

# Nothing Is Too Big to Fail: The Collapse of Lehman Brothers and the Global Financial Crisis

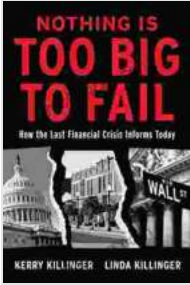


On September 15, 2008, Lehman Brothers Holdings Inc., the fourth-largest investment bank in the United States, filed for Chapter 11 bankruptcy protection. The collapse of Lehman Brothers was the largest bankruptcy in U.S. history at the time and was a major turning point in the global financial crisis.

**Nothing Is Too Big to Fail: How the Last Financial Crisis Informs Today** by Linda Killinger

★★★★★ 4.1 out of 5

Language : English



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Text-to-Speech	: Enabled
Enhanced typesetting	: Enabled
X-Ray	: Enabled
Word Wise	: Enabled
Print length	: 565 pages
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Screen Reader	: Supported



## Causes of the Collapse

The collapse of Lehman Brothers was caused by a number of factors, including:

\* **Subprime mortgage crisis:** The subprime mortgage crisis began in 2007 when subprime mortgages, which are mortgages made to borrowers with poor credit histories, began to default. This led to losses for banks and other financial institutions that had invested in subprime mortgages. \*

**Credit default swaps:** Credit default swaps are financial instruments that allow investors to protect against the risk of default on bonds or other debt obligations. Lehman Brothers was a major seller of credit default swaps, and the collapse of the subprime mortgage market caused the value of these swaps to plummet. \*

\* **Lack of liquidity:** Lehman Brothers had a large amount of debt and was unable to raise new capital during the financial crisis. This made it difficult for the firm to meet its obligations and eventually led to its collapse.

## Impact of the Collapse

The collapse of Lehman Brothers had a significant impact on the global financial crisis. It caused a loss of confidence in the financial system and led to a tightening of credit conditions. This made it more difficult for businesses to borrow money and invest, which slowed economic growth.

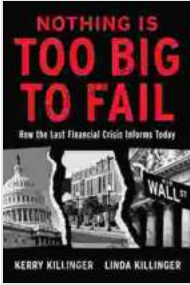
The collapse of Lehman Brothers also had a major impact on the U.S. government. The government was forced to bailout several major financial institutions, including Citigroup and Bank of America. This bailout cost taxpayers billions of dollars and increased the national debt.

## **Lessons Learned**

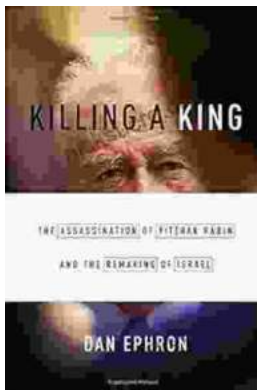
The collapse of Lehman Brothers taught us a number of important lessons about the financial system. First, it showed us that even the largest financial institutions can be vulnerable to collapse. Second, it showed us that the financial system is interconnected and that the failure of one institution can have a ripple effect on the entire system. Third, it showed us that the government has a role to play in preventing financial crises.

The collapse of Lehman Brothers was a major turning point in the global financial crisis. It caused a loss of confidence in the financial system and led to a tightening of credit conditions. This made it more difficult for businesses to borrow money and invest, which slowed economic growth. The collapse of Lehman Brothers also had a major impact on the U.S. government, which was forced to bailout several major financial institutions. The crisis taught us a number of important lessons about the financial system and the role of the government in preventing financial crises.

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