

How I Came to Write *The Fibonacci Deception*

For about a dozen years, from the mid-1970s to the late 1980s, I was a wire service reporter at the Chicago Board of Trade. I had been a stringer for Knight-Ridder in Argentina in 1976, contributing stories about economic news from Buenos Aires. The country was a major player in world commodity markets, exporting corn, wheat and cattle, and later soybeans. The condition and size of various crops, government export policies, shippers bidding for grain intended for buyers abroad—all these topics were of the greatest possible interest to my employer.

I did this work well enough for the company to offer me a staff position covering commodity markets at the Chicago Board of Trade. At the time, it was the largest futures exchange in the world. Prices all over the globe, for corn, wheat, soybeans, soybean meal and oil, were established at the Board of Trade. Exporters and importers in China, Japan and Russia, grain elevator in the U.S., food processors and farmers all looked to the exchange to see the prices they would pay or receive for the markets they were in. Companies active in the cash markets were hedging their positions. Day traders working on or off the floor added liquidity to the market. The public—“retail investors”—came calling during bull markets, hoping (but usually failing) to profit from rising prices.

The result of this frenzy was price discovery. With so many people monitoring world-wide conditions affecting supply and demand, economists assumed that a reasonable price would obtain for every commodity, even if prices were distorted at times by exaggerated buy or sell pressure or light trading.

This was the world I was asked to cover when I returned to the States after a year in Argentina. The jump from Buenos Aires to Chicago was a big one. In BA I walked round and round the business district gathering information at the offices of people at work in the grain trade. I ended up in the office of United Press International, where I typed and filed my copy. No cell phones back then, and even telephone service was spotty, because communications workers often neglected (when they didn't outright sabotage) the capital's telephone service. So I practiced old-fashioned shoe leather and notebook journalism, directly visiting the offices of my sources.

The floor of the Board of Trade was a very different world. But then it was a unique marketplace. The exchange was built in 1939, the last skyscraper to go up in Chicago before the War, and trading was done on the fourth floor of the building. Tall, elderly Eddie Mansfield stood behind a kind of circular stand or desk, checking the ID badges of everyone who entered; when he retired, the room, not much smaller than a football field and about four stories high, was named after him. There were several trading pits, which varied in size, but the largest ones, for

corn, wheat and soybeans, were hexagonal in shape, perhaps forty or fifty feet wide. There were five or six steps leading to the top of the pit, an interval of three or four feet at the top, and then five or six steps leading to the bottom. The entire space, including the small circle on the floor in the center, was given over to traders clutching buy and sell orders in both hands, and standing in spaces that reflected the months they were trading in—July, September, December, March, and so on, depending on the commodity.

They would shout out their orders to other traders, a practice that was termed “open outcry,” the very essence of futures trading: Everyone should hear the most current bids and offers. This often created a deafening noise when the markets opened at 9:30 a.m., and it took me time to adjust to the sudden eruption of sound that came from each pit in the room. There were trading desks, perhaps five or six rows deep, that surrounded the floor, which I remember as an approximate rectangle. These were occupied by traders, brokerages, grain exporters and food processors receiving buy and sell orders from all over the world. These orders had to be carried by young men and women called runners who dashed to each pit, sometimes colliding with each other. Price reporters working for the exchange sat in an elevated desk in the corner of the pit, their trained eyes running around the hexagon. They tracked prices for each month and transmitted them electronically to elevated boards running the length of two of the four walls of the floor. In the

old pre-electronic days, price reporters yelled or used hand gestures to men standing on a catwalk perhaps two dozen feet above the floor, men whose job was to chalk, erase and relist prices as they changed moment by moment. This was organized so that traders in the pits and at the trading desks could see the prices of all of the commodities and make decisions and pass advice on to their employers and clients. That explains the vast banks of telephones in the room, though there was also a pair of old-fashioned telephone booths in a corner of the floor that led to a large bathroom. Narrow, three-story-high windows overlooked LaSalle St., and a coffee lounge open to the public was on the opposite side, allowing visitors to observe the spectacle on the floor. The bottom half of the glass barrier separating the viewers from the floor was smoked, so that no one on the floor would be seen looking up the skirts of female spectators.

This world--shouting traders, the din, runners, the multitude of phones and all the rest—has disappeared. Even before the advent of computerized trading, a development that replaced the pits with a computer screen, the original floor of the Board of Trade was enlarged by an addition built on the south side of the building, a place, I'm afraid, that had no character at all. It was a loud, sterile room that could have been a trading floor anywhere in the world. There were no windows overlooking the Loop, and nothing I could see associated it with Chicago at all. But even that disappeared, when electronic trading took off in the 2000s. I was told

that the original floor that I had paced as a reporter was taken over by a company that traded commodities and wanted a large space. The heaps of paper (discarded trading orders and other detritus of the floor), the little clip boards placed by the teletype machines that held the economic news that were hung by a few of the pits, the traders in their loose-fitting trading coats—all gone. The coats were in the various colors that reflected the companies that traded on the floor, so the firms that traders represented could be easily identified. Sometimes they didn't bother to change to street clothes when they left the exchange after a trading session ended at 1:30 p.m.. Outside on LaSalle St., people doing business in the Loop probably wondered what these oddly dressed men (there were few women traders then) were doing.

This is the world that I tried to capture in *The Fibonacci Deception*. To that extent, it is a historical novel that seeks to capture the trading environment that prevailed for most of the second half of the twentieth century. *Fibonacci* tells the story of Tom Winters, an unemployed financial analyst, who meets a smart, ambitious reporter covering the markets at the Chicago Board of Trade. The character is named Amy. With the help of a Russian mathematician, the three contrive an illicit but profitable plan to make money in futures. In the midst of their trading, a crisis erupts in the grain fields when genetically modified seeds produced by a bioscience company menaces food production in the U.S. A blackmailer

enters the picture and threatens the trio of traders with exposure and government prosecution. This forces them to confront the law while testing Tom's loyalty to Amy. The story, of course, is pure fiction. It drew on my years at the exchange. I never knew of any reporter who traded commodities illicitly, and I believe it was only after the R. Foster Winans scandal broke at the *Wall Street Journal* in 1984 that companies prohibited their editorial staff from trading. I don't remember any formal restrictions before then, but no reporter I ever knew ever tried it, as far as I know.

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