



Future king

The gospel of Leo Melamed

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BOOK REVIEW · Deborah Hargreaves

ESCAPE TO THE FUTURES: By Leo Melamed with Bob Tamarkin  
John Wiley & Sons, 463pp, £17.95

## Founding father with messianic zeal



Everyone has a favourite anecdote about Leo Melamed and it always involves a tale of a lunch, interview or seminar spent with him dodging between a computer screen and a telephone to check on his futures trading position.

He says himself that he "never let anything stand in the way of trading the markets". Once he called at 5am from a hospital bed before having tests on his gall bladder - and he refused to have the tests until trading stopped eight-and-a-half hours later.

Melamed is the quintessential trader, everyone's idea of a futures dealer: a loud, brash, opinionated risk-taker. But as the driving force behind the Chicago Mercantile Exchange for 25 years, he is also the founding father of financial futures, a development which has changed the face of international finance.

He is not modest about his achievements: "I used to joke that I had to come on the floor every day to show the crowd that the legend really existed," he says. And he talks with messianic zeal about his "mission".

His autobiography is a history of Chicago's financial futures trading: from the early 1970s when the Bretton Woods agreement was still in force and individuals were not even allowed to trade in currencies, to the 1987 stock market crash which saw grown men crying in the gents' toilet at the Merc.

But just as fascinating is the account of the Melamedovich family's flight from war-torn Europe. As Jews in Poland in 1939, his family had to be constantly on the move to outwit the authorities. The eight-year-old Leibl - later Americanised to Leo - fled from Poland to Lithuania, across Siberia to Vladivostok, on to Japan and

finally to the US. It was a haphazard, frenetic struggle for visas and tickets that meant the difference between life and death to Jewish families in 1940. But to the young Melamed, it was an adventure during which he learnt four new languages in two years.

His painful attempts to become accepted in the US, his adopted land, as a shorter-than-average Jewish boy who spoke Yiddish and could not play baseball are echoed later in the book by his struggle to gain credibility and ultimately respectability for financial futures.

Business Week hailed the nascent currency futures market opened in 1972 as "strictly for crapsshooters", and the image has persisted in the minds of some bankers and regulators.

He was an outsider pressing an upstart new product - currency futures - on to the blue-blood establishment world of US banking. It was no surprise to him when one of the early supporters of his new market presented him with a 1,300ft computer printout showing how the cumulative risk produced by currency futures would one day bring down western civilisation. There are many who still share that opinion.

That apocalyptic view seemed almost vindicated in 1987 when the Merc's stock index futures became the scapegoat for the October 19 stock market crash. Melamed describes the witch hunt in his usual style: "I could feel the earth beneath the Merc's building shudder as enemy forces gathered to invade. We were about to enter the battle of our lives."

But Melamed's habit of courting influence in Washington for many years paid off. He managed to fend off overly restrictive legislation on the futures market. And he headed off criticism of Chicago in the 1989 FBI "sting" on the markets even though at the time he was

receiving many anonymous letters accusing him of wrongdoing.

Melamed fell into futures by accident, as a law student in Chicago, when he answered an ad for what he thought was a law firm - Merrill, Lynch, Pierce, Fenner & Bean - requiring a "runner". He found himself at the Merc - a place he had never heard of and which he describes as "Alice through the Looking Glass into a world of not just one Mad Hatter, but hundreds".

After 15 months at the Merc, where he graduated to a phone clerk, he started trading on his own account. He soon ran up a loss, but never looked back. Melamed rapidly became an important figure in exchange politics, taking the Merc from a third-rate marketplace trading eggs and onions - which he jokes could be manipulated by a couple of housewives getting together - to the forefront of financial futures trading.

Melamed retired from the Merc in 1991, but he continues to be a tireless supporter of futures trading.

His book is an intriguing insight into one of the world's last bastions of open outcry trading and will be read eagerly by insiders.

But Bob Tamarkin, a well-known Chicago journalist, who co-wrote it, has not been tough enough with Melamed's hyperbole. The book would have been better for being half the size. Its 463 pages are stuffed with the names of traders, regulators and lawmakers, limiting its appeal to the lay reader and making it easy to lose track. At one point Melamed seems to compare the creation of futures to the invention of fire: futures may be important, but not *that* important.

Escape to the Futures is available from FT Bookshop. Ring FreeCall 0500 415 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK.