
Chapter 3

Sooner or later Sydney would state her terms, he was sure of that. Lieb or no Lieb she had let him know she wasn't through flipping with him. And in the meantime he had a book to write. He rose to it the next morning, drew the legal pad toward him and printed at the top, How to Trade Like a Wall Street Insider. Underneath he wrote By with his name. Not Scandal S. Scandal. But Samuel J. Bronoff. He was proud of his authorship and ready with his leadoff. He had given it a lot of thought. The most basic thing, what every investor should keep in mind was this:

Rule #1: Expect to Lose Money.

That was the kind of stuff his publisher, Gerald Ernquist of the Creative Press in Park Lawn, Illinois, wanted. The straight truth. No-nonsense advice. "Write for the guy with \$10,000 to invest," Ernquist had counseled, and Bronoff liked the mandate. Much better than the publisher's initial suggestion, sent to his prison address, that he write a book about "how you made it to the very top of your field and then went spiraling down." He hadn't been ready to write his own obit, nor to deal with the real suspense that had led up to the Crash of '87, the story of when the last lemming—of the thousands of Pinky Liebs, money managers, brokers, investment bankers, and gym teachers turned day-traders—when the last lemming with any cash would take his turn at the edge of the cliff. Why write a book about that?

Without lemmings there wouldn't be a market, not on Wall Street or anywhere else.

Instead, warmed by the correspondence—"We think of you as one of us, a hometown boy who made a name for yourself"—he had come back with a suggestion of his own. "What I could provide your readers," he wrote from his lofty cell, "is a little volume of helpful advice drawn from my years of experience. Call it 'How to Trade Like a Wall Street Insider.'" The reply from Ernquist arrived at once: "I'm interested, though you have to understand we're only a little outfit..." The offer a mere five thousand bucks, but Bronoff waived his distrust of any outfit that cried poverty, and only partially because he had no other funds.

He underlined Expect to Lose Money. Then added, Everyone Does. Not only was it responsible of him to warn them that if they couldn't afford to lose it they should keep it in the bank, but it also served as a reminder that he, unlike a lot of other pundits, had no stake in selling them stocks or mutual funds. So no hype or false hopes from Sam Bronoff. And he had lost plenty himself. You had to expect it. The trick was to make more than you lost.

But no one was ever prepared to lose. That had been the crux of his problem. When the inevitable losses came, as they did in such a big way in the '87 Crash, all of Main Street had sought an accounting. Who had led them on like that, built this towering house of cards? They wanted an answer, they demanded one. It had happened after every crash. After '29, FDR answered the clamor by setting up the SEC, putting old Joe Kennedy, that Wall Street fox, in charge of the government cluckers. This time, after '87, a federal prosecutor, John Galotti, whose political ambitions were rising even higher than the Dow had, assigned himself to come up with an answer. And the answer he came up with was Bronoff. The prosecutor's finger pointed and all eyes followed. It was all Sam Bronoff's fault. All that money they had lost, all that money down the drain, it was all because Bronoff hadn't played by the rules.

An absurdity, he'd never done a single deal. He was an arbitrageur, a numbers man, strictly a trader, a man who made money by moving it around. And ironically an outsider, or the investment-house merger-men and maverick greenmailers never would have dealt with him. Not someone to be seen with, always wore running shoes, sometimes without socks. Never went to a party or lunch. Spent all his time moving invisible money, and thus seemed invisible, too. Accepting the secrets they were greedy to spill, placing money on the stocks they wanted held, and repaying handsomely minus his cut, he had been useful and done very well.

Until they needed a visible scapegoat. Then Bronoff the sockless arbitrageur became the source of everyone's woes. The accusations flowed as the money once had. He was the one who'd encouraged them to do all the things they couldn't afford, from option plays on margin to breathtaking takeovers. The whole mess on Wall Street had been his fault. Federal marshals came to his office. Galotti showed up with the TV crews, a pinched-faced former altar boy devout in his self-esteem. Standing beside him, Bronoff, much taller, hawk-faced and toothy, looked like an errant bird of prey, flown in from the wilds to civilized Wall Street, his wings now pinned with gleaming handcuffs.

The press had vied to despise him, it being so easy to do. And Steve Konheim, his brother-in-law, had given them all the help he could. "A case of pathological greed that destroys people's trust" ran the banner of Konheim's judgment across Bronoff's face on *Time* magazine. Then he parlayed his vantage into a book, *Greed: An American Crisis*, full of lessons the nation could learn from Sam Bronoff's crimes. Konheim the self-named expert on community mental health, accredited by the social work degrees he and Marilyn had earned while living under Bronoff's roof. Konheim had made his appearance on all the news-interview shows, and *Greed: An American Crisis* had made the front page of the *Times Book Review*.

To soothe himself Bronoff went to the window to gaze down on leash-pulled dog-walkers and zigzagging cabs. In an apartment across the street he saw a naked woman with long coppery hair. A nice slim body, good pelvic bones, talking on the phone, not imagining herself seen. Bronoff stared at her nipples and pubic hair and blessed the city for its little arousals.

It was nine forty-five. He could turn on the tape. "Of course you'll need cable," Daniel had said, making the arrangements for the apartment and utilities. He'd been touched by his son's projection of his own needs, and he did need cable, but not for the sixty channels of entertainment Daniel took for granted. What he needed was Old Man River, the day-long flow, hop, and stumble of numbers on the ticker tape.

His readers should keep an eye on it, too. "Watch the tape," he wrote down. "It is telling you what the lemmings are buying and what they are selling. What's in fashion and what's not. That's what trading is mostly about." True, but he should try to be catchier, give his readers an easy grasp. He was pleased with what he came up with:

Rule #2: Every Dog Will Have Its Day. Buy a company that is out of fashion and sooner or later it will come into fashion. The lemmings will start buying and the price will go up.

Then came the hardest lesson for people to learn. So difficult that he divided it into a separate rule:

Rule #3: But That Day Won't Last. So when it goes up, sell. Take your profit. Get out. Don't wait for the lemmings to start selling first. Going for the last nickel on the upside will cost you big bucks on the downside.

And once the tide turns, don't try to hang on. The fundamental truth about a lot of the stocks the experts called cheap:

Rule #4: A Dog Averaged Down Still Barks. So let go of the leash. Especially with companies that don't make money. They can drag you right into bankruptcy court and then you'll be left holding nothing.

Why the big swings in fashion? That was simple, but maybe the guy with \$10,000 needed a guide to the landscape. So Bronoff supplied:

Rule #5: Professional Traders Have to Trade Something. That's their job, day in and day out. What they buy for breakfast, they sell for lunch. What they buy after lunch, they sell before dinner. Between meals they try to get everyone else to bite. Don't fall for it. Never buy a stock just because it's recommended by someone whose job is to buy and sell stocks.

A solid day's work. Bronoff was hungry. He went to the kitchen and cut thick slices of rye bread, padded them with Swiss cheese, and filled his mouth with too much of the rugged tastes he had missed in prison. Then he went back to the table and felt the cheese turn to rubber as the TV yawned awake with the face of Steve Konheim.

He looked the same, the same boyishness, though his wavy hair was now gray-streaked with authority. His eyebrows snaked thick above wire-rim glasses, and his lips were moist like a child's, smiling at his own goodness. What the hell was he doing on the *Financial News*? Protesting his brother-in-law's release? Bronoff wouldn't put it past him. But the pretty blond anchorwoman was explaining, "We usually have Richard Lieb on at this time to take your calls. But he's out of town this week. So as a special treat we have Steven Konheim, founder of Konheim Counseling Centers, here to answer your questions about coping with everything from markets to marriage. So tell us what you do, Steve..."

"What we offer at Konheim Counseling Centers is a fast, easy remedy for all of your personal and professional problems." The special treat made Bronoff's stomach sink. He still had the strong Chicago accent, the flat "a," turgid "r," the "o" in "offer" as in "hot." Bronoff heard again the outraged whine of Konheim at Harry Schaeffer's dinner table, keeping the Ward Committeeman entertained with a docket of social crises and

wrongs to season the grease of roast beef or chicken. Konheim in those days had aimed "the military-industrial complex" at the Democratic Party pillar. But Schaeffer, far from being offended, had been impressed. A future son-in-law with so many words might become a lawyer, and even, with his connections, a Cook County judge.

What he had become, Bronoff saw, was pure Konheim, so sincerely engaged in selling himself that he actually, unselfconsciously spat. "We believe that people shouldn't have to spend years in therapy, paying money to psychiatrists or psychoanalysts for lengthy examinations of their childhoods." A little spit spraylet with each "psych." "At Konheim Counseling Centers, you can walk in without an appointment, see a counselor right away, and you'll feel much better in just half an hour, or an hour. Whichever you choose." The choice itself so reassuring.

And the blond anchorwoman loved him. It wasn't often they had a guest on *Financial News* who didn't wear a mask to project objectivity, who offered instead a face so wet with sincerity as to shame the skeptical eye.

"We're talking to Steven Konheim, chief executive officer of Konheim Counseling Centers, and you're on the air." Konheim leaned in toward the camera as if it were calling.

"I'm so glad you asked that, Myrna. Yes, we do offer marital counseling..."

The last thing he wanted to hear about from Konheim. Bronoff muted the sound. But he'd been slapped by the title. Konheim a CEO? They didn't call social workers "chief executive officer." Maybe he had formed a private company, but then what was he doing on *Financial News*? What was the relevance to an audience of investors? He was talking about the nature of his business, not therapy for stock market woes. Could it be that Konheim had taken himself public? The ardor of his spiel did suggest he was selling stock. Bronoff reached for the newspaper to check the stock listings, but didn't find Konheim Counseling

Centers or just Counseling Centers or even anything close like Mental on NASDAQ. And not under Small Caps either. It seemed unlikely that Konheim would have sufficient capitalization for Big Board listing, but he was such a strong salesman it wasn't impossible he'd gotten the NYSE to make an exception. So Bronoff checked there too, but found nothing.

He turned the sound back on for a clue and heard the tremulous voice of Bud from Sarasota, his name printed on the screen. "What I want to know, Mr. Konheim..."

In the old man's pause to gather strength, Konheim leaned forward impatiently, "Yes, yes," and then remembered to restore his I'm-harmless grin.

At last Bud got it out. "What I want to know is how do you always have a counselor ready for every problem?"

"I'm so glad you asked that." Well worth waiting for you, you slowpoke, his return of warmth said. "What makes Konheim Counseling Centers so unique is that all of our counselors are trained to deal with all problems all of the time. And the way we do that..." it being his turn to draw out the suspense. "The way we are able to do that is by forgetting about the problem and focusing," a little spit spraylet, and then another. "Focusing only on the solution. We don't get distracted by the problem. We don't delve into history. Who cares what happened years ago, or an hour ago, or even a minute ago? What matters is what you can do right now to get it right. So that's what we show you. How to get it right and get on with your life." A cause for celebration worthy of his red basinwide saliva smile.

His radiance gave the anchorwoman her segue. "We've been speaking to Steven Konheim, CEO of Konheim Counseling Centers, and what we need to do right now is take a break."

Bronoff shut off the sound and recalled Sydney telling Mr. Cropsey that Lieb was advising her brother-in-law the author Steven Konheim. About what? He had cut her off. But the most likely explanation was that Konheim was about to go public.

That's what he was the CEO of, an initial public offering. Not trading yet, so no listing. No wonder Konheim was selling with so much spittle, he was poised to make a bundle.

Well, if his readers learned nothing else, Bronoff could teach them this:

Rule #6: Beware of IPOs. They are always manipulated in some way. The company's officers work hard to drive up the price. So do the investment bankers handling the offering and the fund managers who already bought into it. Do Not Jump In. Wait and see what happens. A strong company will get stronger with the capital it raises. A hype job will sink like a rock.

The real lowdown, what Ernquist had wanted, and the author was sure he was getting it right.