

# Book Review

## Trading Places

*In his newfound land, Leo Melamed rose to the top of the commodities game.*

### LEO MELAMED

*Escape to the Futures.*  
By Leo Melamed  
with Bob Tamarkin.  
Illustrated. 463 pp. New York:  
John Wiley & Sons. \$27.95.

By Martin Mayer

**F**EW memoirs begin as memorably as Leo Melamed's. He is an 8-year-old boy riding on the Trans-Siberian Railway with his parents, fleeing Lithuania in late 1940 on a transit visa issued by a compassionate Japanese consul. He watches his father play chess with a bearded old man, who seizes a pawn and calls "Shach!" — Yiddish for "Check!" Mr. Melamed's father "sat there, he later explained . . . searching for the best strategy among three options."

Mr. Melamed is one of the shapers of the modern world, the inventor of organized trading of foreign-currency futures contracts, short-term interest-rate futures, and futures on the Standard & Poor's index of stocks in 500 large corporations. Under his leadership, the Chicago Mercantile Exchange, by trading these contracts, rose from a shabby, dubious market for futures in butter, eggs and onions to the largest commodities exchange in the world.

As he writes in "Leo Melamed: Escape to the Futures," Mr. Melamed came to the exchange by accident: a law student in 1953 looking for part-time work, he had answered an advertisement from Merrill Lynch, Pierce, Fenner & Beane because he thought it was a law firm. But he got hooked on com-

modities trading, which is almost but not quite the same thing as gambling. He supported a money-losing trading habit for several years as a lawyer, then decided that if he had to, he could make his living on the trading floor. This decision in 1965 coincided with a sudden eruption of interest in the futures contract on frozen pork bellies, and Mr. Melamed never had reason to look back. He became chairman in 1969, at the age of 37. In the next 22 years, he shepherded the exchange through the first imposition of Federal regulation, initiated a cadre of contracts where the underlying commodity was a financial instrument rather than a metal or an agricultural product, and won Federal approval for contracts that simply involved losers paying winners — without that approval this practice would have been prohibited by state gambling statutes.

The exchange's budget increased 500-fold; the value of a seat rose 150-fold and the "derivatives" the exchange traded became central to modern banking and commerce. The members followed Mr. Melamed unquestioningly, because he remained one of them — a trader in the market every day, interrupting any meeting with anybody to call the floor and place his bets — and because his contracts made money for them. And because they knew that behind the hyperbole and the vanity (he reports that someone once told him he was a legend in his own mind), he was an honest man.

The culmination of Mr. Melamed's work was to be the creation of Globex, a computer-

based trading system developed with Reuters as a place to buy and sell futures and options contracts around the world, 24 hours a day. In 1991, having retired from the Mercantile Exchange, he became chairman of Globex. But traders worried that screen-based access would diminish the trading floor. They pushed Mr. Melamed aside, and Globex has been allowed to wither on the vine.

Mr. Melamed does not speak too unkindly of these former friends, or indeed of anyone. "Escape to the Futures," written with the journalist Bob Tamarkin, is too long because there are so many friends about whom he wishes to tell nice stories, some of which are more interesting than others. Some of the history and economic analysis is confusingly doctrinaire, and his hero worship of right-wing academic economists can be cloying.

"Escape to the Futures" ends with Mr. Melamed recounting how he was recruited by the White House to examine Hillary Rodham Clinton's trading records. Though she had been in with a bad lot (as Mr. Melamed knew, having fined her brokers \$250,000 in 1979), Mr. Melamed found and certified that she personally had done nothing wrong. She called him from Rome, where she was with the President on his D-Day commemorative visit, to thank him. Looking back on the 8-year-old who fled the Nazis, Mr. Melamed writes, "I had come a long way." □

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