

# Lehman Ten Years On

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Why does Lehman matter?

- US lessons: TARP
- European lessons: “a clear lesson: We cannot allow the bankruptcy of a euro member state like Greece to turn into a second Lehman Brothers.”

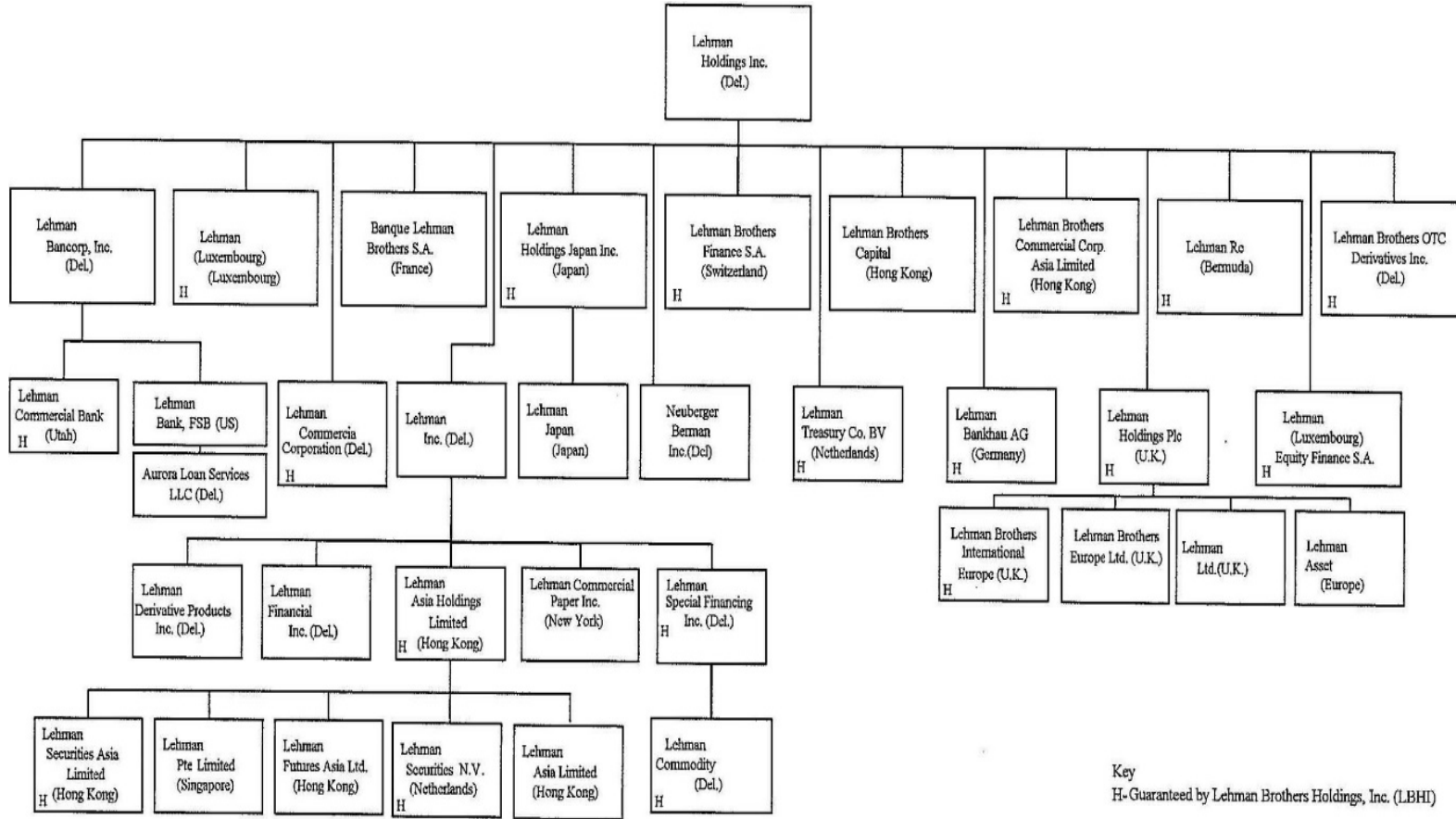
# Narrative shifts

1. Minsky – Kindleberger
2. Great Depression
3. Peer Steinbrück: “The US will lose its status as the superpower of the global financial system.”

xìng zai lè huò

# Too big to fail?

Harvey Miller (2009): “All the accumulated information in Lehman's systems totals 2,000 terabytes of data, an amount that would completely fill 20,000 computers to the maximum. This vast sea of information spreads across 2,700 software systems applications and is dispersed throughout ledger accounts in the numerous subsidiaries ... The financial information must be retrieved ... and collated and cross-referenced for accuracy and consistency.”



Key  
 H- Guaranteed by Lehman Brothers Holdings, Inc. (LBHI)

# Citigroup

- 2000 subsidiaries, operated in more than 100 countries, employed more than 300,000 people.
- 60 different IT systems that were not mutually compatible.
- SEC: “Over a period of approximately ten years, from 2002 through 2012, CGMI [Citigroup Global Markets]’s monitoring of its trading, including proprietary trading, was inadequate because CGMI did not monitor thousands of trades executed by several of its trading desks.”

# Deutsche Bank

John Cryan "Strategy 2020" plan, October 2015: cut the bank's operating systems from 45 to four; but 2018 still 32

COO Kim Hammonds 2018: “vastly complex,” “most dysfunctional place she's ever worked.”



# Governments and international coordination

- Greece: 21 pensions systems (2013)
- European Union: 2016 Union Customs Code (UCC), but still 28 computer systems

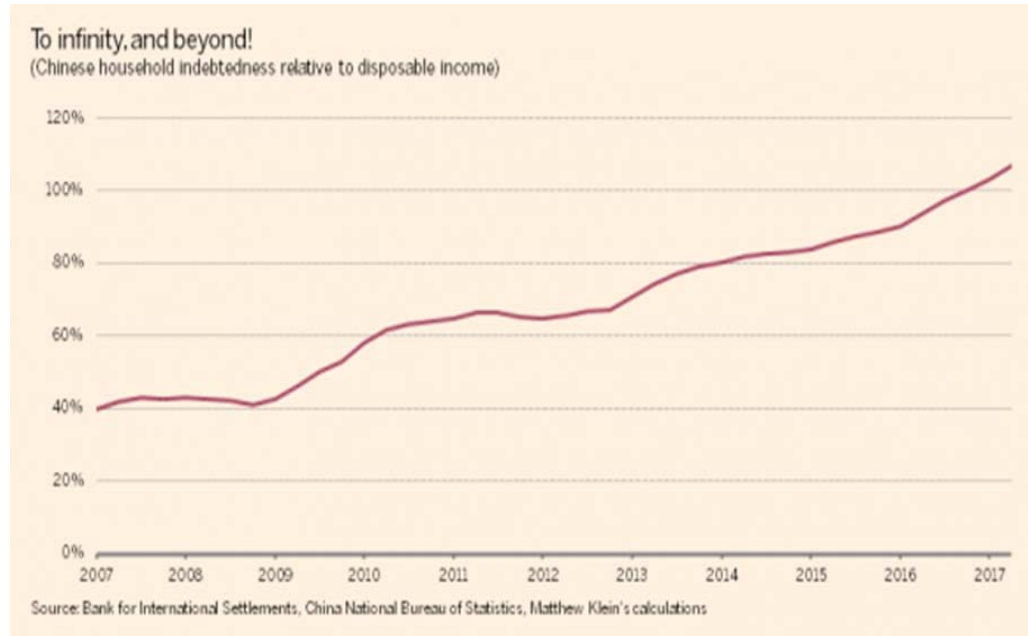
# Historical Parallels

- 1931 Danat Bank (Darmstädter- und Nationalbank) and relationship with Deutsche Bank: Chancellor Heinrich Brüning
- October 1907 financial crisis; Paul Warburg

# A new defense?

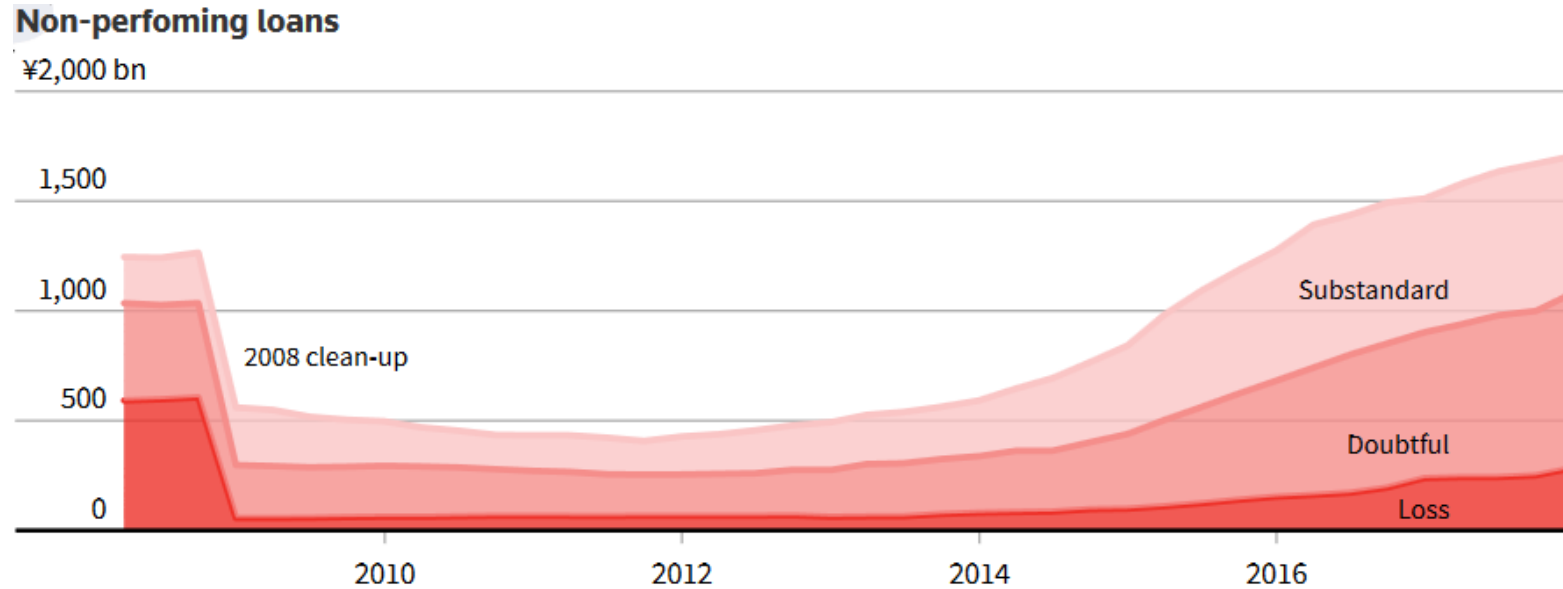
- 1907: “The United States is in fact at about the same point that had been reached by Europe at the time of the Medicis, and by Asia, in all likelihood, at the time of Hamurabi. [...] Our immense National resources have enabled us to live and prosper in spite of our present system, but so long as it is not reformed it will prevent us from ever becoming the financial center of the world. As it is, our wealth makes us an important but dangerous factor in the world’s financial community.”

