



Applied Financial Economics >

Volume 22, 2012 - [Issue 5](#)

6,704 22

Views | CrossRef citations to date | Altmetric

5

Original Articles

# The failure of Lehman Brothers and its impact on other financial institutions

Mark Anthony Johnson & Abdullah Mamun

Pages 375-385 | Published online: 29 Nov 2011

Cite this article <https://doi.org/10.1080/09603107.2011.613762>

Sample our Economics, Finance, Business & Industry journals, sign in here to start your access, latest two full volumes FREE to you for 14 days

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

## Abstract

The failure of Lehman Brothers in 2008 was the largest bankruptcy in US history. Financial markets did not respond well to the news of this bankruptcy filing as the Dow Jones Industrial Average (DJIA) declined by more than 500 points by the end of the trading session that day. We identify key dates surrounding the final months of Lehman Brothers' existence and study the wealth effects experienced by shareholders of other financial institutions' stocks. At one of the first signs of trouble for the 158 year old investment bank, we find that when Lehman Brothers announced their first quarterly loss, the stocks of depository institutions and primary dealers declined. Ultimately, on 15 September 2008 when Lehman Brothers filed for bankruptcy, the stocks of banks and primary dealers declined by  $-2.90\%$  and  $-6.00\%$ , respectively, and were the biggest losers that day. We also study how the size of the depository institutions may have played a role in the adverse effects they experienced surrounding Lehman's troubles. We present evidence that it was primarily large banks, savings and loans and brokerage firms who were impacted the most.

Keywords:

too big to fail

banking crisis

event study

JEL Classification::

G21

G28

E58

# Notes

## Related research

People also read

Recommended articles

Cited by  
22

## Information for

Authors

R&D professionals

Editors

Librarians

Societies

## Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

## Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

## Help and information

Help and contact

Newsroom

All journals

Books

## Keep up to date

Register to receive personalised research and resources by email

 Sign me up

