

LEHMAN BROTHERS, 1844~2008

THE LAST OF THE IMPERIOUS RICH

PETER CHAPMAN

Author of Bananas: How the United Fruit Company Shaped the World

THE LAST OF THE

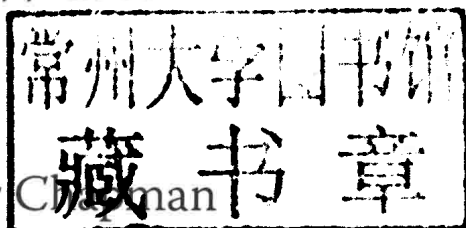
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To Marie, Alex, and Pepito

Grabbing and greed can go on for just so long,
but the breaking point is bound to come sometime.

—HERBERT LEHMAN,
partner at Lehman Brothers, 1908–28;
governor of New York, 1933–42; senator from New York, 1949–57

**THE LAST OF THE
IMPERIOUS RICH**

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CONTENTS

1	Alabama Fever	1
2	"It's All Over"	23
3	Stuff of Dreams	48
4	Flying	76
5	Crash	99
6	A Little News and a Little Noise	130
7	"Aristocrat of the Autocrats"	159
8	Traders	184
9	"Call me Dick"	212
10	"Sad in Some Respects"	240

Acknowledgments 275

Notes 277

Index 295

Alabama Fever

Henry Lehman arrived in New York on a ship from Europe on September 11, 1844. The activity and noise that greeted him often shocked immigrants as they approached Manhattan Island after weeks on the open sea. Steam-driven ferries plowed across the harbor, traveling to and from Brooklyn, Staten Island, and Hoboken, New Jersey. Rowboats and sailboats swarmed the area, their handlers shouting offers to passengers of any incoming ship to come with them and avoid waiting until their ship had docked. Innkeepers climbed on board touting the charms of the accommodation they had to offer onshore. Reporters came too, armed with notebooks and pencils, seeking stories from the Old World.

Friedrich Gerstäcker, a twenty-seven-year-old immigrant who had arrived in America from Germany seven years before Henry, recorded his first impressions of New York in a letter to his mother in Leipzig. "Delicious was the sight of the land shining in fresh green, with lush forests and splendid houses," he wrote. "With forts to the right and left, protecting the harbor, above us a friendly blue sky, beneath us softly murmuring waves."

When Henry arrived, there was no single place that handled newcomers. The old fort of Castle Garden at the southern tip of Manhattan did not become an immigrant receiving center until 1855, and Ellis Island did not replace it until thirty-seven years after that. Henry landed at one of the passenger receiving docks on the three- to four-mile stretch along the East and Hudson rivers. Immigration procedures were lax. The federal government left the administration of such tasks to the individual states and only required that a ship's captain present a list of the people he had brought with him. Henry arrived aboard a ship called the *Burgundy* and was one on a list of 149 passengers. Two of his fellow travelers apparently

failed to complete the journey; crosses are marked near their names, in the column “Died on the Voyage.”

The *Burgundy* passenger list named him as Heyum Lehmann, but in America he became the far more anglicized Henry. Whether as a result of a spelling mistake by an immigration official or by his own choice, his family name took on a less German look by dropping the final “n.” At some stage its pronunciation also changed, from the Germanic “Lay-man” to its common form in America, “Lee-man.”

Henry was far from alone in seeking a new life in America, and with the inflow of migrants, the population was rising quickly. In 1840, the twenty-six states of the Union had a population of seventeen million; by 1850 America would have thirty states and over twenty-three million people, an increase of more than a third. The United States was mainly an agricultural country, and cotton, its principal export, was grown in the South. But the rise of industry attracted many migrants to the cities. New York was the largest, its population about three hundred thousand in 1840. Brooklyn, which lies to the east and was, at the time, considered a separate city, was the seventh largest, with a population of thirty-six thousand. In the 1840s, New York’s population rose by two thirds and Brooklyn’s far more than doubled.

All the new migrants came with their hopes and dreams and helped in their own ways in building modern America. Henry would contribute more than most. As the first of the Lehman family to arrive in the United States, he would set up an enterprise that became one of the world’s most reputable banks. It would last for 158 years, and over that time its history mirrored the ascent to wealth and world leadership of the United States. Its story, furthermore, would provide a precise reflection of the ebbs and flows, and the rises and falls, of the American Dream.

For most migrants their immediate dream was to shed their past and start again. Most were making their escape from Europe’s despotic princes and kings. Henry came from Bavaria, which, though now part of Germany, was then a separate state run by King Ludwig I, an autocrat with a penchant for mistresses—and for the restoration of old monasteries that had fallen into disuse and taxing his people to pay for them. The United States provided a sense of protected separateness that suited the new immigrants. In 1823, President James Monroe had declared the Monroe Doctrine, which instructed foreign regimes to keep out of the Americas.

