

# Remembrances, and more, of a futures reformer, and more

## Business books

### Leo Melamed: Escape to the Futures

By Leo Melamed with Bob Tamarkin  
John Wiley & Sons Inc. \$27.95

Reviewed by George Gunset,  
a Tribune financial writer

Young men on the make for decades found a home in Chicago's futures trading pits. Many washed out. Many took and gave nothing in return. A few could see beyond a day's profit or loss and sought to improve, reform or even revolutionize their exchange and industry.

Head and shoulders above the few of his generation was Leo Melamed, perhaps the dominant figure in futures in the last half-century. One could make a case that he is the most significant individual in the industry in the last 100 years.

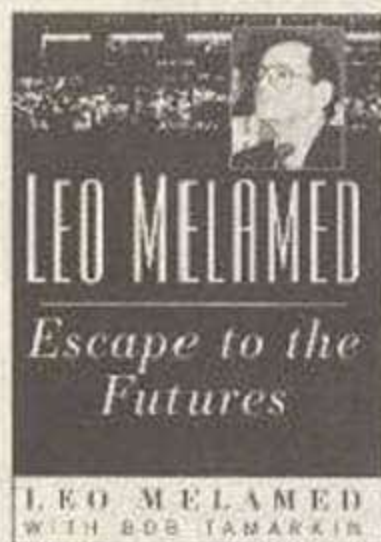
We don't have to make that case, however. Melamed and professional writer Bob Tamarkin do it for us in the new book "Escape to the Futures." Melamed—and this is hardly unique among exchange leaders—has an outsized ego, little of which remains hidden in this memoir.

For this is a book, as Melamed says, taken mostly from memory. It is not history nor autobiography and thus lists no sources.

It is the highly personal story of how a backwater futures market literally trading eggs and bacon—hold the onions—was transformed into the international financial powerhouse known as the Chicago Mercantile Exchange.

Of more recent times and events, as most of the Chicago financial community knows, Melamed has few compliments for the current Merc leadership. He also criticizes the exchange for being too slow to embrace technology that he believes could overwhelm floor trading in the next few years.

But, before that story unfolds, the general reader will be fascinated by the gripping saga of an



#### Book excerpt

*"A hands-on approach with respect to all matters was the essential style of my chairmanship. It was how I got a 'dictator' reputation, but it was grossly inaccurate. A dictator by definition does not need to respond to consensus. I always did."*

8-year-old and his parents on the run—escaping from the Nazis. As Polish Jews, his family was marked for extermination. An odyssey through Lithuania, the Soviet Union and Japan brings them to safety in the United States in early 1941. Courage, timing and luck all played a part, a lesson young Leo would remember in the trading pits.

The family settled in the Humboldt Park neighborhood on the North Side of Chicago. Melamed evokes what was surely a kinder, more innocent era, that of growing up in wartime and post-World War II Chicago. Teenage pranks and stunts are recalled at Roosevelt High; then, under parental guidance, on to the University of Illinois and John Marshall Law School.

A part-time job as a runner at the Merc would doom his law career, which, for a time, would alienate his father. He got the trading bug, bought a seat, then tried to balance pork bellies and briefs before giving up the legal

life in the mid-1960s.

By then, Melamed was one of the leaders of a reform group of Merc members who had forced some changes and wanted more. Rules, if enforced at all, favored the powerful, market corners were common, regulation was lax and a scandal in onion trading—yes, onions—had caused Congress to ban futures trading in that product.

Change was coming and its agent was Melamed. Whether his title was chairman, special counsel, or chairman of the executive committee, Melamed would run the Merc, directly or indirectly, for close to 25 years.

Highest on his list of achievements was the Merc's formation of the International Monetary Market in 1972, the first exchange to trade futures on foreign currencies. This earned Melamed the sobriquet "father of financial futures," although a recent LaSalle Street joke has other claimants calling for DNA testing. Interest rate and stock-index futures followed, putting Chicago on the map in a big way in international finance.

Progress from triumph to triumph, however, hit a few potholes:

- The 1987 stock market crash came close to inflicting real damage on the interlocked futures-stock trading system. A timely credit from Continental Bank prevented a possible closing of the Merc.

- The 1989 FBI investigation of Merc and Chicago Board of Trade floor traders was, he says, a waste of taxpayer money and was overplayed by the press, particularly the Tribune. (It is hard to believe, however, that reforms adopted by the Merc shortly afterwards would have been approved without pressure from the investigation.)

- Globex, the electronic after-hours trading system set up by the Merc and Reuters, has been botched, Melamed asserts, since his retirement from active exchange governance in 1991.