

The Lehman Brothers: The Aftermath

By: Alyssa Van Hyfte

The fall

- The fall of Lehman brothers marked the failure of the fourth largest investment bank in 2008.
- Lehman Brothers, Fannie May, Freddie Mac and AIG comprised the list of colossal bank failures that perpetuated the current and upcoming American economic crisis.

The Paper impact

- LEH's bankruptcy marked a panic amongst companies with stake in commercial paper, with this downfall brought companies to the dredges of fiscal calamity.
- With the commercial paper market stunted, this brought an immediate and colossal impact upon massive amounts of businesses and individual economies.

World trade plummet

- The World Trade Organization experienced drastic changes in volume, and thus shrunk at an alarming rate.
- Tremors now had reached a global scale with the slow downturn of global trade.

| | Year before the Lehman Brothers Shock | | | First Year after the Lehman Brothers Shock | | | Second Year after the Lehman Brothers Shock (forecast) | | |
|---|---------------------------------------|------------------------------|--|--|------------------------------|--|--|------------------------------|--|
| Country or Region | (1) Exports to the U.S. | (2) Imports from the U.S. | (3) Bilateral trade balance with the U.S. | (4) Exports to the U.S. | (5) Imports from the U.S. | (6) Bilateral trade balance with the U.S. | (7) Exports to the U.S. | (8) Imports from the U.S. | (9) Bilateral trade balance with the U.S. |
| People's Republic of China | 337 | 71 | 266 | 300 | 63 | 237 | 333 | 85 | 248 |
| Rest of East Asia | 233 | 130 | 102 | 168 | 96 | 72 | 191 | 119 | 71 |
| Rest of the World (excluding East Asia) | 1,581 | 1,097 | 484 | 1,126 | 899 | 227 | 1,284 | 1,007 | 277 |
| World | 2150 | 1298 | 852 | 1594 | 1059 | 535 | 1807 | 1212 | 595 |

My Opinion

- The downturn and failure of Lehman brothers was inevitable. Due to the drastically sinking mortgage crisis, investment banks, were the first to be hit and the hardest to be hit. The failure of Lehman Brothers marks the perpetuation of a global wide stagger, an uneasiness in which changed various economies. Although, our economy, any economy in fact is not foreign to downturns, that's the essence of an economy. We try to control, to obfuscate, to deal, persuade, and hope for fortunes in our favor, but various times throughout American business history we are proved that the economy does not live in a vacuum, and we are not the all powerful beings we wish to be. Lehman Brothers will forevermore be a business with humble family roots in Alabama, reaching to the promise and risk of New York City; a once independently owned dry goods shop turned into one of the 21st centuries largest investment banking firms. It's our history, perhaps an unfortunate reality, and a legacy of a brotherhood of Bavarian entrepreneurs. We move forward from this aftermath and engage, learn, and examine the mistakes of the past, and look towards our future.

Citations

- "The Lehman Shock." *The Daily Beast*. Newsweek/Daily Beast, 13 Sept. 2009. Web. 01 Dec. 2012. <<http://www.thedailybeast.com/newsweek/2009/09/14/the-lehman-shock.html>>.
- "Economy In Recession: The Cost Of Allowing Lehman Brothers to Fail." *The Inspired Economist*. N.p., n.d. Web. 01 Oct. 2012. <<http://inspiredeconomist.com/2008/10/15/economy-in-recession-the-cost-of-allowing-lehman-brothers-to-fail/>>.