This was aimed at the monarchies of Spain, France, Russia, and Prussia, which in Monroe's time were thought to be hatching plans to help Spain regain the empire it had lost in South America. Spain still controlled Cuba and Puerto Rico in the Caribbean. Given that the new immigrants had no fondness for the governments they had left behind, they found common cause with American citizens of longer standing who, with their collective memory of throwing out the British in 1776, similarly valued their autonomy.

As the United States expanded west and south, the nation concentrated its plans for territorial growth on the American continent. In 1844 the government in Washington debated whether to annex the independent Republic of Texas—which had broken away from Mexico—as the twenty-seventh state. While the politicians talked, Florida beat Texas to the punch and won statehood six months after Henry arrived. Spain had ceded Florida to the United States in 1821, and after more than twenty years of running battles with the Seminole Indians, Washington deemed it safe to enter the Union.

The United States also spied opportunities beyond the Americas. In July 1844 it had signed the Treaty of Wanghia with China, with the aim of beginning trade between the two countries. Until two years before, China had shunned all commerce with the outside world and had only changed its mind when the British launched the Opium War, which forced China to buy British opium from India. With the opening of the Chinese market, the United States feared that the established Great Powers of Britain, France, Russia, and Prussia would grab the bounty. President John Tyler dispatched a mission to China led by Caleb Cushing, a Massachusetts lawyer. It took 208 days to sail to China, and he waited for weeks in Macau, the territory near the British redoubt of Hong Kong, before Chinese government representatives would meet him.

As expansion of trade caused the world to shrink, so did astounding advances in communications. A little less than four months before Henry Lehman came to America, on May 24, 1844, Samuel Morse successfully tested his telegraph system. He had tried it two years earlier via a cable laid in New York harbor, but a ship's propeller had cut the cable. Morse worked to overcome the vulnerabilities of technology and eventually managed to send a message between Washington, DC, and Baltimore. His words had an ominous tone: "What hath God wrought?"

In social affairs, Sojourner Truth had in 1843 become America's first famous black woman orator when she traveled widely throughout New England and the Midwest to speak out against slavery. In literature, Herman Melville returned to Boston three months after Henry's arrival, following several years abroad. His tales from the world's distant whaling zones inspired his epic work of American literature, *Moby-Dick*, which was published in 1851.

Henry Lehman probably stepped on land to the customary melee that greeted new arrivals. Boardinghouse runners attempted to lure immigrants to decrepit lodgings where they would be charged exorbitant rates. Immigrant societies, Germans, Irish, and others, would have representatives on hand to greet newcomers. They would buttonhole anyone whose provenance they recognized and urge them to move on and out of this pitiless city.

None of them need have wasted their effort on Henry. He was new to this place but not naively "just off the boat." He had been a cattle dealer and wine merchant in Bavaria and so had the haggling skills required to get a fair price for a room. He was twenty-two years old, unmarried, and, according to Roland Flade, a German journalist who chronicled the Lehman family in his book *The Lehmans, From Rimparr to the New World: A Family History*, probably traveling with two friends, Meyer and Arnold Goldschmidt, who were of similar age and disposition. The three did not intend to stick around New York for long. Meyer, twenty-four, and Arnold, eighteen, were from a village a few miles from the small town of Rimparr where Henry had lived, and they were on their way to see relatives in the South. A Goldschmidt family member had moved there from Bavaria a few years before and set up business as a merchant under his changed name of Goldsmith in Mobile, Alabama.

As they waited for their boat to Mobile, Henry and his companions may well have had some time to spare in New York. They possibly visited or even stayed in the area north of what is now Division Street and east of the Bowery, where a large number of Germans lived. It was known as Kleindeutschland, "Little Germany." Despite its ethnic makeup, the area was quite unlike the environment that Henry came from in Germany. Rimparr was in an area of hills covered by fields, gardens, and vineyards, while Kleindeutschland was very much urban New York. Tenements five stories high housed sometimes more than twenty families. Just the year before, in 1843, the Association for Improving Conditions of the Poor

described the tenements as “generally defective in size, arrangement, supplies of water, warmth and ventilation.” In about fifty years’ time one of Henry’s nephews, Herbert H. Lehman (the H stands for “Henry”), would take a great interest in such districts of the city and work in them as a community organizer. Later in the 1920s and ’30s he would be President Franklin D. Roosevelt’s right-hand man, assigned to create the reform and welfare programs of the New Deal.

By 1840 New York’s northern perimeter had stretched to Fourteenth Street. Immigrants had flooded in to occupy the old downtown areas of the Lower East Side, and established city dwellers had expanded the city’s boundaries to the north and west. Low-lying land-filled areas of Manhattan near the East River were known as “the swamp.” They were not conducive to healthy living, especially in warmer months, and richer and middle-class families hastened to the city’s outskirts. Epidemics helped chase them away, including a yellow fever outbreak that occurred about two decades before Henry came.

