

A colossal failure of common sense the inside story of the collapse of lehman

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The Collapse of Lehman Brothers: A Saga of Greed and Financial Mismanagement**

The collapse of Lehman Brothers in 2008 sent shockwaves through the global financial system. What was once the fourth-largest investment bank in the United States now stands as a symbol of financial hubris and recklessness.

The Story Behind the Collapse

The seeds of Lehman's downfall were sown during the subprime mortgage crisis of the mid-2000s. The bank heavily invested in mortgage-backed securities, which were ultimately backed by subprime mortgages issued to borrowers with shaky credit. As the housing market began to falter, the value of these securities plummeted, exposing Lehman to massive losses.

To make matters worse, Lehman used excessive leverage, borrowing heavily to amplify its investments. This practice increased the bank's risk exposure and made it vulnerable to even minor market downturns.

What Killed Lehman Brothers?

The immediate trigger for Lehman's collapse was the failure of the Federal Reserve to provide a bailout. On September 15, 2008, Lehman filed for bankruptcy after failed negotiations with Bank of America and Barclays.

The Conclusion of the Collapse

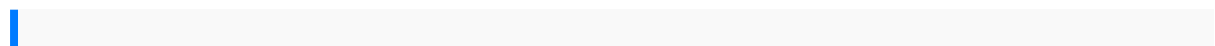
The collapse of Lehman Brothers had a devastating impact on the global economy. It triggered a loss of confidence in the financial system and accelerated the downward spiral of the housing market. The crisis eventually led to the Global Financial Crisis of 2008-2009, the worst economic downturn since the Great Depression.

Main Reasons Lehman Brothers Failed

- 1. Subprime Mortgage Exposure:** Lehman's excessive investment in subprime mortgage-backed securities exposed it to massive losses when the housing market collapsed.
- 2. Excessive Leverage:** The bank's use of leverage amplified its risk exposure, making it vulnerable to small changes in market conditions.
- 3. Lack of Risk Management:** Lehman's risk management practices were inadequate, failing to recognize and mitigate the risks associated with its investment strategies.
- 4. Government Reluctance to Intervene:** The Federal Reserve's decision not to provide a bailout was the final nail in the coffin for Lehman Brothers.

Lehman Brothers Now

The remains of Lehman Brothers were acquired by Barclays Capital in 2008. Today, the Lehman name lives on only in the form of a small asset management company, Lehman Brothers Asset Management.



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