

MAN  
OF THE  
FUTURES



# MAN OF THE FUTURES

*The Story of Leo Melamed  
and the Birth of Modern Finance*

LEO MELAMED

 Harriman  
House

HARRIMAN HOUSE LTD

3 Viceroy Court

Bedford Road

Petersfield

Hampshire

GU32 3LJ

GREAT BRITAIN

Tel: +44 (0)1730 233870

Email: [enquiries@harriman-house.com](mailto:enquiries@harriman-house.com)

Website: [harriman.house](http://harriman.house)

First published in 2021.

Copyright © Leo Melamed

The right of Leo Melamed to be identified as the Author has been asserted in accordance with the Copyright, Design and Patents Act 1988.

Hardcover ISBN: 978-0-85719-748-1

eBook ISBN: 978-0-85719-749-8

British Library Cataloguing in Publication Data

A CIP catalogue record for this book can be obtained from the British Library.

All rights reserved; no part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publisher. This book may not be lent, resold, hired out or otherwise disposed of by way of trade in any form of binding or cover other than that in which it is published without the prior written consent of the Publisher.

Whilst every effort has been made to ensure that information in this book is accurate, no liability can be accepted for any loss incurred in any way whatsoever by any person relying solely on the information contained herein.

No responsibility for loss occasioned to any person or corporate body acting or refraining to act as a result of reading material in this book can be accepted by the Publisher, by the Author, or by the employers of the Author.

The Publisher does not have any control over or any responsibility for any authors or third-party websites referred to in or on this book.

 **Harriman  
House**

Leo Melamed is a successful speculator and a recognized scholar, a far-out visionary and a down-to-earth realist, a skilled performer in Yiddish, dedicated to preserving that dying language, and an author of science fiction, a mover and a shaker, who has had a major influence on both private institutions and public policy.

He had the independence of mind and foresight to envisage the need for a public market in foreign currency futures, the imagination to invent a mechanism to make such a market feasible, and the courage and leadership ability to persuade his colleagues at the Chicago Mercantile Exchange to establish the International Monetary Market.

—MILTON FRIEDMAN



# CONTENTS

FOREWORD	
<i>Keynote address by Christopher Giancarlo</i>	xi
AUTHOR'S BRAG	xiii
CHAPTER 1	
<i>My Parents, Moishe and Faygl Melamdovich</i>	1
CHAPTER 2	
<i>High Finance</i>	6
CHAPTER 3	
<i>Sugihara</i>	10
CHAPTER 4	
<i>Moscow</i>	15
CHAPTER 5	
<i>Siberia</i>	20
CHAPTER 6	
<i>Three Cultures</i>	24
CHAPTER 7	
<i>Enter Fate</i>	32
CHAPTER 8	
<i>Yiddish</i>	36
CHAPTER 9	
<i>Committee On Conscience</i>	42

CHAPTER 10	
<i>Capitalism</i>	48
CHAPTER 11	
<i>The Merc</i>	54
CHAPTER 12	
<i>Rules Are for Sissies</i>	60
CHAPTER 13	
<i>The Broker's Club</i>	66
CHAPTER 14	
<i>The Right to Referendum</i>	70
CHAPTER 15	
<i>Old Traditions Die Hard</i>	76
CHAPTER 16	
<i>Conception</i>	81
CHAPTER 17	
<i>Genesis</i>	89
CHAPTER 18	
<i>Gestation</i>	97
CHAPTER 19	
<i>Birth</i>	104
CHAPTER 20	
<i>Don Quixote</i>	115
CHAPTER 21	
<i>Mexican Hat Trick</i>	123
CHAPTER 22	
<i>His Honor, Da Mayor</i>	129
CHAPTER 23	
<i>The Unreal 1980s</i>	134



CHAPTER 24	
<i>1981: Dollars Everywhere</i>	142
CHAPTER 25	
<i>1981: NFA</i>	148
CHAPTER 26	
<i>1982: SIMEX</i>	157
CHAPTER 27	
<i>1982: The Libor Debacle</i>	164
CHAPTER 28	
<i>Academics, Academics</i>	170
CHAPTER 29	
<i>1982: The Mayflower</i>	176
CHAPTER 30	
<i>1982: The last piece of the puzzle</i>	186
CHAPTER 31	
<i>1982: Carl Sandburg Melamed</i>	193
CHAPTER 32	
<i>1983: Putral</i>	197
CHAPTER 33	
<i>1984: The Camel's Nose</i>	203
CHAPTER 34	
<i>Hiroki</i>	209
CHAPTER 35	
<i>1985: The Chinese Connection</i>	212
CHAPTER 36	
<i>1986: The Globex Revolution</i>	219
CHAPTER 37	
<i>1987: Crash(es), Part One</i>	230

CHAPTER 38	
<i>1987: Crash(es), Part Two</i>	246
CHAPTER 39	
<i>1989: The Misdirected Hedgeclipper!</i>	260
CHAPTER 40	
<i>The Tyranny of Status Quo—Again</i>	266
CHAPTER 41	
<i>Hillary's Roundup</i>	270
CHAPTER 42	
<i>Revolt</i>	275
CHAPTER 43	
<i>The E-mini</i>	284
CHAPTER 44	
<i>Diverse, Strong and Vital</i>	293
CHAPTER 45	
<i>To Be or Not to Be</i>	302
CHAPTER 46	
<i>The Roadshow</i>	316
CHAPTER 47	
<i>Whatever it Takes</i>	320
CHAPTER 48	
<i>Bingo</i>	327
CHAPTER 49	
<i>What Have We Learned?</i>	333
POSTSCRIPT	345
ACKNOWLEDGEMENTS	347
INDEX	359

## FOREWORD

### *Keynote address by Christopher Giancarlo*

*Chairman of the Commodity Futures Trading Commission (CFTC), the US federal regulator of futures and derivatives, before the Futures Industry Association (FIA), Annual Conference, in Boca Raton, Florida, March 14, 2018.*

**G**OOD morning. It is great to be here at FIA's 43rd International Futures Industry Conference. It is certainly the one annual event that brings together all participants in the global derivatives markets.

So, I am delighted to have this opportunity to speak to all of you about our work at the CFTC. Thank you for your attendance.

There is a comment attributed to Isaac Newton. He said that, if he saw farther than others, it was because he stood on the shoulders of giants.

Today, I can't help but think of one of the giants of the derivatives industry: Leo Melamed. We all see farther because of Leo. Many of you know Leo. Some of his colleagues and friends are here today. We have all, directly or indirectly, been influenced by him.

Leo is the Chairman Emeritus of the CME Group and one of the central figures in American commerce and trade. He has just announced his retirement. In the world of derivatives, he has been a leader who shaped and guided our thinking. In electronic commerce, he actually took us into a new world. He is often called the 'father of financial futures.'

Leo Melamed's vision, brilliance, and accomplishment have spread out from

Chicago to include the entire world, a world that began for him with harsh clarity through escaping with his family from Nazi-invaded Poland. Then, the stuff of legend: crossing wartime Siberia by railroad and then by boat to Japan, crossing the Pacific by ship only months before Pearl Harbor. He and his family eventually found safety in America. From there, he stumbled into the world of finance by mistake, yet by pluck and hard work, he thrived and conceived great innovations in trade and commerce. He founded and chaired the NFA from 1982 through 1989, and provided direction and guidance of the Chicago Merc as it grew into one of the great institutions of American finance.

Leo has been a grand figure striding the world's financial landscape. A consummate professional, a creative visionary. And, what I admire most: a fearless believer in the promise of tomorrow.

Leo dared to define his own future, not have it defined for him. When he started out in Chicago seventy years ago, he found markets that were small, commodity based, and domestic. He leaves markets that are enormous, diversified and international. And, we are here today—standing on Leo's shoulders—participating in global derivatives markets that are legacy of a man who was not afraid to envision a brighter and more prosperous future. I dedicate my remarks today to Leo Melamed.

CHRISTOPHER GIANCARLO

*March 14, 2019*

*Boca Raton, Florida*

## AUTHOR'S BRAG

THE phenomenal success of financial futures exemplified the power of an idea whose time had come. The financial revolution I describe blazed the trail for much of what has since followed in world capital markets. It established that there was a need for a new genre of risk management instruments responsive to investment applications and modern telecommunications. It led to the acceptance and integration of futures and options within the infrastructure of the financial establishment. It became the catalyst for the development of financial futures and derivatives worldwide. And, according to Nobel laureate Merton Miller, it introduced the modern era of finance.

In time, I became a singular voice with the foresight to recognize the gargantuan force of coming technology, as well as its ability to trample everything standing in its way. As I courageously told members in 1987:

Anyone who has not seen the handwriting on the wall is blind to the reality of our times. One can no more deny the fact that technology has and will continue to engulf every aspect of financial markets than one can restrict the use of futures in the management of risk. The markets of the future will be automated. The traders of the future will trade by way of the screen. Those who dare to ignore this reality face extinction.<sup>1</sup>

I took it upon myself to revolutionize the 1,000-year-old open outcry transaction process and replace it with the magic of Globex—the CME's electronic transaction system.