People who traveled into town from the city’s edges used omnibuses, horse-drawn communal passenger vehicles that followed fixed routes and were often painted colorfully. Their owners gave them names like George Washington and Lady Washington. Men commuted in them to work and women to shops on lower Broadway in them. When they finished, they left quickly. Only the poor stayed downtown at night. The famed gangs of New York had not achieved their renown of later years, but that would come by the end of the decade, when local resentments and large-scale Irish immigration led to battles between gangs such as the Bowery Boys, the Plug Uglies, and the Dead Rabbits.

Aside from the shopping expeditions of the middle class, very few women were seen in the streets. On Wall Street, the central banking area, they were a rarity at any time. The sight was enough to rouse traders from their posts to gawk and bring the stock market to a halt. Further on—after the crash of 2008—some people commented that had Wall Street, the City of London, and other financial centers employed more women, the average testosterone levels might have been sufficiently lowered to prevent the disaster. Lehman Brothers possibly would never have disappeared had it been “Lehman Sisters,” suggested Neelie Kroes, the European Union’s equality commissioner. If that were true, the rot in New York’s financial district had set in by the 1840s.

When Henry Lehman first saw New York, it was still many years before skyscrapers were a feature of city architecture. But Trinity Church, at the west end of Wall Street, was in the process of becoming an important part of the skyline. Severe snow in the winter of 1838–39 had damaged the church badly, and reconstruction was under way. Completed in 1846, Trinity's spire became the highest point in New York, at 281 feet.

Whether his first impressions of America made Henry homesick for Bavaria is uncertain, but they probably did not make him regret leaving. Rimpar was located halfway between Nuremberg and Munich and a few miles from Würzburg, the largest town in the area. Rimpar's most prominent feature was Grumbach Castle in the heart of town, built in 1600. With a rounded turret at one end, Grumbach looked less like a traditional four-square castle with a surrounding moat than an overbearing cathedral. This was perhaps no coincidence given that the local potentates who initially occupied it—before it passed into the ownership of the Bavarian king in the eighteenth century—were officially known as prince-bishops. Rimpar, indeed Bavaria, lived in the despotic shadow of both the local monarchy and the Roman Catholic Church.

The town's 120 Jews—out of a total population of 1,300—lived there at the sufferance of Rimpar's royal rulers and their ecclesial counterparts. Both were glad to have them around as taxpayers; the Jewish community paid as much for the welfare of the Roman Catholic priest, for example, as for the upkeep of the Jewish cemetery. But law dictated where Jews lived, and that only the oldest boy of a family could remain in the town into adulthood. Henry was the sixth of ten children and the second-oldest brother. He was always going to have to leave.

Abraham and Eva Lehmann, Henry's parents, had given him a broad education. Like his brothers and sisters, Henry attended Rimpar's Jewish school in the morning and Roman Catholic school in the afternoon. He learned how to assimilate and inherited commercial skills from his family's merchant background. Seligmann Löw, his grandfather, had been a *Kleinhändler*, a "petty trader" or retailer, traveling the highways of Germany. He sold grain, skins, and wool that he bought from farmers, as well as luxuries such as spices that he purchased at trade fairs in cities like Leipzig and Frankfurt. He rose to be a member of the Jewish upper middle class. Henry's father was able to lead a more settled existence as a

cattle trader and wine merchant. Henry started working for him as soon as he left school at the age of fourteen.

Henry had the breeding to travel and incentive to go beyond the petty world of Bavaria and its fellow German fiefdoms. There was, as yet, no grand German design or Count Otto von Bismarck of Prussia to unify the German states as one nation. This Bismarck would eventually do by waging war in the 1860s and '70s. From Berlin, its capital, Prussia was the strongest of the states, but Germany itself remained little more than a geographical expression. Each of its component states was rigidly stuck in its sense of *Heimat*, or homeland, and Jews were not part of it.

Bavaria was also torn between being a German state and its attachment to Austria, its southern neighbor. Culturally and linguistically, as well as geographically, the two were close. But Austria's old imperial regime was in a state of collapse; political movements in the 1840s in parts of the Austrian empire such as Hungary demanded independence. So, too, did those in Germany. In 1844 Ludwig I's cravings for money led to his putting a tax on beer, which set off riots in many areas of Bavaria. The signs also pointed to a bad harvest that year and poor prospects for the countryside in general. Henry made his decision to go.

