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Donald Trump's false claim that John Kasich 'helped' Lehman Brothers 'destroy the world economy'

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"John Kasich helped Wall Street predator Lehman Brothers destroy the world economy."

—voiceover in Donald Trump campaign ad, released March 11, 2016

Trump appears to be ramping up his rhetoric ahead of the March 15 Ohio primary. The Republican front-runner previously has made similar attacks over Kasich's tenure at Lehman Brothers, but rarely so dramatic as blaming the Ohio governor for the collapse of the investment banking firm and helping start a global financial crisis. So we were curious to know exactly what Kasich's role was in the fall of the Wall Street giant. Trump's campaign, as usual, did not respond to our inquiry.

The Facts

Lehman Brothers filed for bankruptcy protection on Sept. 15, 2008, sending shock waves through the global financial system. Even today, financial experts debate whether the financial crisis could have been averted had the government stepped in and arranged for an orderly sale to another investment firm, as it had six months earlier when Bear Stearns also teetered on the edge of collapse because of bad bets in the mortgage-backed securities market. Some argue that the government should have — and could have — saved Lehman and averted the cascading effect across Wall Street and the global economy.

Kasich was hired by the investment banking firm in 2001, long before it went under. He left Congress as House Budget Committee chairman in 2001, and then worked at Lehman for seven years.

Kasich has been criticized over his Lehman connection since his 2010 gubernatorial race, when then-Gov. Ted Strickland and other Democrats accused him of leaving the firm with a bonus while the rest of the country, and Ohio, suffered.

For the most part, Kasich has played down his time at the firm. He now says the experience gave him first-hand knowledge of how private sector leaders create jobs and grow their businesses.

During the 2010 campaign, Kasich had bragged about having been a part of a team that took Google public in 2004. But the Dayton Daily News found Kasich overstated his own involvement and the company's role. Google had hired 28 investment firms to underwrite the initial public offering, and Lehman was the fifth underwriter. The company thus didn't play a significant role in Google's IPO, according to the article. But Kasich did know the founders of Google, and pitched Lehman as a second- or third-tier underwriter.

Kasich says he worked out of a two-man office in Columbus. He was a managing director — one of about 700 in a company of 25,000 — in the investment banking unit, not making risky mortgage investments or offering home loans. He never served on the board, as Trump once claimed during a GOP debate. (Kasich is not listed among the 51 highest paid Lehman employees in 2007.)

Gary Weinstein, former global chief administrative officer for investment banking and Kasich's boss at Lehman, confirmed Kasich's description of his role. Weinstein hired, supervised and mentored Kasich at the firm. After Kasich became Ohio's governor, he appointed Weinstein as a finance industry representative to his 21-member Executive Workforce Board to help restructure Ohio's workforce programs.

Kasich's role as managing director was unique, unlike the others who shared his title. He had no direct experience in investment banking but brought government experience, regulatory perspective, connections and a go-getter attitude, said Weinstein, now retired in Connecticut. Kasich advised companies on various deals and strategic initiatives, like mergers and acquisitions and public offerings.

"He didn't have any insight or oversight on strategic decisions of any kind that related to the firm," Weinstein said.

Other former coworkers have said Kasich used his contacts to facilitate meetings and help generate business for the firm. For example, after Sept. 11 attacks, Kasich brought a working group together with government and venture-capital representatives over technology issues in the Defense Department, Bloomberg Politics reported.

Weinstein compared blaming Kasich for the collapse of Lehman to blaming a pilot for the fall of Trump Airlines, one of several failed business ventures that carried the Trump brand.

"They have a real responsibility. They need to make sure the passengers get where they're going," Weinstein said. "But they don't have anything to do with the financials of the company, the future of the company, the hiring or firing, anything like that. To say that you were a pilot

who flew the route from Boston to LaGuardia on Trump Airlines, and when Trump went under, you should bear that responsibility — a layman would say, what are you talking about?”

It’s worth noting two other claims made in the ad: “Kasich gave Ohio ObamaCare and increased our budget more than any other governor in the U.S.” This is similar to a new ad by Conservative Solutions PAC, a pro-Marco Rubio super PAC. (We fact-checked the two claims when a pro-Jeb Bush super PAC made them, and have written about Kasich’s economic record as governor.)

Kasich has, indeed, allowed Medicaid expansion in Ohio under the Affordable Care Act, or Obamacare, saying it would help Ohio’s poorest residents. He opposed state exchanges under Obamacare and has called for the law’s repeal.

There has been a net tax cut of \$5 billion under Kasich, according to state budget officials. The left-leaning Center for Budget and Policy Priorities found that Ohio ranks among the top five states with the biggest income-tax cuts, as a share of the state’s economy. But as we’ve warned before, it’s difficult to compare one state’s total tax cuts to another because states have varying budget cycles and types of tax revenue.

Kasich received a D in the libertarian Cato Institute’s 2014 Fiscal Policy Report Card, but was praised for his income-tax cuts and the tax reform legislative packages he signed into law. Kasich raised some sales taxes in the state but his income-tax cuts resulted in a net tax decrease in the most recent state budget. His score was dragged down by his spending increases and his decision to expand Medicaid, the report card said.

The Pinocchio Test

Kasich worked at Lehman Brothers, but that’s about all Trump’s campaign gets accurate in this ad about his association with the firm. Kasich had no banking experience prior to getting hired by the firm, and he largely played a facilitator role as managing director. He gave strategic financial advice to other companies and generated business by using his contacts in various sectors – not making risky mortgage investments.

Perhaps one could argue that it’s all part of the Lehman operation. But it’s preposterous and simply not credible to say Kasich, as one managing director out of 700, in a firm of 25,000, “helped” the firm “destroy the world economy.”

Four Pinocchios



