in Chicago's south suburbs, for example, director Daniel Kearney touted savings of $35 per dwelling unit. The savings, he claimed, had been used not to expand housing options for lower-income families but rather to "incorporate more conveniences," thereby fulfilling IHDA's mission of "producing high-quality housing for a broad-based market."[36] Likewise, a 1972 *Chicago Tribune Magazine* feature spread on another IHDA development—called Harper Square—noted the "major peculiarity" of moral obligation bonds and IHDA's "wheeling and dealing in the municipal bond market," which allowed the agency to appeal to middle-class renters with status anxiety.[37] With over a third of its residents qualifying as low to moderate income, Harper Square's slogan nevertheless went, "Buy In . . . Move Up!" The piece tells the story of one middle-class occupant who was "surprised to learn—much later—that his housing had been 'subsidized,' since the word conjures up an image of ugly brick compounds and ultimate personal failure." In this way, HFAs convinced middle-class communities that subsidized renting was not only for marginalized groups but also for the mainstream—that it was not only for others but also for them.

According to HFA officials, credit expansion also benefited those in the mainstream by helping them to manage the invisible poor within their own borders. Investing considerable resources into forcing white suburban communities to recognize their own "affordable housing problem," IHDA officials promoted low-cost rental housing as a supplement to suburban economic growth, especially in places where employers lacked an adequate supply of workers because of nearby affordable housing shortages.[38] They

[35] "State-Assisted Housing for 700 Families," *Chicago Daily Defender*, November 16, 1972, p. 13.

[36] "$7.9-Million Housing Complex: Plan Calls for 372-Units," *Chicago Daily Defender*, January 1, 1972.

[37] "Harper Square," *Chicago Tribune Magazine*, April 2, 1972.

[38] "Form Firm to Integrate Suburbs," *Chicago Tribune*, April 3, 1968.

held conferences on the need to better house workers in some of the area's whitest communities, voicing "a new awareness of what our housing needs are and . . . what we can collectively do about them."[39]

Ultimately, FIOs' and HFAs' respective ways of articulating the implications of credit expansion for racial ecology shaped their exposure to political consequences. As noted in the discussion of table 2, FIOs emerged as the most prominent targets of oppositional campaigns against the siting of developments in white communities. Longtime Chicago FIO director, John Waner, reflected as much in 1972, admitting that "community pressures against subsidized units had become so great that many of them were being built on commercially marginal 'no man's land—a sort of Gaza Strip' between communities."[40] Such public outrage and opposition ultimately impedes the positive feedback effects and reinforcement that keep the market's engine continuously running for the benefit of any given population.

Likewise, campaigns against FIOs generally identified the credit expansion specifically as a policy failure, thereby derailing Section 236. In a typical instance, the campaign waged by the Southwest Coalition against FHA called for federal investigations to eventually replace FIO leadership with a "committee consisting of community representatives to administrate the regional FIO."[41] By contrast, while HFA developments did spark local conflict on occasion, they differed in key ways. In the one such episode reported in table 2's results—a landmark legal conflict in the suburb of Arlington Heights—the campaign targeted the private developer, not the agency. Likewise, the media coverage never mentioned IHDA specifically and even misattributed the source of credit to the Chicago area FIO.[42] Thus, FIOs adopted a more aggressive tone in challenging racial exclusion in access to credit, but HFAs quietly subverted these disparities by reconstituting notions of suburban prosperity.

Racial Governance: From Convenient to Contentious and Back Again

Just as the expansion of credit to marginalized groups pushes against the categorical seams of credit in an economic and ecological sense, it also tests the limits of credit as a racially specific way of "governing at a distance" (Miller

[39] "Set Suburb Conference on Low Income Housing," *Chicago Daily Defender*, December 6, 1969.

[40] "Federal Aid to Housing Has Produced Widespread Criticism and Condemnation," *New York Times*, January 3, 1972.

[41] "600 Protest FHA Loans at Flower Session," *Suburbanite Economist*, March 1, 1972, sec. 2, p. 12; "Charge Policy of FHA Loans Hurting Cities," *Suburbanite Economist*, March 22, 1972, p. 1.