What I did not set out to do was to make gobs of money. Don't get me wrong. As a trader I always wanted to make winning trades, but that was never the priority in my life. In first place was the drive to leave a mark, to make a difference, to

1 Leo Melamed, spoken at the unveiling to the members in 1987 and published in the 1988 Annual Report to CME membership.

deserve a word or two in history. The Chicago Mercantile Exchange (CME), once the Butter and Egg Board and later the house that pork bellies built, is today known as the house that innovation built—or, as most would say, the house that Leo built. As in most great endeavors, it must be underscored that without the countless devoted and talented people at my side, to whom I am eternally grateful and who I name wherever possible, this result could not have been achieved.

Needless to say, financial derivatives and futures also come with attendant risks and dangers. They are highly sophisticated tools. If used for illicit purposes, or applied in a negligent manner, they can become a causal factor for disastrous results, as the financial breakdown of 2008 demonstrated. Nevertheless, their successful application and efficiency continue to give them an indispensable role in today's trading and risk-management ecosystem.

I confess that some of the recollections in this book have been described in my other books: *Leo Melamed on the Markets*, *Escape to the Futures*, and *For Crying Out Loud*.<sup>2</sup> Why, then, write another book? The answer is simple. My previous memoirs were published in 1996. It was far too early to provide an in-depth assessment of what I had accomplished. So much has happened to markets since then that my achievements take on a much deeper understanding from the perspective of history.

Additionally, *Man of the Futures* contains a host of events and episodes that I have never shared before. It also is companion to a unique set of photographs taken over the span of five decades. *Man of the Futures* affords me the chance to delve deeper into past events and assess everything with the benefit of hindsight. In this manner, it represents a rare opportunity to evaluate my original rationale, examine my prognostications and offer a peak into the future.

Finally, I must admit that long ago I adopted Sam Zell's motto, "If it ain't fun, we don't do it."<sup>3</sup> Sam and I are friends. The fact we both ended up in Chicago is a rare coincidence. Although Sam was born in the US and I in Poland, Chicago was the resting stop for our respective parents, who separately escaped from Poland at the outset of the second world war, they from Sosnowiec, us from Bialystok. Both sets of parents followed the same escape route from Vilnius, Lithuania with a transit visa from one of the world's righteous—Japanese counsel general to Lithuania, Chiune Sugihara. Sam once wrote that as a result of that miraculous escape, he "grew up believing that anything is possible."

So did I.

LEO MELAMED  
*Chairman Emeritus, CME Group*

<sup>2</sup> *Leo Melamed on the Markets*, Wiley & Sons Inc., 1993; *Escape to the Futures*, Wiley & Sons, Inc, 1996; *For Crying Out Loud*, Wiley & Sons, Inc., 2009.

<sup>3</sup> Sam Zell is an eminent real-estate tycoon.

## CHAPTER 1

### *My Parents, Moishe and Faygl Melamdovich*

WE were on the Trans-Siberian Express on our way to Vladivostok, Russia's most eastern seaport, when my father sat me down to explain the difference between Fahrenheit and centigrade. I was eight years old. We were not on a holiday excursion. We were on a critical leg of our escape from the horrors unfolding in Europe at the outset of the second world war.<sup>4</sup>

Before the bombing began, my father moved us to his family's brick building, near the outskirts of Bialystok, Poland, the city where I was born and where he said it would be safer. To protect us against bombing, he used black paint to cover the windows.

I was sitting in a barber's stool when we heard someone outdoors shout in Yiddish: "*Lost arop di zaluzjan, der gast is do.*" Close the grating the guests are here!

When we got home, I secretly took a key to scratch out a little peephole for myself through which I saw the first German tanks roll in to capture Bialystok and all its inhabitants. To a seven-year-old, they were huge monsters from an alien world—an image I will always remember.

Before the tanks came, my mother woke me in the middle of one night to

4 As everyone knows, on September 1, 1939, Germany declared war and the world became engulfed in the deadliest military conflict in human history. The war would last over six years, involve the vast majority of the world's nations and affect more than 100 million people from more than 30 different countries. It would mark the mass murder of six million Jews, along with the massacre of 1.5 million children, and millions of other nationalities. Poland fell within 27 days, and the citizens of Bialystok, the city where I was born and lived, were among the earliest victims to be captured by the Nazi onslaught.

say farewell to my father. It was known that the Nazis used prominent people as hostages and my father was one of 20 (or so) Bialystok council members who were in particular danger. At a council meeting it was explained that the mayor had made arrangements for a truck to take them away.

