

Black Monday Memories

BY JOHN CRUDELE

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hen **Ken Leibler** stepped aboard the 5:45 a.m. Long Island Railroad train headed for New York City on the chilly Monday morning of October 19, 1987, he had no way of knowing that he was starting a journey into the history books.

Like anyone else whose livelihood is tied to Wall Street, Leibler knew that the stock market had been having problems for a few weeks. In fact, when he left his Trinity Street office the previous Friday night, the Quotron machine on his desk had already provided some pretty glum news: INDU -117.16.

But before Monday the 19th was over, the INDU line (short for Dow Jones Industrial Average) would read minus 508 points, and Leibler, as president of the American Stock Exchange, would find himself in the middle of one of the most harrowing financial panics in history.

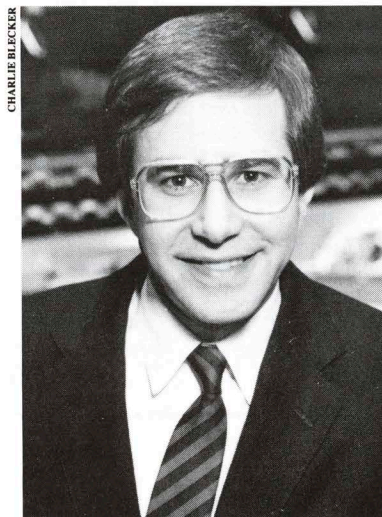
"Professionally, it was the most tumultuous and grueling experience of my life," says the 38-year-old Leibler, a 1971 graduate of SU's College of Arts and Sciences. "The absolute sense of fear was like nothing I've seen before."

Experts estimate that worldwide \$1.7 trillion worth of assets simply disappeared in the month of October, most of it on the 19th. Since then, things have settled, but the recollections of that momentous day and the days that followed are very fresh in everyone's mind.

Leibler went to work earlier than usual that Monday because the American Stock Exchange, which he has headed for the past two years, was putting a new computer system into operation.

The computers had been tested and had worked fine, but Leibler wanted to be on hand before the switch was thrown. The exchange, it turned out, was very lucky. Before Black Monday was over, the new computers had been tested to the limit and passed. More than 35 million shares would trade that day on the American Exchange, compared to a normal volume of just 13 million. A record 43 million shares would be pushed through the system during Tuesday's session.

Most of Leibler's time was spent on the exchange's trading floor. "That was really the best place to have the most updated information," he says.



KENNETH LEIBLER



RICHARD PECHEUR

JOHN CRUDELE is the financial columnist for New York magazine. He holds a 1974 Syracuse degree in journalism and history.

Dozens of emergencies, small and large, had to be attended to.

"The major concern I had was liquidity," Leibler explains. "Could we remain open?" If the exchange's specialists (brokerage firms who buy and sell stocks in order to keep the market orderly) didn't have the money to keep operating, the whole fragile system would be imperiled. This was, Leibler says, "the first time I had to deal with this question."

The American Stock Exchange, New York Stock Exchange (NYSE), and other large markets were engaged in almost continuous conversations during the crisis. And the Securities and Exchange Commission in Washington, D.C., the regulatory agency in charge of all this country's financial markets, was also in close touch with all the anxious exchanges. There was "never any serious discussion about shutting" the markets that day, Leibler says.

Tuesday, however, was another story. "A continuous wave of selling came in around noon on Tuesday," Leibler says, and the exchanges were almost forced to do the unthinkable—shut down.

"We were prepared, on a joint coordination basis with the others, to close. If that was the consensus," Leibler says, "that would have been an absolute last resort. It would have been a terrible sign."

The noontime selling pressure soon abated, and stock prices would end sharply higher than Tuesday. The American Stock Exchange, as it turned out, remained open through it all, only cutting back its hours and suspending business in its sometimes controversial Major Market Index Options.

Leibler didn't catch the return train to Long Island for an entire week, working up to 18 hours a day before retiring, exhausted, to his hotel room. "It was the worst period of tension I can remember, and I guess this was apparent to everyone I knew," Leibler recently wrote in an article for the *New York Times*.

Could it happen again? "No one has persuaded me that the forces that lead to the first one are gone," Leibler concludes.

Irwin Guttag is 71 years old and has worked on Wall Street since graduating from SU's School of Business Administration (now Management) in 1937. But even a 50-year veteran like Guttag, who is president of the risk arbitrage firm of Kaufmann, Alsberg & Company, was unprepared for what happened on October 19.

"I've never seen anything like it. Not even when the war broke out," says Guttag, referring, of course, to World War II.

What made the October 19 crash particularly hard to take, many experts have said, is that there was no obvious cause. Stock prices had become excessively high, but most experts were predicting that the bull market would continue. Yet things started to change in late September, and the stocks of companies involved in takeovers, like the ones in which Guttag's firm is interested, were the first to feel the pressure.

So when Guttag left his Mamaroneck, New York, home early that Monday morning and headed for his 27th floor office at 20 Broad Street in the financial district, he was under no misconception that it was going to be a good day. "A lot of damage had been done Friday, and there is no question we all expected weakness. But nobody expected 500 points," says Guttag. "It fed on itself."

Guttag won't say how much money his firm lost that day, but will admit "we took a bath."

Guttag wasn't only worried about the firm's money. In his role as chairman of the New York Exchange's surveillance committee, Guttag was also keeping a close eye on what was happening all around Wall Street. "I was very much concerned with the health of the street," he says.

Keeping in close touch with the NYSE's overworked surveillance staff, Guttag spent a lot of his time on Monday, and especially on Tuesday,

The stock market crash was worldwide news—an infamous blot in the annals of history. For Ken Leibler, Irwin Guttag, and Richard Pecheur, it was just another day at work.

trying to figure out which investment firms were in trouble and whether those that were still doing business were adhering to the exchange's policy for operating with sufficient capital.

Guttag finally left his office at 10:30 Tuesday night. His impression of what he had been through: "I was surprised that there was very little panic in the office." In fact, he says, there was a lot of camaraderie through the whole thing.

Richard Pecheur had a peculiar problem during the crash. As the New York Stock Exchange's managing director of institutional sales, Pecheur didn't have to worry about enticing brokerage firms to do their trading on the Big Board.

There was already so much trading going through the NYSE's computers (604 million shares were traded on October 19, and a record 608 million the next day), that the last thing the exchange needed was to drum up more business. Normally, 200 million shares of trading is considered



IRWIN GUTTAG

a busy day.

Pecheur, a member of the College of Arts and Sciences' Class of 1967, became an itinerant worker of sorts. "My job was put on hold. I ended up just handling telephones," he says. The main topic of conversation during those phone calls: closing the exchange.

The calls, Pecheur says, came mainly from large brokerage firms, whose operations staff were complaining about the volume. "We came under a great deal of pressure to close."

Pecheur, a 19-year veteran at the NYSE, has now had some time to reflect on the events of that week. "It looked like we were on the precipice. It was eerie. But there is some potential for good to come out of it, if we learn from it. If we don't, history will repeat itself sadly."

BILL CANCELLARE



THE PHILANTHROPIST

NANCY SHERWOOD TICKTIN '52 helps Banker's Trust give away their money. It's no small task, since the bank is the eighth largest in the nation and its assets, as of the end of the third quarter of 1987, totaled \$56.8 billion.

Ticktin is a vice president of Banker's Trust Company, charged with corporate contributions to philanthropic organizations; and president of the Banker's Trust foundation. Ticktin receives nearly 2,000 contribution proposals a year, so in addition to managing money, she spends a lot of her time "frantically trying to survive the flow of paperwork."

A successful manager of philanthropy keeps up on current events. "In order to do the job well," she says, "one has to be current on what's happening in society—not only in arts and culture, but in education, health, and in social welfare. You don't give money unless you know what's going on. It keeps you on your toes." —MEM

PROXY MOXIE

Business in America has boomed in the last few months because of the stock market crash," asserts Donald Carter '69, chief executive officer of the Carter Organization, a proxy solicitation firm.

"More companies come to us now on restructuring proposals. We assist them in their investor relations efforts." Clients include Xerox, ITT, and General Motors.

Carter became interested in proxy solicitation while a securities analyst for Carl Icahn. "I saw an industry controlled by two sleeping giants and felt there was a need for an aggressive, intelligent company in the field," he explains, "so I took \$3,000 and started my own firm when I was just 24."

That initial investment has increased a bit in value. Recently Carter, the sole stockholder, sold the firm for \$135 million to Valin Pollen International PLC, a British advertising agency.

"For a company to succeed, the drive, ambition, integrity, and desire to excel must come from the top," he asserts. "If it's not in the CEO of the company, it's not going to be anywhere in the company."

—CNS

BRIAN SMALE



Future in Futures

People think commodities traders make a lot of money, that it's so easy," says Frank Carmona '78. "But you're standing in a pit for seven hours. Yelling. Seven hours. You get spit on. . . . You get in fights. You get bloodshot eyes from looking at the screens, constantly watching the stocks. . . . It's not glamorous at all."

Despite that, Carmona is a self-avowed "trading junkie." A five-year veteran in a field where only one in ten players makes it, he has been successful enough to leave a partnership and strike out on his own.

Carmona is what's known in commodities circles as a local—a self-employed trader who's putting his own capital in different markets. "The money I make and lose is my own," he says.

Carmona likes working for himself; the responsibility is great when trading the money of others. "How do you explain to somebody that you lost?" he asks. "If I have to, I would rather lose my own money. Now I can go to bed at night and sleep even after I've had a bad day."

—RGL

FUR NOW & FUREVER

Direct all questions about the American fur industry to the number one source of information: Sandra Blye '77, executive vice president of the American Fur Industry.

Blye says the industry has undergone dramatic changes in the last 10 years. "Sales have tripled because there's a new fur buyer. Ten years ago," she says, "the average fur buyer was a woman who was 50 and who received the fur coat as a gift. Now you have a younger customer whose average age is 26. . . . She's not waiting until mid-life to receive this coat. She's buying this coat on her own."

And, says Blye, she's wearing her fur coats in new ways, too: over expensive dresses for evenings at the ballet, of course, but over blue jeans on the weekend as well.

—MEM



Media Moguls

Publishers **Si '49** and **Donald Newhouse '51** remain among the most influential publishers in town. Magazines they own include several that are quintessential New York publications, typifying the style and sass of the city.

While Donald presides over Advance Publication, encompassing 29 newspapers and cable television operations, elder brother S.I. Newhouse Jr. runs Conde Nast, owner of 12 magazines, including *Vogue*, *Gourmet*, and *Parade*. They

are a string of clear winners, all guides for living the good life.

Si has successfully repositioned several of the magazines in new markets, and created two more, including *Self*, a women's health magazine; and *Vanity Fair*, a rebirth of the legendary Conde Nast magazine not published since 1936 and considered one of America's most memorable and classy magazines. In 1985, they bought *The New Yorker*, another centerpiece of Manhattan publishing. —CNS.



DAICOFF

MPAs ON WALL STREET

In traditional businesses, you'd be hard-pressed to find a senior vice president at my age. But there are a number of people in investment banking who are young," says **Cathy L. Daicoff G'79**. Daicoff is senior vice president of the municipal ratings department at Standard and Poor's Corp., a position the 31 year-old executive attained three years ago.

Daicoff is representative of the growing number of Wall Street professionals who hold master's degrees in public administration (MPAs). For Daicoff, the degree makes sense. Her work, though financial, concentrates on the workings of municipal budgeting.

Daicoff manages a group of employees responsible for short-term debt ratings and letter-of-credit ratings in the municipal financial department at Standard and Poor's. She makes several public speeches each year for the company, does recruiting, and visits communities that Standard and Poor's rates for annual review, among other responsibilities.

Patrick Hennigan G'75, G'78, senior vice president at J.P. Morgan Securities; **Lynda M. Anderson '81, G'84**, associate at Goldman, Sachs and Company; **Gregory A. Clark G'80**, vice president at Donaldson, Lufkin, and Jeanett; and **Michael Bennett G'83**, vice president at Sumitomo Trust and Banking also occupy the long list of MPAs working in investment or banking firms throughout New York.

Many MPAs began looking to Wall Street for employment in the mid-1970s because there was a federal hiring freeze, says Hennigan; there were simply fewer jobs in government. Also, he says, "when the New York City fiscal crisis hit in 1975, a lot of banks and investment banks decided they better beef up their research. That's where most of our people started off."

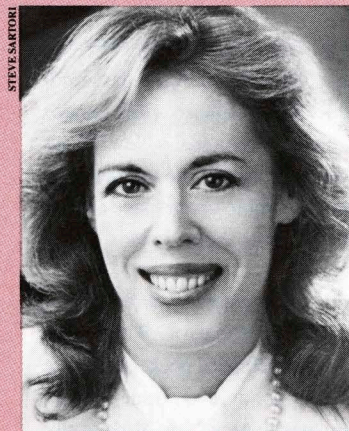
—MEM

LEADING WITH TRUMP

Working for Donald Trump, it's not like it's a job," says **SUSAN HEILBRON '66, G'68**, executive vice president of the Trump Organization. "I think we all feel like we're part of an extended family." This about a boss whose name is synonymous with real-estate controversy in the Big Apple.

Heilbron, an attorney by training, handles legal affairs for Trump and the Trump Organization, as well as a myriad of other responsibilities. "It's a very, very small operation, which most people don't know," she says. "We all do a lot of different things, use a lot of different skills. I'm a lawyer sometimes, I'm a manager at other times. I deal with public officials. Each project is different, which stretches you."

Heilbron is currently working on the refocus of the "Television City" project, planned for the west side of Manhattan, stretching from 59th to 72nd streets. "It's very rare in life that you get an opportunity to be involved



with someone who takes the kind of risks that Donald is willing to take and has the kind of resources that he has to make these dreams a reality," she says. While the project takes a great amount of time, that is an aspect of her job she is accustomed to.

"The job doesn't end when I go home and it doesn't end over weekends," she says. "It's not so much a job as a way of life."

—RGL

MOVERS, SHAKERS

Within the world of business and finance is a fraternity whose members may be acquainted by reputation only. Movers and shakers, corporate elite, tycoons, the big cheese.

They run some of the biggest businesses in the city and nation and wield the attendant influence and power that comes with such positions. While this list is in no way complete, here are at least some of the New York powerfolk who claim Syracuse as their alma mater.

- **Conrad Ahrens '51**, president and chief operating officer, Depository Trust;
- **John (Jack) T. Connor '36**, chairman, Schroders Inc;
- **Michael Dritz '59**, president and CEO, Smith New Court Inc;
- **Robert Giordano '70**, partner, Goldman, Sachs & Company;
- **John Heimann '50**, vice chairman, Merrill Lynch & Company;

- **Sayra Fischer Lebanthal '20**, co-founder and senior partner, Lebanthal & Company;
- **Seymour (Cy) M. Leslie '45**, chairman and CEO, MGM/UA Home Entertainment Group;
- **Alton G. Marshall '48**, chairman, president, and CEO, Lincoln Savings Bank; past president of Rockefeller Center;
- **Richard L. Menschel '55**, general partner, Goldman, Sachs & Company;

- **Robert E. Menschel '51**, limited partner, Goldman, Sachs, & Company;
- **Eugene Parker '54**, partner, Arthur Andersen & Company;
- **William Ruben '51**, president and CEO, Bonwit Teller;
- **Alvin Schragis '51**, senior vice president, Carol Management Company; and
- **Chester Soling '54**, founder and senior partner, Solico.—RGL