[42] "Housing Proposal May Spark Forum in Arlington Heights," *Chicago Tribune*, December 27, 1970; "Planned Housing Complex Upsets Arlington Heights," *Chicago Tribune*, February 11, 1971.

and Rose 2008). Outrage and opposition serve the purpose of impeding efforts to make credit expansion policies more inclusive. By countering these racially reactive forces, HFAs played a key role in reconstituting the expectations that informed how officials envisioned credit expansion as a policy option, leading them to sideline concerns about public accountability and meaningful oversight. Here, the implementation of credit expansion initiatives generates feedback effects that shape the circumstances under which governing officials devise and enact future policies (see fig. 2).

The rise of HFAs required the buy-in of top federal officials, which occurred as HFAs gradually sold them on a new and distinctly speculative blueprint for managing racial tensions, as they were adjusting to the reality that credit expansion was itself a deeply contentious exercise and not merely a way of defusing conflict. From 1970 to 1973, Congress debated the future of housing policy amid the ongoing scandal and controversy. During this time, lawmakers were inundated with testimony about the racial tensions ignited by the credit expansion. Advocates and experts repeatedly testified that Section 236 and other such programs faced "turbulent times" and growing "racial and economic polarization" (U.S. House of Representatives 1971, pp. 1101–11). They complained about a mounting backlog of nearly $3 billion in pending project proposals (U.S. Senate 1971*b*). Housing experts reported that "progress in meeting the original goals for assisted housing is *not encouraging*" (U.S. House of Representatives 1971, p. 975). As Nixon's 18-month housing freeze took hold in 1973, lawmakers expressed concern about "stories of chaos and confusion" at FIOs and their rising number of staffing vacancies, while FIO officials admitted that the "the uncertainty [of] the present time" was "demoralizing" and "caused restlessness" among staff (U.S. Senate 1973*a*, p. 41).

Initially, the solution proposed by federal and state officials centered on a stronger federal-state partnership to combat the urban crisis. HFAs were largely absent from direct participation in formulating this agenda. For state officials, led by state-level urban planning departments, the assumption was that bond finance could be used to "build state office buildings, armories, public schools [and] university facilities" but not usually for housing or rental homes in particular (Radford 2013, p. 146). Repurposing bond finance as a housing tool created for HFAs new "possibilities for transformative action" (Sewell 1992, p. 21) but also relegated them to the poorly understood fringes of state-level policy.

For federal officials, HFAs were unknown and therefore indistinguishable from—and easily conflated with—the generic category of state-level government (Mora 2014). They assumed the states would adopt their own preferred tools—direct subsidy transfers (as in Section 236) and federal guarantees of "full faith and credit" borrowing (as in municipal bonds)—that maintained federal and public oversight over the power of tax exemption.

They expected the states to adopt these tools in a way better suited to political and racial realities on the ground, offering "strong political support that only a state governor can provide" (U.S. Senate 1971*a*, p. 1374), as well as the political appeal of falling "in line with the President's policy of new federalism" (U.S. Senate 1970, p. 382). Likewise, the federal-state plan proposed to expand direct subsidy transfers and guarantees, including Section 236 funds. While it reinforced the federal stance that these tools were most appropriate for administering support to marginalized groups, it also implicitly committed early and pivotal federal support to HFAs—and by doing so, helped to establish speculative bond finance as a normal policy tool.

Federal officials committed to this early support largely because of their lack of awareness about HFAs and moral obligation bonds and despite their broader disapproval of speculative bond finance. Throughout the 1960s, federal officials strove to curtail the use of financial instruments that consumed public money without public consent, which they viewed as speculative, regressive, hard to track, and major sources of federal revenue loss.[43] Likewise, speaking in support of the federal-state proposal, New Jersey Senator Harrison Williams condemned such off-budget instruments as a "tax shelter for the very rich" and a massive source of revenue drain (U.S. Senate 1971*a*, p. 1298). That federal officials inadvertently sidelined these concerns about speculative finance and how it strained public accountability and meaningful oversight is evident in the resulting confusion over the bill's one area of direct conflict with HFAs: its provision for expanding guarantees for full faith and credit borrowing.

