

## Leo's mighty roar heard loud and clear

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WASHINGTON—To his admirers and to his critics, Leo Melamed brings to mind the spirit of Butch Cassidy, who told the Sundance Kid, "Why is it I've got vision and the rest of the world wears bifocals?"

Friend and foe point to Melamed's vision, his strong will and his overpowering personality that combined to make him the dominant figure internationally in futures trading since the business exploded in growth in the 1970s.

"Obsessive" is a word he uses to describe himself.

"This is going to create a tremendous vacuum, and we'll miss him terribly," John Damgard, president of the Futures Industry Association trade group, said Monday about Melamed's decision to retire.

Born in Poland in 1932, Melamed by the next decade was working his way through John Marshall Law School when he became a runner—the bottom-rung job—at the Chicago Mercantile Exchange.

In 1954, he became a full member of the exchange, and was elected to the board of governors in 1967. In those days, the Merc's claim to fame was offering futures on butter and eggs.

Melamed knew that the Merc would soon die on that path, so he abruptly changed directions—and in doing so, changed the direction not only of the futures industry but of worldwide financial markets.

Conversations with Nobel Prize-winning economist Milton Friedman took Melamed and the Merc in the direction of futures on gold, Treasury bills and foreign curren-

cies. That marked a major change from agricultural products.

A search to find a way to go beyond the old-style concept of futures contracts that required delivery of an actual commodity led to settlement in cash for Eurodollar futures.

While some observers were puzzled, Melamed simply noted that futures were now available on the basic and ultimate commodity—money.

Cash settlement in turn paved the way for what's become the most controversial development—futures on stock indexes.

In that innovation, Melamed and the Merc weren't first; Kansas City's exchange had launched futures on a stock index. But Melamed exhorted troops of traders on the exchange floor to spend some of their time each day to make a success of the Standard & Poor's 500 futures contract—and it became the industry star.

After that, the Merc put its leaders behind the startup of a financial futures exchange in Singapore.

Melamed battled the city, too, when mayors would talk about slapping a tax on trades—once talking about the exchange moving to Oak Brook or even Dallas. Most thought that an idle threat—and Melamed eventually led the Merc in 1983 into the high-rise along the west side of Wacker at Monroe Street.

During most of this time, a parade of congressmen came through the exchange—and the Merc was criticized for handing out honoraria and campaign contributions to gain influence. Melamed saw it as vital.

"A picture is worth a thousand words. We had to find a way to urge Congress to see the exchanges firsthand. If you don't see it, you don't understand what 'open outcry' really means."

While Melamed had left the post of Merc chairman in 1977, he remained special counsel for the exchange and played the key role in grooming its new chairmen and the direction of the exchange.

He tried to cut back on daily involvement in the Merc's business in 1984. But he became annoyed when friends came up to him at the East Bank Club and asked, "How's your retirement?"

Still, retirement was on his mind in 1985. He said he wanted to have more time to follow a newfound pleasure of science-fiction writing. Some scoffed, but Melamed two years later saw his publication of his novel, *The Tenth Planet*.

As the Merc began to develop plans for a worldwide computerized trading system called Globex, he scrapped his retirement plans.

And he took on a larger role again during the two biggest times of stress that the industry has faced since price controls virtually shut down trading during World War II—the stock market crash of October, 1987, and the FBI undercover operation that led to the indictment of 48 people at the Merc and the Chicago Board of Trade last year.

After the stock price collapse, Melamed trekked frequently to Congress and testified that futures didn't cause the plunge—arguing that futures made markets work faster and better.