This meeting was held in the great synagogue, because the City Hall had been bombed out. The mayor had asked the chief rabbi of Bialystok, Gedalja Rozenman, for permission to hold the meeting, and was granted the request with the stipulation that everyone wear a yarmulke (skull cap) or a hat, as was the religious custom. Everyone agreed except my father. He was the only Jew elected to the council, but he was also an ardent member of the Bund, the secular Jewish socialist party. As such, he was an agnostic. Wearing a yarmulke would violate his principles.<sup>5</sup> The rabbi looked the other way.

I remember how tightly my mother held my hand as we ran through the darkness—interrupted only by flashes of light from the falling bombs and the constant *ack-ack* sound coming from what I later learned were machine guns. A tearful farewell scene followed in an empty lot with but one lonely truck.

When the Gestapo came a week later, my father was not there and we truthfully had no idea where he was. The ordeal became my first horrifying memory, one that has haunted me throughout my life. There were three of them. I remember their boots. They ransacked our house and slapped my mother around. One thought is indelibly seared in my memory—my mother never cried nor let go of my hand.

## THE RUSSIAN DANCE

Several weeks later, Bialystok was turned over to the Russians, as part of the non-aggression treaty between Nazi Germany and the Soviet Union.

All of the city officials who had run in the face of German occupation now returned. To many, the Russians were a safer occupier than the Nazis, especially for Jews. It was a sad, life-or-death mistake—one *not* made by my father. As he later explained to my mother, he did not return because the Bolsheviks were not to be trusted. “Besides,” he said, “the machinations between Hitler and Stalin were to be regarded as those of madmen.”

Sure enough, within days we were confronted by the NKVD (precursors of the KGB) and at the time, the only difference I could discern between them and the Gestapo was that they were in plain clothes and not wearing boots.

5 See page 37.



All those who returned to Bialystok were arrested and never heard from again. Oddly, while not very prominent in the Bund hierarchy, my father was known enough to be included as an ‘enemy of the state’ by the Communist party. He had sympathized with a small group of Bundist loyalists in Bialystok who wrested the Jewish trade unions from communist control, restoring them to the influence of Jewish Socialism under the Bund banner.

What possessed my father to take flight and not return? What possessed him several weeks later to call a neighbor and direct my mother to get the last train that very night out of Bialystok to Vilnius (*Vilna* in Yiddish)? How did he know that Vilna would be turned over to the Lithuanians the next day and would therefore be safer? How did he know? Why Lithuania? What possessed my parents to leave their house, jobs as schoolteachers, relatives, friends and all possessions? And to go—where? There was no destination. And this was before anyone in the world knew of the Holocaust.

Later in life, when I asked my father the question, “What made you do it?” he shrugged and just said it was an instinctive reaction. “Something you feel certain is the right thing to do.”

## THE ESCAPE

That night was the beginning of our escape from Bialystok and the scourge that would befall the unfortunate souls who remained. My mother grabbed me and some bare necessities and made our goodbyes as if we would be back in a couple of days.

The train station was in chaos, with people shouting and running back and forth. Everyone was rushing but seemingly without a destination. We barely made it. The next 12 hours were a nightmare. My mother and I spent the night pressed against each other like sardines in a can. Somehow, she managed to steal a cardboard box from a grizzled old man for me to sit on. He alternated between smiling at me and giving me dirty looks in case I stole something.

The train stopped countless times, causing everyone to rush out in fear that it would be bombed. After the whistle blew again—an all-clear signal—everyone rushed back on the train to find their spot. No one argued about it. People seemed amazingly polite, but there were babies who never stopped crying. The journey, which normally took a couple of hours, lasted all night. It was my first sleepless night.

## JEWS IN BIALYSTOK

Jewish history in Bialystok can be traced back to the 1500s. Their presence swelled over the years and in the 1700s, Count Jan Branicki gave Jews full-citizenship status. It was a historic event. Nevertheless, the Bialystok Jewish population was consistently subjected to waves of anti-Semitism and pogroms. The most well-known occurred on June 1, 1906, with more than 200 Jews killed and hundreds injured, along with the destruction of homes and businesses. For three whole days, June 1 to 3, 1906, Czarist murders ravaged the people and property of the Jewish community. Ironically, the police chief was a liberal and afterwards he declared “there will be no [more] pogrom in Bialystok.” (Nice try, Count Branicki.)

Bialystok could boast of some very distinguished personalities, such as Ichchok Shamir, who served as prime minister of Israel, and Dr. Ludwik L. Zamenhof, the inventor of the international language Esperanto. It was fitting that the founder of Esperanto was a Jew from Bialystok, a place where Jews encountered many ethnic groups and languages—Polish, Russian, German, Lithuanian, White Russian, as well as Yiddish and Hebrew. Dr. Albert B. Sabin, a microbiologist who improved the Salk polio vaccine by developing an oral equivalent, was also a Bialystoker. And, of course, Max Ratner of Cleveland Ohio, a most distinguished Bialystoker, who was a prosperous industrialist and leading philanthropist on the American-Jewish scene. Samuel Pisar, a renowned Parisian lawyer who spent his adolescence in Auschwitz, was also a Bialystoker.

Bialystok also thrived as a center of the Jewish labor movement, a revolutionary arena that produced many prominent personalities and writers. As early as 1882, 70 Jewish Bundist weavers went out on strike against the factory owner. This stoppage set a precedent for other job actions over wage disputes. However, more than the weavers, politicians and distinguished citizens, it was the bakers of Bialystok who achieved worldwide fame with their *bialy*, a breakfast roll.

## THE GRIM TRUTH

In 1939, just before the Germans invaded Poland, there were 110,000 Jews living in Bialystok, representing over 60% of the city's population. It meant that Bialystok had the highest percentage of Jews among the world's cities and the greatest number of synagogues per capita.

Long after the war, when I returned with my family in 2000, Mayor Richard

Tur told us that there were no Jews in Bialystok. And little wonder! Nearby is Treblinka, to the southwest is Gross-Rosen, to the southeast is Majdanek and further south, behind Warsaw, is Auschwitz. In writer Elie Wiesel's words, "All the outcries of mankind, lead to this accursed place. Here is the kingdom of night, where God's face is hidden and a flaming sky becomes a graveyard for a vanished people."<sup>6</sup>

Hitler had turned Poland into a factory of death. All of my would-be classmates were gone; instead of learning geography, they were taken on cattle trains to killing camps, and instead of writing, they were taken to gas chambers, or starved and forced into labor. Many were individually executed or used for medical experiments.

Let the world never forget the atrocities carried out by the Nazis under orders from Adolf Hitler, Heinrich Himmler and Josef Mengele, to name just three villains of the Third Reich, who perpetrated the world's most heinous act of genocide, the Holocaust.

Nothing that happened thereafter can change or diminish this truth. As General Dwight D. Eisenhower asked, "How is it possible to do justice to demonic acts that beggar[ed] description?"<sup>7</sup> Alas, the world closed its eyes and shut its ears while a monstrous deed—one that left a permanent blot on human history—was inflicted on the Jewish people.

6 *Pilgrimage to the Kingdom of Night*, Elie Wiesel. *The New York Times*, November 4, 1979.

7 On April 12, 1945, General Dwight D. Eisenhower, then commanding the Allied military forces in Europe, visited the Ohrdruf concentration camp. After viewing the evidence of atrocities, he wrote in a letter to General George C. Marshall, dated April 15, 1945: "The things I saw beggar[ed] description... The visual evidence and the verbal testimony of starvation, cruelty and bestiality were ... overpowering ... I made the visit deliberately in order to be in a position to give first-hand evidence of these things if ever, in the future, there develops a tendency to charge these allegations merely to 'propaganda'." Source: The US Holocaust Memorial Museum (hereinafter: USHMM).

## CHAPTER 2

### *High Finance*

#### A WAKING NIGHTMARE

OUR miraculous escape, made possible by my parents and a Japanese diplomat, spanned two years, three continents and six languages. We took the Trans-Siberian railroad across the vastness of Siberia to Vladivostok, then travelled on to Tsuruga, Japan, and finally to the US. In this circuitous fashion, I was among the fortunate few who escaped the unspeakable horrors in Europe.

My parents had to make countless life or death decisions during this time, but their main concern, as teachers by profession, was that my education was being disrupted. So, they did two things. First, they enrolled me into school whenever we stayed somewhere for a few days. This was not fun for me, as I had to make new friends each time and learn a variety of languages, mostly now forgotten. Secondly, my parents became my private tutors. For instance, on the Trans-Siberian railroad, my father explained that to change Fahrenheit to centigrade, you have to subtract 32 degrees, then multiply by five and divide by nine.

I may fail to sufficiently recount that, for my parents, these years were a nightmare. Not knowing where they were heading, or what the future held, they carried a ceaseless anxiety that the next moment would be the end. They feared that a stranger might innocently divulge our plight, feared the police or secret service, feared because we were Jewish, feared not having enough money to carry on, feared our dependence on strangers, feared becoming separated, and feared for me. I was conscious of my parent's anxiety but, being a child, I could escape for hours into a child's imaginary world. My parents had no such refuge.

VILNA, POLAND  
(TODAY THE CAPITAL OF LITHUANIA)

In Vilna, our first stop after leaving Bialystok, life was a drudgery for both of my parents. However, my mother had it a bit better, as she had graduated from the famous Vilna Teachers' Seminary and had a number of friends there. Her close teacher-friends, the Manns, found her a job as a substitute teacher. The Mann's seven-year-old daughter, Esther, also saw to it that my refugee existence was bearable. She became my first girlfriend.

While my mother's days were at least occupied, my father's existence was very difficult. Upon arrival, my father would sometimes busy himself with activities for various Vilna Jewish organizations. However, once the Russians took over Lithuania, his life became a misery. Whenever there was a rumor of a Soviet hunt for foreigners or dissidents, he would hide for days in a nearby forest with other partisans.

We managed to gain a second floor, one-room loft in the middle of the Jewish ghetto. It contained a bed for my parents, a cot for me, a small gas stove and a tiny bathroom in the hall down the way. It also featured a very small portico barely big enough to fit one person. I would sometimes step out onto the portico to witness the strange world below. We were on Straszuna Street, in the butchers' quarter. Scurrying shoppers with shopping bags were everywhere, all trying to avoid the horse-pulled wagons and rickety trucks loaded with freshly cut carcasses of beef for the butcher shops. In their windows hung slabs of meat, geese and chicken which were attended to by butchers wielding cleavers and wearing blood-splattered aprons. A stream of blood ran down the gutters in a constant flow.

Some eight months later, Hitler broke the non-aggression treaty with Russia. This caused Stalin to invade and capture Lithuania, as well as the other Baltics, Ukraine, Estonia, Latvia and Romania. Falling under Russian rule was not good for my father. Being a member of the Bund and an outspoken anti-communist, his name was likely on an NKVD list for deportation to Siberia or worse. As a result, my father again went into hiding, only returning when my mother would place a dish towel on the portico railing as a safe signal.

Vilna, along with Bialystok, would ultimately fall into Nazi hands. The entire Jewish population would be herded into ghettos from which hardly anyone escaped.

## A FUTURE THAT COULD HAVE BEEN

As my father predicted, the agreement between Hitler and Stalin did not last long. Operation Barbarossa was launched by Hitler on June 22, 1941, when he ordered the invasion of the Soviet Union. The same mistake Napoleon Bonaparte made in 1812. When the Nazis recaptured Bialystok, those that had returned were trapped and suffered an inhumane fate.

My parents never seriously considered returning to Bialystok, even when the Nazis temporarily left. My father's distrust of the Bolsheviks saved our lives once again. On Friday, June 27, 1941, five days after their return, the Nazis celebrated their recapture of Bialystok by marching at gun-point some 2,000 Jewish inhabitants, including my entire remaining family, into the famous Bialystok *Grosse Shul* (Great Synagogue).<sup>8</sup> This was just before candles were due to be lit in Jewish homes, to usher in the Sabbath. All the doors and windows to the synagogue were locked, it was hosed down with gasoline, and set on fire.

Everyone within was burned to death. My parents and I had to live with that memory. All that remains today is a memorial with the steel skeleton of its famous Byzantine dome.

## MARKETPLACE LESSONS

My first private lesson with my father was on high finance. Early in our Vilna stay, my father sat me down to explain that every country had its own currency. He handed me a unit of paper money and asked if I knew what it was. Recognizing the Polish currency, I responded, "a *zloty*." He nodded and handed me another unit of paper currency. It was different looking and beyond my ken. My father explained that it was a *litas*, the Lithuanian unit of currency.

"What are they worth?" he then asked. "The same?" I ventured. "That is what the government says," my father replied, "but let's find out." We went to a nearby bakery and my father asked how much a loaf of bread was. "One *litas*," the baker responded. "We will take it," my father said. After the baker wrapped the loaf

8 Designed in 1908 by a renowned architect, Shlome Jakow Rabinowicz, the Great Synagogue's dome exhibited a Byzantine-Muslim influence and was famous throughout Europe. In this synagogue, open only on Saturdays and holidays, women prayed together with men, although in separate halls. Between the first and second world wars, national holidays were celebrated there, and the services were attended by such authorities as the mayor and the governor of the region.

of bread, my father handed him one *zloty*. The baker balked. “No, no,” he said shaking his head, “one *litas*, two *zlotys*.”<sup>9</sup>

As my father explained, the true value of the two units of currency could only be determined by what they can buy in the marketplace. While the official rate of exchange between the *zloty* and the *litas* may be one-to-one, in fact it would take two *zlotys* to buy a loaf of bread, but only one *litas*. Their purchasing powers were very different.

My father repeated this lesson later in Moscow with *roubles* and in Tokyo with *yen*. Only the marketplace, he lectured, can be trusted to ascertain value. Although I did not know it at the time, my first private lesson in finance proved to be an introduction to one of the fundamental truths of market dynamics.

Such lessons stayed with me and 30 years later, although not a registered student at the University of Chicago, I could not resist sneaking into the lectures of Milton Friedman, to listen to him explain that what I had learned from my father as a child was true: that true value is best determined in the free marketplace. Friedman went on to receive the Nobel prize in Economic Sciences in 1976. And by then, his 1962 seminal work, *Capitalism and Freedom*, had become my economic road map.

9 I do not remember the actual official rate between a *zloty* and *litas* in 1939. But I never forgot the lesson involved.

## CHAPTER 3

### *Sugihara*

THE origin of my affection for Asia is easy to understand. It began with Chiune Sugihara, the Japanese general consul in Kaunas, Lithuania in 1940.

Over 10,000 Jews had somehow managed to escape their fate and now found themselves in Vilna. Many were elite Jewish intellectuals—actors, writers, leaders of the Bund and Zionist parties, and thousands of Talmudic students. Although Vilna offered a lifeline, we all felt the presence of the hangman, whether German or Russian, around the corner. The world was on fire and the flames would certainly reach the tenuous safety of Vilna soon. So, life in Vilna was both temporary and, since history had proven that Jews were expendable, conditional.

#### UNEXPECTED ALLIES

One escape plan emerged from two Dutch students, Nathan Gutwirth and Chaim Nussbaum, both attending the *Telshe Yeshiva* in Vilna.<sup>10</sup> Being Dutch citizens in Kaunas (then the capital of Lithuania), they had become friends with Jan Zwartendijk, a fellow Dutchman, who was left in charge of the Dutch consulate after the previous ambassador was expelled from Lithuania.

The objective of the students' plan was to reach the island of Curaçao, part of the Dutch West Indies, which had not yet been overtaken by the German onslaught. They speculated that if they could persuade Zwartendijk to stamp 'permission to Curaçao' on their passports, then it could act as an official visa.

10 A Yeshiva is an Orthodox Jewish college or seminary.



Zwartendijk was willing, but first asked for the opinion of the Dutch ambassador to Latvia, L. P. De Decke, who approved. Consequently, Zwartendijk ignored the other requirements of such visas and ended up issuing hundreds of visas to Surinam, Curacao and other such colonies—destinations which were still under Dutch official purview.

This was but the first leg of the plan; now came the hard part. Since there was no way to get directly to Curaçao from Lithuania, Gutwirth and Nussbaum went about seeking transit visas from countries they could pass through to get to their ultimate destination. This far-fetched scheme was turned down by nearly all embassies, including the US and the Swiss. However, when they came to Chiune Sugihara, the Japanese consul general who was aware of the Zwartendijk scheme, they found that he might consider issuing a ten-day visa to Japan.

### AN HONORABLE ACT

Although it was a cursory procedure, Sugihara asked his Foreign Office in Tokyo for permission to do so. To his utter surprise and chagrin, the request was denied. Not accepting no for an answer, Sugihara repeated his request. “These are not criminals,” he explained, “their only crime is being Jewish.” After the second refusal, he tried a third time, and again was sternly ordered not to do so. “This is none of our business, follow orders,” he was told.

Sugihara’s instincts told him differently. He struggled with the decision but, in the end, humanity prevailed. Sugihara had by then converted to Christianity and solemnly stated to his wife, “If I obey the orders of my government, I would be violating the edicts of my God.” His decision was to issue unconditional visas.

Overjoyed, Gutwirth went to his friend, Eliezer Portnoy, the rabbi of the famous Mir Yeshiva, and urged him to get a visa.<sup>11</sup> However, Rabbi Portnoy advised Sugihara that he could not accept a personal transit visa without first obtaining them for his entire congregation of 300 students. Sugihara acquiesced. It did not take long for this plan to become known to the Jewish community at large. Thousands of Jewish refugees, including my parents, Isaac and Faygl Melamdovich, and myself, Laybl, lined up at the Japanese consulate to appeal for similar transit visas.

It is reported that Sugihara and his wife, Uukiko, issued a total of 2,139 visas during the month of August 1940. This deed saved over 6,000 people, since each

<sup>11</sup> Also known as the Mirrer Yeshiva, a Lithuanian Yeshiva located in the town of Mir, founded in 1815 by a wealthy householder, Shenel Tikinski.

visa was to the head of household and therefore valid for an entire family. Chiune Sugihara is today among the most lauded humanitarians in world history and an outstanding example that every individual has the power to make a difference! We received our transit visa to Japan on August 31, 1940.