- “Under present conditions in the United States ... instead of sending an army, we send each soldier to fight alone.”
- Need to “create a new and most powerful medium of international exchange – a new defense against gold shipments.”



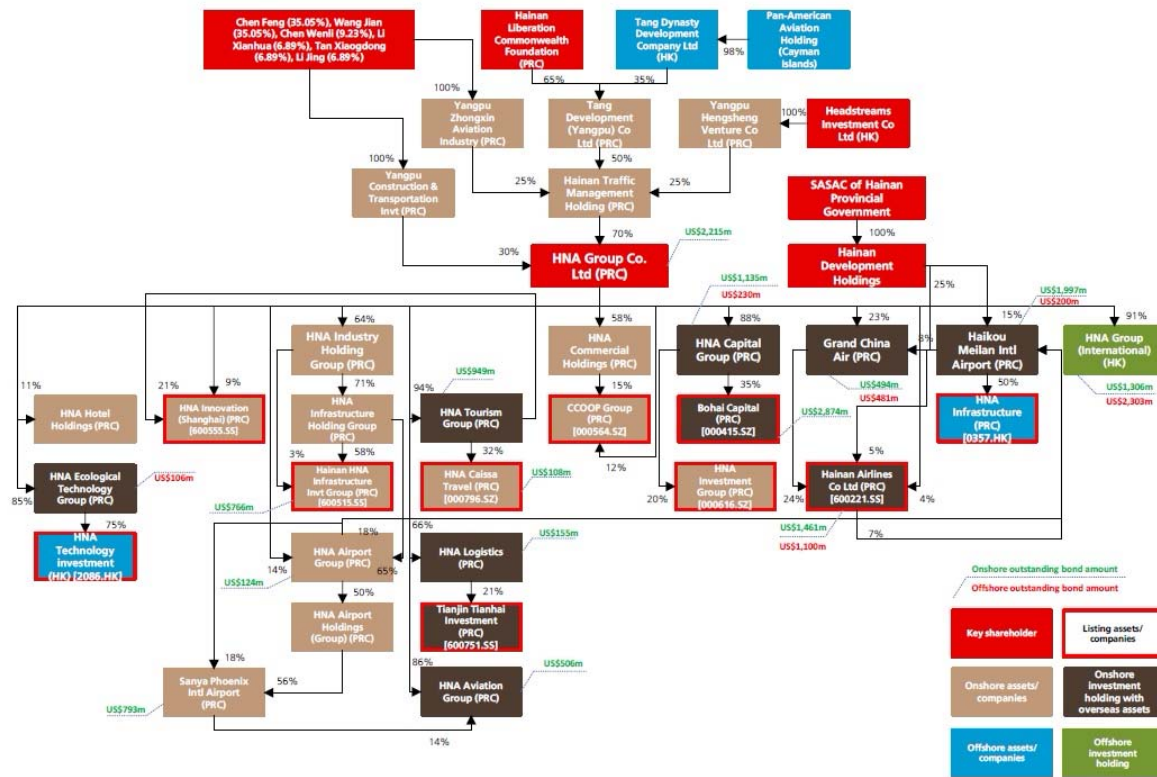
<https://ftalphaville.ft.com/2018/03/06/2199125/chinas-household-debt-problem/> (March 6, 2018)

# China NPLs



<http://fingfx.thomsonreuters.com/gfx/rngs/CHINA-DEBT-GRAPHIC/0100315H2LG/>

# HNA as a mystery



<https://ftalphaville.ft.com/2018/02/23/1519404195000/HNA-via-GAR--The-mystery-of-Deutsche-Bank-s-largest-shareholder/>

1. Large institutions survive
2. Complexity as a mechanism for resilience
3. “Populism” as a backlash against experts