Representing HFAs, IHDA director Daniel Kearney intervened to voice HFAs' staunch disapproval of that provision and to outline their distinctively speculative blueprint for credit expansion to federal lawmakers. He testified bluntly that "the [federal] guarantee will be of marginal value and . . . not worth the effort [for HFAs] to secure" (U.S. Senate 1971*a*, p. 1300). For Kearney, HFA bonds required avoiding the oversight mechanisms inherent in full faith and credit borrowing. Having worked closely with state-level officials to craft the proposal, federal committee members sat baffled and surprised at Kearney's objection. Senator Harrison Williams responded that "many of these ideas came from State and local government officials," asking Kearney, "Have you talked with any officials of other state governments about this bill?" (pp. 1301–2). Their exchange continued as follows:

[43] In 1968, congressional lawmakers passed the Revenue Expenditure and Control Act, sharply limiting the use of revenue bonds, which had ballooned from 1% to 9% of long-term municipal debt since 1960 (Bennett and Dilorenzo 1982, p. 608). The following year, with input from Treasury Department and Congressional Budget Office officials, they passed a Tax Reform Act that eliminated most existing tax shelters.

Daniel Kearney:	Well, I talked with other members of agencies similar to mine which are in New Jersey, Massachusetts, and Michigan, which with Illinois are the primary housing agencies of the States, the housing finance agencies in those respective States. It is their opinion that they do not fall under this provision.
Senator Williams:	Were they in on the early discussions in the development of this legislation?
Daniel Kearney:	No; I think representatives primarily of the planning divisions of those States were involved . . . which is not an uncommon phenomenon I guess.
Senator Williams:	There is some ambiguity. You are saying the people who helped to write this bill are not covered, and I can't quite understand that. . . . This idea was born at the Governor's conference. It was not produced in my office in solitary confinement.

The committee chairman punctuated the exchange by chiding his colleague that "the point Mr. Kearney has made needs to be looked into."

Despite lawmakers' reservations, the resulting legislation ultimately propelled HFAs' ascendancy, in part by expanding the share of subsidies that they negotiated informally from FIOs: in 1969, HFAs received 3% of total Section 236 funds, a figure that rose to 5.6% in 1970 and shot up to 21.2% by 1971 (Kozuch 1972). This policy support contributed directly to HFAs' emergence in other states, as some 15 new agencies were created between 1968 and 1972. In this way, federal officials inadvertently sidelined their reservations about speculative bond instruments by endorsing the emerging federal-state partnership at the same time that fringe players at the state level, like IHDA's Kearney, were experimenting with adopting these instruments to house marginalized renters. The novelty of speculative bond finance meant that HFAs could reap benefits while flying under the federal radar.

As federal officials were increasingly forced to grapple with the problems experienced by FIOs caused by white outrage and opposition, they even more explicitly and strategically embraced HFAs' policy blueprint. Officials noted that the problems attributed to FIOs nevertheless "have not come up in State housing programs using [Section] 236" (U.S. Senate 1973*a*, p. 1428) and proposed that "all federal direct production subsidies be channeled through these corporations" (U.S. Senate 1973*b*, p. 1507). At the height of the moratorium, they made a special allocation of Section 236 funds to finance 15,500 units exclusively to HFAs.[44] Consequently, while FIOs saw declines in production,

[44] *Housing and Development Reporter*, May 5, 1973, p. A13.