There was still a third leg to the scheme. While receiving a transit visa to Japan was like a gift from the angels, the odds of escaping remained in the hands of the devil. No one leaves Russia without approval from the Russian Foreign Office. Requesting permission to leave the *golden motherland* was, in itself, extremely dangerous, because once you applied you were considered a risk to the state. “Only undesirables would want to leave paradise.” It became a rather cynical joke among refugees that those who voluntarily applied for permission to travel through Siberia, in order to get to Japan, might end up there permanently. It was like walking a tightrope without a net. Still, it was either take the risk, or forever remain a refugee and be recaptured by the Nazis.

For my father, the risk was larger than for most. He was a known Bundist. Nevertheless, after a great deal of soul-searching—they even asked for my advice—my parents decided to take the gamble. Our story would be the truth; we were after all refugees running from the Nazis with a transit visa to Japan.<sup>12</sup> If, in the confusion of world events, the Bolshevik officials did not catch on to the fact that my father was Isaac Melamdovich, the Bundist, anti-communist rabble-rouser, then we might get away with it. If the truth was discovered, my parents explained to me, the three of us would be arrested as political prisoners and either sent to a Siberian Gulag or murdered by the Germans.

Aside from these dangers, money was an issue. Corruption in Russia is legendary. The cost of a ticket included both an official amount and an under-the-table one. Most of the money was, of course, pocketed by the Russian officials, a deal between the Foreign Office officials and the government’s Intourist agency, from whom tickets were purchased.

For Jews, the one-way fare for the ten-day trip from Moscow to Vladivostok, by way of the Trans-Siberian railroad, was \$120 per person—five times the stated official rate for non-Jews. And that was excluding additional fees for food and the like. Where would we get the money, a sum that in those days was considered a small fortune? Again, the money was supplied by Jewish committees or friends of two Yiddish schoolteachers from Bialystok.

12 Bialystok, at that moment, was under Russian rule (based on the deal between Moscow and Berlin), so theoretically we could return there. But everyone knew the situation was fluid and my father was certain that back in Bialystok he would quickly be arrested since he was on the NKVD (KGB) list of wanted people. In any event, it wasn’t long before the Germans recaptured Bialystok.

## AN AGONIZING WAIT

An additional problem was that the money had to be paid in American dollars—which no one had since it was against the law to have foreign money. As always, there existed an underhand special scheme. We were secretly advised that if we went to the Monica Café, a black-market deal could be made to convert roubles to dollars at an outrageous conversion rate. Of course, this whole operation could have been a scam to “Get the Jewish money,” a common saying in Russia. And if nothing happened, who could you complain to?

My father again went into hiding just in case. With me at her side, my mother and I would go every Friday to the Bolshevik Foreign Office, where the names would be posted for those whom permission was granted. Fear for the worst mounted with each passing week. This torture lasted for more than four months. Finally, our names showed up in approval.

When we originally left Bialystok, it was without warning and in the dead of night, the last moment before the borders closed. We thought it was but a temporary departure. This time, we knew our departure was likely to be permanent. All avenues of communication between us and Bialystok had ceased to exist. Instead, we left letters for our family members in Bialystok extending our well-wishes and love. We had no way of knowing that all of them were doomed.

We also made our goodbyes to our Vilna friends, particularly the Manns. I remember telling Esther that we would be together again as grown-ups. The Nazis made certain that she would not reach adulthood. Another young friend, Masha Bernstein (Leon) and her family also received a Sugihara visa and were prepared to leave with us. In the last moment, her father, Matvey, was discovered by the NKVD as a rebel Bundist. He was arrested and never heard from again. The Bernsteins had to decide whether to remain in Vilna in case Matvey was released or escape without him. They made the only decision they could. In New York, Masha became known for writing the gossip column for the Yiddish newspaper, the *Daily Forward*. We remained friends, often participating jointly in remembrances of Sugihara. Masha recently passed away but her daughter, Karen Leon, carries forward her mother’s memory.

Sugihara and his family were punished by the Japanese Foreign Office for issuing transit visas by being transferred to dangerous posts in East Prussia, Czechoslovakia and Romania. When the Soviet troops entered Romania, Sugihara and his family were kept in a prisoner of war camp for 18 months.

Sugihara’s humanitarian deed went unheralded for many years. However, once

it became known to the world community, he received the deserved recognition together with a multitude of awards. In 1985, Israel named him in the *Righteous Among Nations*. He is similarly honored in the United States Holocaust Memorial Museum (USHMM). I took it upon myself to do what I could to publicize his humanitarian deed. Over time, my office in Chicago became a mecca for Sugihara's family members and officials of the Japanese government. Sugihara passed away on July 31, 1986.