

## THE MERC: THE EMERGENCE OF A GLOBAL FINANCIAL POWERHOUSE

By Bob Tamarkin  
Harper Business • 465pp • \$27.50

## LEO MELAMED ON THE MARKETS

By Leo Melamed  
Wiley • 278pp • \$29.95

# FROM PORK BELLIES TO SILK PURSE

Until it changed its fortunes abruptly in 1972, the Chicago Mercantile Exchange was an also-ran in a second-rate industry. The Merc's nickname, "warehouse of the Loop," reflected the trading pits' just reputation for shady deals. Its best-known contract—pork bellies—was more a joke than a global calling card.

Fast forward to 1993. Two decades after the Merc changed the world's capital markets by introducing currency fu-

vision and drive created the financial futures industry, delivers a you-are-there version of the Merc's remaking.

Tamarkin's book casts the Merc as a financial-markets pioneer, from its start as a butter-and-egg exchange to its fight for credibility with money-center banks in the 1970s to its forays into electronic trading. The book recounts two of the Merc's darkest moments—the 1987 stock market crash and the government's 1989 undercover probe of fraud in the pits. It

cent past. Nonetheless, publisher Harper Business seems intent on burying the book's origins. Nothing in *The Merc*, the jacket copy, or the press release that lauds Tamarkin's "no-holds-barred style" reveals the Merc's role. Editor Frank Mount thinks readers shouldn't care. "It's not like this was paid for as advertising for the Merc," he says.

Hmmm. At times, Tamarkin does strain credulity, as when he overlooks the Merc's hyperdefensive response to the FBI sting. He finds no fault with the Merc's decision, after the sting went public, to investigate the trading record of the FBI moles—even though the Justice Dept. saw the Merc counterprobe as a potential obstruction of justice. And he gives Merc leaders a pass on their gloating reaction in March, 1991, when 14 yen traders—roughly half of those indicted—were cleared of most charges. He glosses over a price-rigging scandal in the Merc's onion pit in the 1970s and ignores the love-hate relationship between the Merc and the Board of Trade. Still, readers who want to understand the Merc's key role in global capital markets will find *The Merc* valuable.

Those already familiar with the exchange should enjoy *Leo Melamed on the Markets*, by the chief architect of the Merc's modern era. Melamed realized his vision of a financial futures industry through force of reason and a unique charisma, often conjured during persuasively crafted speeches delivered in a booming tenor to audiences from Capitol Hill legislators to dubious New York bankers to ambitious founders of foreign exchanges. His book brings many of those utterances back to life.

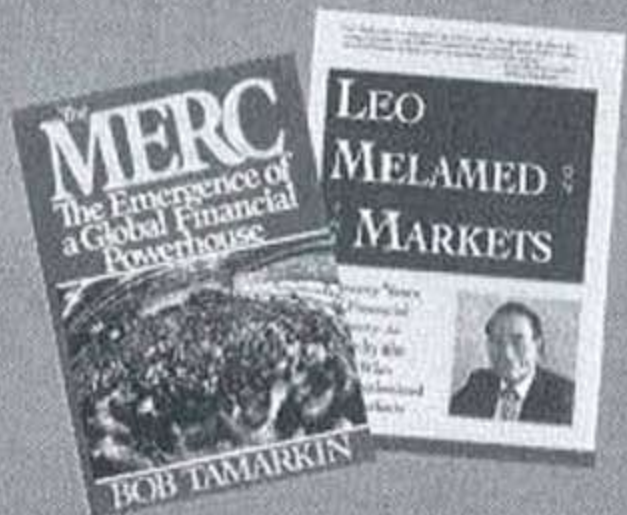
Melamed sets out, rhetorical sample bag in hand, selling the idea of financial futures in the early 1970s. By the '80s, he has warned Congress not to overregulate the markets, taken the futures crusade to Europe, and persuaded Merc floor traders to back Globex, which could one day make pit-trading obsolete.

In a key fight with Congress in which he won the futures industry unprecedented power to regulate itself, Melamed warns against forcing the industry to constantly justify itself to regulators: "Pioneerism needs no economic justification." Today, the people building Chicago's biggest fortunes aren't machine makers, retailers, or hog butchers. They're traders. And today, when people in the world's financial centers talk about Chicago, Al Capone is sometimes the second thing that comes to mind.

BY DAVID GREISING

*Chicago Correspondent Greising co-authored Brokers, Bagmen, and Moles: Fraud and Corruption in the Chicago Futures Markets.*

Two new books chronicle the Merc's transformation into a center for global financial trading



tures, the exchange is a crossroads of global finance. Contracts valued at \$236 billion change hands each day in its raucous pits as traders swap contracts for currencies, stock indexes, and Eurodollars, along with pork bellies and live cattle. The Merc is second to none in the diversity of its contracts or in its progressive approach to technology. Globex, the first exchange-based 24-hour trading system, was created by the Merc and was joined only belatedly by its sibling, the Chicago Board of Trade. No one in finance can afford to ignore the Merc anymore.

Two new books chronicle this transformation. In *The Merc: The Emergence of a Global Financial Powerhouse*, journalist Bob Tamarkin traces the exchange's history since its founding in 1919—with a remarkably even hand, given that the Merc commissioned his work. *Leo Melamed on the Markets*, a collection of speeches by the Merc chairman whose

also chronicles the 1992 introduction of Globex, which brought round-the-clock trading of Merc contracts to investors from Chicago to London to Tokyo.

Tamarkin, whose 1986 *The New Gatsbys* described the go-go escapades of Chicago traders in the 1980s, here shows insight and an eye for detail. Writing about the '87 crash, he catches Ted Koppel, of ABC's *Nightline*, in a lame turn, using the Muppets to explain the market. This he contrasts with vividly evoked panic in office suites in Chicago, New York, and Washington, as pressure-cooked executives contemplated the prospect of market collapse. One memorable scene: Current Merc Chairman John F. Sandner hectoring First Options Corp. into making a margin call of more than \$200 million by threatening to let the media know if the firm failed to pay.

Generally, *The Merc* transcends its sponsorship with its inside look at controversial events in the exchange's re-