TABLE 3
HFAs Established across Four Time Spans (from 1960 to 1992)

Pre-1968: 5 States	1968–73: 20 States	1974–80: 16 States	Post-1980: 9 States
New York (1960)	Delaware (1968)	Georgia (1974)	Florida (1981)
Massachusetts (1966)	West Virginia (1968)	Vermont (1974)	New Hampshire (1981)
Illinois (1967)	Connecticut (1969)	California (1975)	Texas (1981)
Michigan (1967)	Maine (1969)	Iowa (1975)	North Dakota (1982)
New Jersey (1967)	Missouri (1969)	Montana (1975)	Washington (1983)
	Maryland (1970)	Nevada (1975)	Ohio (1983)
	Alaska (1971)	New Mexico (1975)	Hawaii (1983)
	Minnesota (1971)	Oklahoma (1975)	Arizona (1988)
	Oregon (1971)	Utah (1975)	Kansas (1992)
	South Carolina (1971)	Wyoming (1975)	
	Kentucky (1972)	Arkansas (1977)	
	Pennsylvania (1972)	Indiana (1978)	
	Wisconsin (1972)	Nebraska (1978)	
	Idaho (1972)	Alabama (1980)	
	Virginia (1972)	Louisiana (1980)	
	Colorado (1973)	Mississippi (1980)	
	North Carolina (1973)		
	Rhode Island (1973)		
	South Dakota (1973)		
	Tennessee (1973)		

IHDA produced more rental homes in 1973 and 1974 than any previous year and accounted for many as one in three of all 18,700 new rental units produced in Illinois in 1974 and 1975.[45] Increasingly, federal officials designed future policies in ways that prioritized HFAs over FIOs.[46] Ultimately, 21 states created HFAs between 1973 and 1980, including 15 during the brief crisis-ridden span of 1973–75 (see table 3). In an age of growing racial polarization and political gridlock, HFAs made credit expansion politically useful again to policy elites, in part by making it more speculative.

Best encapsulating the magnitude of this shift was the 1973 congressional testimony of Chicago-based mortgage banker Dempsey J. Travis. He warned that fully discarding FIOs' system of valuation—as HFAs threatened to do—would ironically undercut efforts to redistribute credit to the black and poor communities most devastated by the legacy of redlining. "Total reliance on

[45] Illinois Housing Development Authority, *Annual Report, 1973* and *Annual Report, 1974*. Northwestern University Government Information Collection.

[46] In 1974, the Nixon administration enacted project-based Section 8, which differed from its predecessor in that it authorized HFAs to receive direct allocations from the HUD central office. By 1976, HFAs had already surpassed FIOs in financing Section 8 units by a figure of 39,651 to 14,298. That year, FIOs even saw a 50% increase in Section 8 contracts because HFAs had "absorbed all of the Section 8 . . . reservations they can hold" (*Housing and Development Reporter*, February 23, 1976, p. 777).

50 state housing authorities," Travis feared, "would unravel most if not all of the important standardization which has helped the Federal Housing Administration to make its most outstanding contribution to the history of housing in this country. . . . A unique achievement . . . for which we in this country have struggled—and earned. It should not be cast aside lightly" (U.S. Senate 1973*c*, pp. 263–64). The metaphor of "unraveling" proves an apt one here. For better or for worse, HFAs envisioned credit expansion as a problem not merely of racially redistributing credit but of racially reconstituting it.

DISCUSSION AND CONCLUSION

This article interrogates the constitutive power of race in driving the expansion of speculative finance into the margins of the American economy. Focusing especially on credit expansion, an increasingly pivotal front in struggles for economic citizenship, it moves beyond existing studies' focus on credit as a convenient statecraft technique for governing officials or entrepreneurial frontier for business elites. Instead, this article theorizes credit expansion—and market making more generally—as an exercise simultaneously in statecraft (Quinn 2019) and "racecraft" (Fields and Fields 2014), one that enables mainstream inclusion for high-status groups while rationalizing the exclusion of marginalized groups.

