



Economic Geography >

Volume 90, 2014 - [Issue 2](#)

444 | 2
Views | CrossRef citations to date | Altmetric

Article

A Fetish and Fiction of Finance: Unraveling the Subprime Crisis

Erica Pani & Nancy Holman

Pages 213-235 | Published online: 22 Oct 2015

Cite this article

Check for updates

Sample our
Geography
Journals



>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

Abstract

As the moderately strengthened financial regulation of Basel III comes into effect over the next seven years, this article sets out a cautionary reminder as to why regulation needs to move beyond a focus on the mitigation and distribution of risk. To do so, the article unravels the much-misunderstood experiences of eight Norwegian municipalities whose investments plummeted as the subprime crisis unfolded: investments that had no immediate ties to subprime mortgage lending or mortgage-backed securities. Focusing on the processes, practices, and instruments of financialization, the article puts forward two new analytical concepts—"the fetishization of the knowledge of risk" and "fictitious distance"—to help explain how the crisis spread so quickly and extensively that it threatened not only the municipalities' investments but also the functioning of global finance as a whole. In so doing, it becomes clear that financialization has set a far more risky form of capitalism that is manifest through

concrete economic geographies, from towns and cities in the United States to “distant” Norwegian municipalities. In the highly interconnected entanglement of geographies and finance that make up the global financial system, the fetishes and fictions of finance cannot be ignored.

Keywords:

financialization

securitization

risk

subprime crisis

fictions of finance

financial regulation

Notes

1 Our thanks to Francis Longstaff for his feedback on the magnification of losses across connected structured instruments. See also IMF ([2008](#), Box 2.2) for a useful analysis.

2 Haugesund was a plaintiff only in the court case against DEPFA Bank, not in the case against Citigroup.

3 TOBs carry a “put option” that allows the lender to ask for his or her capital back at par value at any reset date. The floating rate certificate is the borrower’s promise to repay both the interest and capital to the lender. This option effectively protects the lender from value fluctuations of the bond, and risk is, therefore, carried by the borrower.

Related research

People also read

Recommended articles

Cited by
2

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources
by email

 Sign me up

  

  

Copyright © 2026 Informa UK Limited Privacy policy Cookies Terms & conditions

Accessibility



Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG