

## Leo Melamed: MISSION POSSIBLE

The phone call from the White House came in April 1995. The press debate surrounding the cattle futures trading of Hillary Rodham Clinton 15 years earlier was heating up. Leo Melamed, chairman emeritus of the Chicago Mercantile Exchange and the world's leading expert on futures trading, had resisted media efforts to become embroiled in the issue.

"The White House needs your expert advice, Leo. Can you help us?" Melamed was just as reluctant to become involved. In the end, convinced by David Gergen that it was his patriotic duty, he agreed to help. He examined the First Lady's trading records and presented his findings to the White House staff: No violations by Mrs. Clinton.

That journey to the White House was a minor step in the odyssey of Leo Melamed, financial industry visionary. For him, as 8-year-old Leibl Melamdovich, that journey began in fear and in flight from Bialystok, Poland, one step ahead of the Gestapo and Soviet secret police. The two-year trek—via Vilna, Moscow, Vladivostok, and Kobe, Japan, ended in Chicago in September 1941.

His safe passage was ensured through the compassion and valor of two consuls in Lithuania, Jan Zwartendijk from Holland and Chiune Sugihara from Japan. Working together, they were able to save thousands of Jewish families by issuing transit visas to Japan (the ostensible destination was the Dutch colony of Curacao in the West Indies). The Melamed family was one of the lucky ones. They received their visa on the last day Sugihara was able to issue visas to the Jews crowding around the consulate in Kovno.



Gary Sauters

BY IRENE MACAULEY

Melamed's father was virulently anti-Communist, stubborn and brave. He possessed a well-honed intuition and keen intelligence, which served his family well during the dangers and uncertainties of their exodus to America. He was the ultimate risk taker.

The lessons the younger Melamdovich learned as a child underscored his later successes—especially the ability to take risks. "My early years were filled with risk," Melamed told *Lifestyles*. "I didn't create the risks nor did my parents, the world created them. My parents took risks on my behalf because I was their only child. There was no way for my father to know whether this turn or that turn was the right one. But, intuitively, he did make the right decisions."

Melamed's highly readable account of his family's trek to freedom is part of his recently published autobiography, *Escape to the Futures*.

Isaac Moishe Melamdovich and Chay Fagyl Barakin had left behind the shtetl ways of their parents before they were married. They were both teachers in the secular, Yiddish-speaking schools of Bialystok. Fervent Yiddishists and strong adherents of Bundism, they were totally committed to the ideal of the modern Jewish secular movement: equality for all.

Their Chicago home was a mecca for visiting Bundists and Yiddishists. One visitor was Vladka Meed. As a 17-year-old, she was a gun-runner during the Warsaw uprising—one of those risking their lives to bring guns and supplies to ghetto fighters. Today, she and her husband Ben, are out-

spoken leaders of the American Holocaust survivors' movement: The American Gathering.

Melamed remembers listening to a speech by Shloime Mendelson, who is assumed to be a descendant of the great Moses Mendelssohn. "My parents wanted me to hear him. He was an extremely able speaker—in Yiddish of course. In awed silence the audience listened to Mendelson. In sonorous tones, he said the only way to achieve immortality was to tie yourself to a dream, a mission, that transcends mortality. That message made a big difference in my life."

Chicago is the world center for taking financial risks in futures, one of the most volatile markets in the universe. Under Melamed's leadership, the Chicago Mercantile

Exchange earned the city that reputation. He first saw the Merc while clerking for Merrill Lynch during his years as a law student. It was his father's dream that he become an advocate—a lawyer—and he did. But the lure of the Exchange floor tugged at him.

During his last year at law school, Melamed persuaded his father to make him a loan to buy a Merc membership seat. "They cost \$3,000, a lot of money then," Melamed recalled, "especially for two schoolteachers. I said to him: 'Look, I want to buy a membership. Come with me and let me show you what this Merc is.' And he did. Within 10 minutes he understood what was happening—why the buying, why the selling, how the market works. He quickly grasped the role of a futures contract as a risk-management tool, just like an insurance policy. And he said 'yes.' It meant perhaps half his savings. On that decision, on that act of faith and generosity, hinged everything I ever achieved in later life."

For 10 years, Melamed practiced law and traded at the Merc. In 1965, much to his father's chagrin, he became a full-time trader. Within four years he was chairman of the Exchange and would lead the institution for the next 25 years—an unpaid position for most of those years. As with other commodity exchanges in 1969, the Merc was trading only agricultural products. Its biggest contract was pork belly futures, but not for long. Three years into Melamed's chairmanship, the financial world was rocked by the introduction of foreign currency futures on the Merc. The collapse of the gold standard and encouragement from Milton Friedman helped convince Melamed the risk was worthwhile. It was the first in a series of bold Melamed moves that would revolutionize the financial industry.

After currency futures and the creation of the International Monetary Market at the Exchange, came interest rate futures, then cash settlement—a truly revolutionary innovation—then stock index futures, and, finally, GLOBEX, the earliest devised electronic trading system. All were huge departures from the status quo.

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Melamed professes to being the kind of leader who takes the mob to where it should go rather than to where it wants to go. Clearly he recognizes the reality of change, the need to direct it rather than just merely manage it. "Sometimes the mob may not want to be led to where it should go. The status quo is so much safer, less risky," said Melamed.

"But change must be anticipated and reality must be accepted at every turn. The markets were changing, it was reality, and I accepted that. The markets needed financial instruments, it was reality, I accepted that. Even though it was revolutionary change, I understood the reality of the times. It was the same with developing new trading technology; the evolution of how trades are transacted. Some in the mob didn't want to accept that. Some in the futures industry forgot why these markets exist.

"The mission of our industry is to provide the means to do a trade, not merely open outcry or pit transactions. Our role is to provide the mechanism for doing the transaction and it doesn't matter how that transaction occurs. If we forget what our role is, if we forget that our markets are now global, if we ignore the reality of technology, we'll find ourselves relegated to the trash heap. GLOBEX—the Merc's innovative after-hours electronic trading system—came into being for that reason; it is the wave of the future."

GLOBEX, when announced on October 6, 1987, shocked the futures world and brought fears for the life of the traditional chaotic and colorful open outcry—a system in which trades are conducted through a series of com-

plex hand signals. But the markets had been dealt a dose of reality. Over the next few years many exchanges around the world launched their own automated electronic trading systems.

Less than two weeks after GLOBEX was announced the stock market crashed. The Chicago Mercantile Exchange was in the national and international spotlight. The futures markets were seen as the culprits. With their eventual exoneration, however, the markets gained enormous international stature. In his autobiography, Melamed gives a riveting account of the crash and its aftermath.

**W**hen Melamed became Merc chairman in 1965 he began the process of opening up the traditionally male-dominated industry to women and minorities. He didn't consider this a new idea. It was a natural inclination; a tenet of the secular Jewish movement—a philosophy imbued in him since childhood under his parents' tutelage.

"I changed the rules on gender prohibition on the trading floor and in the administrative offices. I believed, as did my parents, that women should come down from the balcony." (This is a reference to the separation of men and women in synagogues.) He continued: "I meant to break down the prejudice barrier on the floor of the exchange—gender, race, ethnic background, religion. I did and I'm very proud of that achievement. The Merc floor is a quilt of all colors, of all races. And other exchanges and financial firms followed suit. This had nothing to do with creating new markets, it was simply the right thing to do."

Courtesy Leo Melamed



Leo Melamed with Dina Halpern in the Yiddish Theater production of "The Sorcerer" in the early 1980's.

**M**elamed, financial industry innovator and indefatigable fund-raiser, was once a thespian. His pure and literary Yiddish brought him roles in soap operas on Yiddish radio. He performed in the Yiddish theater and, as a teenager, studied with internationally renowned Dina Halpern, a niece of the famous actress Ida Kaminska. He still gives recitations of Yiddish poetry. "My parents worked diligently for the preservation of all things Yiddish," said Melamed.