By doing so this article makes explicit what often lies unacknowledged in existing studies: the constitutive whiteness of credit itself. This lens reveals the particular challenges and tensions of expanding credit for communities of color and the poor. Here, race constitutes credit and markets via the management and enforcement of taken-for-granted market expectations. Consequently, initiatives targeting marginalized groups test the categorical seams of markets in the public imagination, fueling contestation, particularly as they meet the ground. By theorizing the racial stratification of the state's market-making power in this way, this article contributes a sociological perspective to a vibrant interdisciplinary dialogue on race and the market economy, especially as it pertains to modern capitalism (Du Bois [1935] 1998; Robinson 1983; Gilmore 2002; Marable 2015; Melamed 2015; Dawson 2016), housing and credit (Massey and Denton 1993; Korver-Glenn 2018; Taylor 2019), and market-friendly policies more generally (Pattillo 2007; Soss, Fording, and Schram 2011; Berrey 2015).

This article's key empirical finding is that HFAs racially reconstituted credit expansion in ways that made economic sense in mainstream terms, thereby minimizing backlash and opposition; by contrast, FIOs merely redistributed credit, which played into the hands of critics and opponents. If the "possibility of economic performance must be conjured like a spirit" before it can become reality (Tsing 2000, p. 118), HFAs conjured the possibility that initiatives targeting marginalized groups nevertheless obeyed market rules. While the rise of HFAs represents a historically significant democratization of credit for communities of color and the poor, it ultimately exposes a deeper and more troubling set of concerns about the possibility of justice for the marginalized in today's market society. I elaborate these concerns below, by situating the HFA case within a broader conceptual model of implementing scenarios and their particular implications for enabling financial inclusion of marginalized groups.

As indicated in figure 4 (explained further throughout this section), these scenarios can be grouped into four different categories according to whether state credit agencies participate *actively* versus *passively* in market making more generally and whether they adopt a *reconstitutive* versus *redistributive* role in defining expectations about market value and rationality specifically.[47] The core analysis of this article focuses mainly on scenarios in which state agencies play an active role in market making on the ground, which is necessary to carrying out initiatives capable of transforming entrenched financial patterns (Block 2014).

Drawing on this conceptual model, I argue that my findings—beyond illuminating the potentially transformative impact of credit expansion—also demonstrate the limits of subversive market making as an antidote to racial and economic subjugation. Here, it is instructive to consider Johnson's initiative against a paradigmatic example of *mainstream inclusion*: the more well-known effort to expand credit for white suburban homeowners. The original FIOs adopted an active and reconstitutive implementing role, using the state's power to "collapse visions of deserved entitlement into a larger discussion about the nation's productive capacity and the best means of promoting prosperity" (Freund 2007, p. 188). Market making meant explicitly affirming the worth of white families and businesses and selling audiences on the civic and economic promise of collectively supporting their livelihoods.

By contrast, expanding credit for communities of color and the poor encourages reliance on policy tools, like speculative bond finance, that enable rule-bending subversion. The reinvented FIOs, for example, actively and openly defied—as opposed to redefining—expectations about market value and rationality, which I characterize as an example of *exclusionary inclusion* (Agamben 1998; Decoteau 2013, p. 151). These aggressive displays of state power broadened financial access for marginalized groups but simultaneously reinforced beliefs that recipients were unfit for markets and therefore undeserving of economic citizenship in a market society, fueling backlash and opposition. But, HFAs, like the original FIOs, actively reconstituted market expectations in a way that rendered mainstream inclusion imaginable for marginalized

[47] Dwyer (2018) offers a similar typology, focusing more on prospective vs. retrospective debt obligations.

State Role in Market-making	State Role in Defining Market Expectations: Reconstitutive	State Role in Defining Market Expectations: Redistributive
Active	*Key Implication:* **Mainstream Inclusion** *Key Example(s):* • Original Federal Insuring Agencies • Housing Finance Agencies	*Key Implication:* **Exclusionary Inclusion** *Key Example(s):* • Reinvented Federal Insuring Agencies
Passive	*Key Implication:* **Alternative Inclusion** *Key Example(s):* • Government-sponsored Enterprises	*Key Implication:* **Schematic Inclusion** *Key Example(s):* • National Homeownership Strategy

FIG. 4.—Implementing credit expansion: scenarios and implications

groups. They did so, however, via primarily subversive means, which implies violating expectations while appearing to conform to them (Mahoney and Thelen 2010, p. 23), thereby avoiding the open defiance of advocating explicitly that marginalized groups were deserving or worthy of credit. HFAs subversively conformed by introducing a new vision of market making that reconstituted expectations in ways that minimized and sidestepped issues of deservingness altogether, while also showcasing the credit expansion's benefits for those already presumed deserving, namely, the white and affluent.

