

Bear Stearns—the Decline and Fall of the Storied Investment Bank

Michael Hughes
Rachel Gaster
Alex Warr

Bear Stearns & Company was a titan of Wall Street until its sudden demise in 2008. After nearly 85 years in business, the financial crisis of 2006-2008 finally struck the death knell for the storied firm. Established in 1923, Bear Stearns grew to employ over 15,500 people, worldwide by 2007. Fortune Magazine selected Bear Stearns as the "Most Admired" securities firm in its 2005–2007 "America's Most Admired Companies" survey. Fortune also ranked Bear Stearns as the second overall in the securities firm category. The company was unique in that it consisted of primarily Jewish traders who loved to play bridge. They developed the Bear Stearns mission to simply making money, which they did effectively and consistently over the firm's long history. Nonetheless, while the company did very well for nearly 85 years, it was their highly leveraged style of financing that set the stage for the eventual liquidity crisis that they could not escape from. This paper examines Bear Stearns history, their investment philosophies, and the decisions and behaviors that eventually resulted in their demise and buyout by JPMorgan Chase for a \$2 per share, after the firm had been valued at over \$133 per share just a few months earlier.