

# Pensions & Investments

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## The man who made futures a global force

By Barry B. Burr

It's hard to imagine the chief of any futures exchange or stock exchange writing a laudable book of memoirs. But Leo Melamed, the longtime leader of the Chicago Mercantile Exchange, creates genuine drama in his "Escape to the Futures," newly published by John Wiley & Sons Inc. He tells the story of his life from the Yiddish culture in his native Poland overrun by German Nazis and Soviet communists to the global revolution in finance he spawned with the invention of financial futures.

The opposition he faced from his own community of traders in introducing financial futures is surprising. Futures traders were unsettled by any change in their business on the Merc, a backwater market he joined when it traded only futures on eggs and onions. Then there was the hostility of the Chicago Board of Trade, an acrimony portrayed less as competitiveness than the smug antipathy of an renown institution that lacked imagination to see futures beyond its realm of grains.

In fact, many of the important figures in endorsing the financial futures revolution — Mr. Melamed himself had no training in economics or finance — had little or no knowledge of these often still-arcane contracts. Yet somehow these people, such as scholar Milton Friedman, appreciated Mr. Melamed's insight in the financial markets and lent their credibility to support his audacious innovations.

His introduction of financial futures — starting with currency futures in 1972 and followed by Treasury bill, Eurodollar and other interest rate futures, the Standard & Poor's 500 futures and other stock index contracts — gives him the stature to write a memoir. But the superb writing of his personal and professional drama, and the humor of his faux pas, merits their being read. Written with Bob Tamarkin, they are 452 engaging, informative pages.

His vivid description of his boyhood in Bialystok, Poland, and Wilno, Lithuania, steeped in Yiddish culture and language, evokes a by-gone time. You can almost taste and smell the pickled foods and bloody carcasses in the butcher shops. He sketches a personal history of the secular Jewish movement through his father's involvement in the Jewish Bundists and their refusal to use Hebrew, their opposition to Zionism and a return to the Jewish homeland, their embrace of socialism and disdain for communism (an odd juxtaposition when both sow seeds of totalitarianism).

Readers can enjoy and learn from the memoirs on several levels: the management of operating the exchange and his mixed success in recruiting its executive team, including Jack Sandner, who receives less flattering treatment; the serendipity of innovation; his astute use of lobbying and political action committees to cultivate Congress; an inherited instinct for survival in the market and in personal crisis, imbued by parents who somehow managed to flee from invading Nazis and Russians with their diamonds — their children. Even in calamity, he finds interesting trivia to tell, such as his family trying to use a phone to signal a relative in the midst of wartime invasion, anticipating more recent accounts of using phone cards to call for military air strikes.

In terms of Washington, Mr. Melamed was behind the creation of the Commodities Futures Trading Commission and influenced the selection of its leaders — a keen idea, despite his free-market beliefs. His political skills ultimately would help save financial futures in general from the fury of blame they got in the 1987 market crash. On Wall Street, he recognized its wealth and power and won peace with stock exchange forces that — despite their active use of financial futures — remained disturbingly quiet when it came to defending them in market upheavals; even a firm like Shearson advertised its renunciation of index arbitrage.

His book at times recalls the evocative style of Thomas Wolfe, as when Mr. Melamed first sees New York City, sensing "something gigantic had opened its mouth and swallowed my entire family." Readers of these memoirs will likewise feel themselves taken up by this drama of a man who has touched all of our lives. ■