

We would like to thank all of our readers who took the time to read latest policy paper and infographic “Extend and Pretend: Lebanon’s Financial House of Cards.” We are humbled by the level of response and we would like to take this opportunity to respond to those who made suggestions and raised various points for clarification. We have summarised our responses in below in the hope that we can keep the conversation about Lebanon’s economic future moving forward.

Can you provide a simpler infographic that succinctly explains how the crash took place?

We can certainly try. Our simplified version of the infographic is now available on all our social media platforms!

Visualising a topic as complex as a financial system is never an easy task, and as any infographic is simplified, there is a limit to how informative it can be. We encourage all those who seek to find out more about how Lebanon’s elites constructed the financial system that came crashed last October to read the infographic alongside the paper.

More good news: To complement the long-form paper, in the coming days Triangle will release an Arabic version of the infographic along with an opinion piece (in Arabic and English).

Who funds Triangle?

Triangle’s papers and media content are self-funded. We are a private business incorporated in Lebanon which carries out applied research for clients such as UN agencies and other international organizations. Out of the profit we make from this business, we invest in our own policy, research and media content creation and dissemination. At present, Triangle has never received funding from any government, non-governmental, or international body.

Why have we used emotive language such as ‘Ponzi scheme’ and ‘Financial house of cards?’

Triangle aims to bridge the gap between policy making, empirical research, and the media. This means that all of our publications are based on solid academic and investigative research – but we aim to present this information in a way that is comprehensible to largest number of people. Phrases such as “Ponzi scheme” and “Financial house of cards” are accurate ways of describing Lebanon’s economy, in this context.

Throughout the paper we refer to a ‘regulated Ponzi scheme,’ in order to differentiate the system from a classical Ponzi scheme, which would entail fraud. Indeed, Lebanon’s regulated Ponzi scheme was not fraudulent, per se, but relied on precisely the same mechanisms that a classical Ponzi scheme would have: using money provided by investors (in this case depositors) to pay interest to existing customers (in



this case commercial banks) rather than investing the funds (in this case, investing in the Lebanese economy).

The term “CD” is not explained in the text

CD stands for Certificates of Deposit, which are issued by the BDL to commercial banks in return for the banks’ dollar deposits with the BDL. This is explained on page three of the paper.

Imports of oil (EDL) is paid in USD not in LBP

This is certainly true. However, state subsidies to Electricité du Liban, Lebanon’s public sector electricity company, are intended to cover the deficit of the public entity, which is first paid in Lebanese Lira. The infographic does not provide this nuance for purposes of simplicity. We struggled with the best way to portray this accurately and settled on Lira. However, based on the feedback we received from our readers we agree that portraying we need to provide some more nuance. Hence, we have changed the English version of the infographic on our website so that the wording indicates USD. The upcoming Arabic version of the infographic will also reflect this.

In Figure 3, percentages do not sum up to 100%

This figure breaks down the shares of wealth and income in Lebanon. The percentage of wealth (a stock) comes to 101% because of rounding. In terms of income (a flow) the figures do add up to 100%, but they change over time (X-axis = 2005 – 2016), and should be understood as such.

Thank you once again for your feedback and stay tuned for the next edition of our “Who Will Foot the Bill?” working paper series.