A year after the bankruptcy of Lehman Brothers on September 15, 2008, questions still swirl around its collapse. Lawrence MacDonald, whose book A Colossal Failure of Common Sense came out in July 2009, maintains that the bank was not in substantially worse shape than other major Wall Street banks. He says Lehman was just "put to sleep. They put the pillow over the face of Lehman Brothers and they put her to sleep." The question is, why?   Although Lehman Brothers filed for bankruptcy on Monday, September 15, 2008, it was actually "bombed" on September 11, when the biggest one-day drop in its stock and highest trading volume occurred before bankruptcy. Lehman CEO Richard Fuld maintained that the 158 year old bank was brought down by unsubstantiated rumors and illegal naked short selling. Although short selling (selling shares you don't own) is legal, the short seller is required to have shares lined up to borrow and replace to cover the sale. Failure to buy the shares back in the next three trading days is called a "fail to deliver." Christopher Cox, who was chairman of the Securities and Exchange Commission in 2008, said in a July 2009 article that naked short selling "can allow manipulators to force prices down far lower than would be possible in legitimate short-selling conditions." By September 11, 2008, according to the SEC, as many as 32.8 million Lehman shares had been sold and not delivered – a 57-fold increase over the peak of the prior year. For a very large company like Lehman, with plenty of "float" (available shares for trading), this unprecedented number was highly suspicious and warranted serious investigation. But the SEC, which was criticized for failing to follow up even on tips that Bernie Madoff's business was a ponzi scheme, has yet to announce the results of any investigation.

More...