Here, my findings flip the general wisdom that markets' presumed race neutrality conceals racially biased processes and outcomes (see Soss et al. 2011). Drawing from Ferguson (2010, p. 173), they suggest that subversive governing techniques like those deployed by HFAs potentially repurpose "neoliberal 'arts of government'"—those that normalize "technical reliance on market mechanisms"—toward redistributive aims, "open[ing] up new political possibilities." In today's capitalism of market-friendly policies (Currie 2008), and "diffuse, capillary, or 'mobile' mechanisms of power" (Morgan and Orloff 2017, p. 2), advocates for marginalized groups must strategically manage impressions about market forces (see Thurston 2018) but face considerable pressure to wage these battles via subversive means.

I would argue, however, that this rule-bending subversion, while it enables a kind of mainstream inclusion for marginalized groups, ultimately limits them to a relatively thin and diminished version of it. First, while subversion allowed HFAs to repurpose the categorical symbolism of markets as a cover for racial and economic inclusion, it also meant that HFAs rationalized credit expansion in narrowly transactional terms. That is, HFAs stimulated market exchange but eschewed the broader work of "destigmatization" that is necessary for "low-status groups [to] gain recognition and worth in society" and fully experience the dignities of mainstream inclusion (Lamont 2018, p. 420; see also Steensland 2008). Without confronting deeper issues of deservingness and worth that precede and inform expectations about market value and rationality, market-making activities lack the transformative power to meaningfully influence the wider orbit of belief and perception around marginalized groups in a market society, beyond those exchanges that directly benefit recipients.[48] The rise of HFAs, in this way, signals a new policy context in which marginalized groups are increasingly the target of market-making interventions and yet still perpetually stigmatized as unfit for markets.

Second, subversive market-making techniques also legitimize racial hierarchies that empower whites to lay claim to all values and benefits that markets produce. Unlike FIOs, for instance, HFAs encouraged white and affluent bond buyers and suburbanites to claim the initiatives' benefits as their own, which potentially opens the door for what Berrey (2015, p. 250) calls the white "appropriation of racial minority inclusion." Indeed, HFAs housed more poor renters than FIOs, but they served less of the poorest and blackest communities (Betnun 1975) and were often accused of diverting resources to the suburbs and putting minority contractors and lenders out of business. Hence, the same subversive techniques that rendered HFAs durable against white backlash and opposition also reinforced white entitlement to the purely transactional benefits of credit expansion. In this way, I would argue that HFAs racially reconstituted credit, while ironically maintaining its constitutive whiteness.

Third and finally, subversion ultimately disempowers marginalized groups in a broader political sense by strengthening the power of financial elites to shape the economy according to their own preferences. Both marginalized groups and financial elites benefit politically in different ways from policies that "depoliticize" the economy (Mettler 2011; Krippner 2011), but the benefits of subversion are lopsided in favor of financial elites. By "reduc[ing] democratic accountability" (Carruthers 2015, p. 392), these techniques engender a kind of "winner-take-all" politics that drives financial sector expansion, "tilt[s] the balance of political power sharply in favor of those at the very top of the economic ladder (Pierson and Hacker 2010, p. 154), and "exacerbat[es] social inequality at large" (Davis and Kim 2015, p. 212). Additionally, the systemic instabilities generated by capitalism's "evolution . . . toward more speculative endeavors" disproportionately harm marginalized

[48] This wider orbit encompasses continuing racial and economic discrimination against marginalized groups—and especially renters—by landlords, neighbors, voters, etc. (Massey et al. 2013).

groups (Minsky 1992, 1996; see also Block 2016)—as in the example of the subprime mortgage crisis (Rugh and Massey 2010), which left many communities of color as if hit by “a ‘financial Katrina’” (Harvey 2010, p. 2).

