Description: Why has the Federal Reserve been insisting on bailing out the economy’s largest banks since the 1970s in violation of a core principle of political liberalism, private risk–private loss? The critics of the Fed argue that the state and the Fed is captured by the big banks and that the notion of “systemic risk,” which the Fed relies on for justifying bailouts, is a mere label that hides this capture. In this talk, I will turn capture theory on its head and argue that the Fed put itself in such a politically and economically precarious position in managing financial crises, because it is captured not by financial interests, but by systemic risk. Examining the emergence of systemic risk first as an emergent problem and then as a governmental discourse, I will show that systemic risk is at once an effect of the overflow of the financial architecture through which the Fed governs and a discursive object that purifies not only this overflow but also the breaches the Fed’s emergency management strategies cause in the state-economy boundary.

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