Stories had traveled back from the New World of its possibilities and wide-open spaces. The Oregon Trail had recently opened, with the frontiersman Kit Carson making a name for himself thanks to his explorations in such areas as Colorado, California, and the Pacific Northwest. But German people had been learning about America's promise for years. In 1829 Gottfried Duden, a German graduate in law and medicine who had settled in the territory of Missouri, had his book *Report on a Journey to the Western States of North America and a Stay of Several Years Along the Missouri (During the Years 1824, '25, '26, and 1827)* published, his account of a democratic life free of the kind of restrictions suffered by individuals in Germany. In 1837 *Die Allgemeine Zeitung des Judentums*, a new Jewish periodical in Germany, reported on groups that had left for America and how they were getting on.

Rimpar was a river settlement on the Main, which linked to the Rhine, and from there the way was open to the sea. More travel agents had set themselves up to take advantage of a growing business opportunity as people left for America. Increasing trade between Europe and America

also helped; ships like the *Burgundy* that took Henry were sailing ships coming to Europe from the Americas laden with cotton, tobacco, and other products. They had space available in their holds for migrants wanting to make the westward trip.

Henry would be the first person to leave Rimpf for America, though from all around Germany the tide of migrants was rising. Leopold Sonnemann, founder of the German newspaper *Frankfurter Zeitung*, witnessed the departure of people like Henry. “[E]migration became a mass phenomenon,” he wrote in his memoirs. He watched parents say good-bye to their grown-up children on sad, sun-drenched summer evenings in villages and towns being denuded of their youth: “[P]robably the most skillful and vigorous elements of the population” were leaving. He observed how brave they were. Migrants like Henry lived a long way from the sea and were journeying into what for them was the complete unknown. “[T]o the inlander,” wrote Sonnemann, “the trips seemed like what a North Pole expedition would be today.”

Having sailed from Rimpf to Mainz, Henry took another boat to Rotterdam in the Netherlands, and yet another along the north European coast to the French port of Le Havre. He boarded the *Burgundy* in late July for a transatlantic crossing that took between five and six weeks. Journeys were cramped, dark, stuffy, and miserable. Storms, sometimes hurricanes, had to be braved. Deaths onboard and burials at sea were common. Whole families might travel, including young children and the elderly. Later and sentimental characterizations of these people as “poor” and “huddled masses” did them no service. They were proud and dignified, the enterprising ones and the risk takers. Anything less and they would have stayed at home.

Henry Lehman probably knew that going to America amounted to a tough bargain: You might never complete the journey; once there you might not make a success of yourself and go under. But if you worked you had every chance of making it. And who would not work? Why would anyone make the effort of pulling up his roots and getting on a boat to the unknown if his intention was to cruise through life on the other side?

The American Dream was not a romantic notion for the likes of Henry. You did not ask for much and were grateful for what you got. Work would bring its own reward, and there would be no chance of its being stripped away at the whim of feudal princes. That was the great thing about the

United States—there were few nuances, no weird signals or moods to be read that might presage some officially sanctioned pogrom. Matters were practical, solid; you could build on this kind of foundation.

It is not known when exactly, but Henry and the Goldschmidts—probably now the anglicized Goldsmiths—boarded a ship in New York bound for Mobile. Sailing down the eastern seaboard, the vessel ran the often stormy seas off Cape Hatteras, rounded Florida into the Gulf of Mexico, and headed for the coast of Alabama. Henry and his friends would have had a mounting feeling of excitement—and apprehension. Alabama: The word itself had an alliterative ring and a sense of driving on. Add an exclamation mark and it was almost a war cry.

Henry Lehman provided no written account of his journey to America, but there were a number of possible factors that drew him to the South. It was a rural area and he came from a farming background. He also had contacts there through the Goldsmiths. But doubtless he was drawn by cotton. This was the time when cotton production dominated the South. Cotton exports from the Southern states had flooded into Europe, including Germany. The German city of Mainz, not far along the Main from Rhipar, had been a textile center since the Middle Ages; Johannes Gutenberg had developed his printing press there in the fifteenth century using compressed fabric for paper. Cotton was a familiar commodity in Bavaria, and many Jewish cotton weavers worked in Rhipar and its surrounding villages.

Cotton was the lifeblood of America as far as its trade with the outside world was concerned. When Henry arrived in Mobile, he would have seen the docks piled with bales awaiting shipment to mills in Europe or the American Northeast. Mobile dispatched much of the cotton that went to Germany. The city had experienced remarkable growth, and with a population of twelve thousand was by far the largest settlement in Alabama; “a place of trade and nothing else,” wrote a traveler cited by Roland Flade in *The Lehmans*. “[T]he quays are crowded with shipping, and in amounts of exports it is inferior only to New Orleans.”

Alabama had entered the Union in 1819, and from the 1820s “Alabama fever” had gripped the Southern states. People from elsewhere in the South—notably Kentucky and the Carolinas—had seen their lands steadily exhausted and found themselves drawn by the allure of Alabama’s rich soil. Caravans of slaves, mules, household goods, and their owners had