Despite their ability to furnish resources for marginalized groups, HFAs embody this same kind of winner-take-all politics. They “hamstring general purpose government” by insulating policy from democratic oversight and elevating the priorities of elite interests, especially bond markets and bond buyers (Radford 2013, p. 162). They also bolster the technocratic power of credit ratings agencies to shape policy and decide the “big questions of today and tomorrow” (Sinclair 2008, p. 179). Hence, the same subversive practices and qualities that enable HFAs to counter white backlash and opposition also render credit expansion increasingly speculative, convoluted, and unaccountable to the public, exacerbating the instabilities that harm marginalized groups.

Nevertheless, it is worth remembering that HFAs—given the close supervisory power they held over developers as lenders—embrace a more active implementing role than can be seen in other prominent examples of credit expansion. In these other scenarios, state agencies passively delegate implementation to private, nonstate entities, which substantially limits credit expansion’s transformative power (Block 2014), that is, its capacity to meaningfully lessen structural disinvestment without also subjecting marginalized groups to new forms of exploitation. As illustrated in figure 4, passively implemented credit expansion initiatives may conform to established market expectations (i.e., cases of *schematic inclusion*) or introduce new market values and rationalities (i.e., cases of *alternative inclusion*), but the common thread is far greater deference and delegation to private entities. To illustrate this point, consider the subprime crisis, still the best-known case of speculative credit expansion and the shift from redlining to predatory lending on the economic margins.

On the one hand, schematic inclusion played a central role in the subprime crisis. The Clinton administration’s National Homeownership Strategy (NHS), launched in 1995, for example, encouraged liberalization of credit for previously underserved populations. The NHS included a mix of potentially redistributive provisions but lacked a designated state role for implementing them—instead proposing “good faith commitments” between federal officials and private entities—and operated mostly within established market expectations (e.g., it called for reducing regulatory barriers to affordability, reducing down payments, streamlining mortgage provision). Such initiatives, presumably, lack both the state power and the reconstitutive vision to meaningfully transform racially biased market outcomes.[49] In the absence of broader

[49] However, the NHS also included some recommendations that aimed to reconstitute market values and rationalities in particular ways, such as alternative credit options, alternative down payment options, and waiving certain kinds of debt (like child support).

deregulation and securitization, initiatives like the NHS would likely reproduce the status quo of structural disinvestment experienced by marginalized groups.[50]

On the other hand, in a context of deregulation and rampant securitization—as enabled by government-sponsored enterprises like Fannie Mae, Ginnie Mae, and Freddie Mac (Quinn 2019)—the NHS further expanded predatory opportunities for financial elites, thereby fueling the subprime crisis. This represents an example of alternative inclusion. By facilitating "the creation and control of liquid resources [that] can be bought and sold on a global scale" (Gotham 2006, p. 232), government-sponsored enterprises introduced new market values and rationalities in housing and credit but ultimately did little to strengthen protections or secure equitable market outcomes on the ground. Unsurprisingly, this intervention fed the financial sector's exploitative "search for new customers, many of whom had less money to put down or worse credit" (Fligstein and McAdam 2012, p. 158; see also Wyly et al. 2009). Hence, while alternative inclusion may encompass a variety of grassroots advocacy efforts by private entities—like nonprofit credit circles (Wherry et al. 2019) and community banking institutions (Block 2014)—it inevitably enables new kinds of economic predation in which mainstream businesses and industries expand credit for people shut out of mainstream financial channels under highly exploitative terms.

The conceptual model offered here highlights the many related but analytically distinct ways that race structures economic subjugation, as reflected in terms like exploitation, appropriation, disinvestment, and so on (see Fraser 2016). While a fuller discussion of it goes beyond the scope of this article, it supplies a point of departure for interrogating the limits and realities of credit expansion within the broader racial politics of American capitalism.

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[50] This criticism is frequently leveled against another initiative, the Community Reinvestment Act, and its alleged lack of enforcement mechanisms and deference to the status quo (see Fishbein 1992).

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