"The American Jewish secular movement continued what was going on in pre-war Europe. After the war, when so many were lost, the Yiddishist movement diminished dramatically. I raise a lot of money for Israel, yet I hold her accountable in part. Israel wanted Hebrew as the common language and virtually banned Yiddish until only recently.

"I once asked Golda Meir, in Yiddish, why the ban. She said, 'it's an old question.' Perhaps. And perhaps it's finally being answered. In Israel, Yiddish is now acceptable, what's left of it. My own children understand Yiddish, but they are not fluent speakers. In the U.S., only Chassidim use Yiddish as the language of the day; it is their children who are growing up in Yiddish. An interesting transformation, entirely what my father would not have expected. Or wanted."

**M**elamed's father died just a few years ago. Benjamin Meed, husband of Vladka, the ghetto

uprising heroine, asked Melamed what he was doing to honor his father's memory. (Melamed supports Yiddish studies in the names of both of his parents at Bar-Ilan University in Israel and at YIVO in New York.)

Meed, a council member of the U.S. Holocaust Museum, had another idea. He told Melamed: "To honor your father's memory you ought to get involved with the Museum—as a survivor, you owe this debt."

Melamed was a latecomer to the highly successful Holocaust Museum. As a member of the executive committee, however, he has helped fulfill one of Elie Wiesel's unaccomplished missions—the creation of a permanent Committee of Conscience to be a beacon of warning in the event of another genocide. It had been 12 years in the making; political questions had stymied earlier attempts—Melamed had no such concerns.

"In 1942 and 1943 this nation was quiet and genocide happened. We dare not be quiet ever again. The moral power the museum represents must be used for that very purpose. It can't be simply a memory of past horrors; it must be used as a means to prevent similar horrors in the future." The new Committee of Conscience was created on June 18, 1996. In attendance at the inauguration to give his blessing was Elie Wiesel.

**M**elamed's original firm, Dellsher Investment, has benefited from his letting loose the reins of the Merc. With more time

to devote to its growth, it is now a partner with Japan's Sukara Bank in Sukara Dellsher, Inc., a global futures brokerage house. Melamed has helped to create global exchanges around the world, including the Singapore International Monetary Exchange (SIMEX). His ties to Japan are close ones—beginning with a childhood respite as a refugee to advisor to Japan's Minister of Finance. His autobiography was barely off the press when he received an offer to translate and publish it in Japan. This is a singular honor that demonstrates the respect and esteem in which Melamed is held within the financial community in Japan.

Melamed now has more time to "grow" Dellsher and to write, and now devotes more time to his family, including four grandchildren. His wife, Betty, was just 18 when they married. But she understood his mission and his drive and gave him the slack to follow his muse. As they were growing up, so did his three children. They all worked to one degree or another on the Merc floor. That's where only daughter, Idelle, met her husband Howard Dubnow, a descendant of the famous Jewish historian Simon Dubnov. At their wedding, the bride's agnostic grandfather, Isaac Melamdovich, reluctantly agreed, when under the *chuppah* (marriage canopy), to wear a yarmulke—for the first time in his adult life.

When asked if there was anything he hasn't done but would have liked to do, Melamed roared: "Oh, please! Are you kidding? There is no such thing as ever being satisfied!" He continued, "I'm planning a number of activities—some to do with the markets, some to do with other things. I still have big plans—and not riskless ones, either. I intend to carry on the Melamed tradition."

Melamed has achieved success and worldwide fame as architect of a global financial marketplace—a mission that surely transcends mortality as long-ago defined by Shloime Mendelson for the 10-year-old Leibl Melamdovich. As energetic, dynamic, and forceful as ever, Leo Melamed refuses to rest on his laurels. lifemag.com