Panel Finds Financial Crisis Was Avoidable

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The government-appointed panel investigating the roots of the financial crisis says the meltdown occurred because government officials and Wall Street executives ignored warning signs and failed to manage risks.

The crisis could have been avoided, the Financial Crisis Inquiry Commission determined in a final report released Thursday that was only supported by Democrats on the panel. Instead the country fell into the deepest recession since the 1930s and millions of people lost their jobs, the congressionally appointed panel concluded.

The Bush and Clinton administrations, the current and previous Federal Reserve chairmen, and Treasury Secretary Timothy Geithner **all bear some responsibility** for allowing the crisis to happen, the panel says.

It also criticizes bankers who got rich by creating trillions of dollars in risky investments. The deals grew so complex that bank executives and regulators did not understand them, the report found, and banks discouraged aggressive oversight of their activities, saying the government's interference would stifle financial innovation.

Still, the commission's findings were tainted by partisan politics. Six Democrats on the panel supported the conclusions; **the four Republicans dissented.** The inquiry commission was created by Congress in 2009 to delve into the causes of the financial crisis.

The conclusions contradict a parade of witnesses in the panel's hearings who said the crisis couldn't have been avoided or prevented. Federal Reserve Chairman Ben Bernanke and **Goldman Sachs** CEO Lloyd Blankfein were among those asserting that defense.

"The greatest tragedy would be to accept the refrain that no one could have seen this coming and thus nothing could have been done," the report said. "If we accept this notion, it will happen again."

The report details numerous warning signs that were ignored, among them: an explosion in risky subprime mortgage lending, an unsustainable rise in housing prices, widespread reports of unscrupulous lending practices, steep increases in homeowners' mortgage debt and a spike in Wall Street firms' trading activities, especially in high-risk financial products.

"A combination of excessive borrowing, risky investments and lack of transparency put the financial system on a collision course with crisis," the report said.

The commission also singles out decisions by regulators who believed the industry could police itself, the report says.

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