
Subject: Federal Reserve was blind to crisis in 2007
Posted by [CyberkNight](#) on Mon, 21 Jan 2013 15:45:28 GMT
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Federal Reserve officials were largely unaware of the financial crisis brewing in 2007, until they found themselves in the middle of it, transcripts released Friday show.

The more than 1,300 pages offer the most comprehensive look at the Federal Reserve's deliberations, leading up to the start of the Great Recession in December 2007. It's the central bank's policy to release full transcripts with a five year lag.

Here's how the year played out.

January 2007: Calm before the storm

At the beginning of the year, many Fed officials, including Chairman Ben Bernanke, thought one of the biggest risks was that the economy might grow stronger than expected.

At the time, the Fed's key interest rate was at 5.25%, and the central bank was leaning toward raising it further, rather than easing monetary policy.

"My recommendation also is to take no action and to maintain a bias toward further tightening," Bernanke said at the first meeting of the year, noting that inflation risk had picked up and the housing market had shown some improvement after slumping in 2006.

"The housing market has looked a bit more solid, and the worst outcomes have been made less likely," he said.

At that point, they didn't realize that losses from subprime mortgages would ignite the deepest financial crisis since the Great Depression.

Fast forward two months, and still, the Fed thought the worst was over for the housing sector.

"The central scenario that housing will stabilize sometime during the middle of the year remains intact," Bernanke said at a meeting in March, adding later, "The effects of the decline in subprime lending may have already been mostly seen, since that has slowed from last fall."

Full article: <http://money.cnn.com/2013/01/18/news/economy/federal-reserve-transcripts/>
