

A BUMP IN THE ROAD

by

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The mutual fund is a financial entity that solicits money from the public for investment in other companies. Its origin goes back to Great Britain in the 1860s. Its earliest exponent was Robert Fleming, the grandfather of Ian Fleming, creator of super agent James Bond. The concept crossed the Atlantic in 1924 with the formation of the Massachusetts Trust. This class of open-end fund promised to redeem its own shares from investors for cash on demand. Despite the dramatic decline of the stock market in 1929, the mutual fund survived the Great Depression of the 1930s, and World War II.

The disposable income of Americans increased 40% as prosperity returned after the Korean War in the Eisenhower era. The rising income of an expanding middle class created a new market for mutual funds, which had languished since the 1930s.

Economic dislocations occurred regularly in America since the beginning of the 18th century. The *Company of the West* was chartered as a French corporation in 1717 by the Duke d' Orleans, who was regent after the death of Louis XIV two years earlier. The purpose of the *Company of the West* was to develop French lands in Louisiana and the Mississippi Valley as a buffer to contain English colonial expansion west of the Appalachian Mountains; the region was divided into nine districts of which Illinois was the northernmost. The scheme collapsed in 1720, sending France into bankruptcy because the paper currency guaranteed by French finance minister John Law combined disastrously

with speculative real estate price frenzy in the lands of the Mississippi Valley. After two centuries of recurring volatility, the Federal Reserve was created in 1913 to stabilize these economic gyrations.

Greed, hubris, and other negative facets of human nature appear regularly in our business culture. They spawn characters eerily similar to some figures in the plays of Shakespeare. Today the reality is Bernie Madoff. Yesterday it was Enron, WorldCom, and Michael Milken. In the 1970s financial scandal centered on Bernie Cornfeld, the stock market wizard who had resurrected the mutual fund industry in the 1950s from its stagnation after the stock market collapsed in 1929. Cornfeld, in turn, was scammed by Robert Vesco, who eventually fled to Cuba to avoid extradition.

The saga of Bernie Cornfeld began in Istanbul four years after the collapse of the Ottoman Empire in 1923, suggesting a mystery film scenario with Sidney Greenstreet and Peter Lorre. His father was a Romanian actor and impresario in the new movie industry with offices in Austria and Turkey. When a fall on stage ended this career prematurely, the family moved to New York, where he taught German literature in a city college until his death in 1933. Bernie's mother, then still relatively young, was the daughter of a once prosperous Russian family that had lost everything in the Revolution of 1917. Bernie therefore belonged to the upper crust of displaced Central European Jews, not to the wave of immigrants from an impoverished background. He became an Eagle Scout in 1944. This was

the attempt of an immigrant's son to be an all American youth. He graduated from Brooklyn's Abraham Lincoln High School a year later, as World War II was ending.

Bernie then joined the Merchant Marine, where he served as a purser for two years traveling mainly between the United States and Europe. This experience, as a kind of ocean – going bookkeeper, aroused his interest in foreign currencies and revealed his flair for assuming any role that would best let him manipulate a situation to his advantage. Perhaps it was a talent adapted unconsciously in childhood from his Jewish parents who had moved easily from the east European cultures of Austria and Russia to Asia Minor, and ultimately to Anglo-Saxon America.

Bernie graduated from Brooklyn College in 1952 with a degree in Psychology, and entered the Masters in Social Work program at Columbia University. Meanwhile he had enjoyed a decidedly Bohemian lifestyle, which the counter-culture youth movement of that era was called. Bernie quickly drifted into the world of finance as the allure of non-profit social work faded. He soon became a star salesman in New York for Dreyfus mutual funds. Realizing that the market for mutual funds was worldwide, Cornfeld was a corner cutter who detested the regulation of the stock market by the Securities and Exchange Commission. In 1955 he moved to Paris to establish his own business, offering products disallowed by the S.E.C. Lax standards in Europe allowed him to sell

his own fund of funds composed exclusively of different mutual funds combined into a single stock. Bernie's original market for recruiting a sales force was the thousands of American ex-pats roaming aimlessly in Europe.

I first saw Geneva, Switzerland, from the deck of a paddle-wheeler on a sunny summer day in 1947. As it glided smoothly toward that lake port with its backdrop of snow-covered Alpine peaks, I determined to return there for more than a quick visit as a tourist. That opportunity was realized in 1955 when I enrolled on the G. I. Bill at the Interpreters School of the University of Geneva, then considered a training institution for United Nations employees.

The goal was to perfect spoken French after serving a year and a half as a German interpreter attached to the Pentagon. Our unit included a half dozen Wehrmacht veterans who had joined the American Army to acquire citizenship. Furthermore, the prospect of training for a job in international business appealed to me. That year of study was rewarding, especially because the dollar was then four times the value of the Swiss franc and the cost of living cheap. Geneva was still a small provincial city in that era.

I returned to Geneva as a newlywed in the spring of 1956, hoping to find work through contacts from student days. My wife had worked as a French secretary at the United Nations in New York; and she had arranged a transfer to a similar position at U. N. Headquarters in Geneva. Unfortunately for me, the Canton of Geneva had tightened residency requirements for foreigners.

Temporary work permits were being issued for assembly line factory workers from Italy and house servants from Spain only. After a few frustrating days following dead-end leads, I turned to the want ads in the New York Herald Tribune, the Bible of the English-speaking world for employment on the Continent at that time. It was now early May, and our funds were running low after living in hotels for a month.

The newspaper ads soon produced two promising possibilities; but both required interviews in Paris. I set up one appointment for Thursday May 10, 1956, at 10:00 a. m. and the other at noon. My wife delayed starting her job at the United Nations and stayed in Geneva with our car to look for an apartment. I took the local commuter line to Lausanne, an hour away, to catch the Orient Express for Paris. The fare on that elegant train, with its legendary dining car featuring fine wines and superlative service, was only a small premium above the norm.

The morning of Thursday, May 10, was mild and cloudless as I emerged from my fleabag hotel on the Isle of St. Louis, which at that time was the poorest neighborhood in central Paris. Rooms were under \$3.00[↗] night; coffee and two[↗] croissants \$1.00 with tip at the local bar. The sounds and smells of Paris awakening on a spring morning are the same today as they were then.

I crossed over to the Left bank and strolled along the Seine opposite Notre Dame Cathedral and over to the Boulevard St. Germain, arriving soon at the Café

de Flore. This locus of the avant-garde business community was a favorite watering hole of Parisian art and antique dealers. Despite the ever-present stench of Gauloises, I nursed my coffee for half an hour and then ordered another to pacify the waiter. Empty seats were quickly filled in this popular bar, where middle age lechers ogled an endless procession of young skirts trolling for sugar daddies. Panic set in after 11:00am when I realized that the interviewer was an hour late and that my noon appointment was scheduled for a location at least half an hour away by foot. I paid up quickly and rushed out, not wanting to draw a goose egg for two job interviews after making a special trip to Paris.

The interview scheduled for noon May 10, 1956, was in the lobby of a small hotel near the Montparnasse railroad station. I arrived a bit late after underestimating the walking time from the Café de Flore. I chatted with another American waiting in the lobby for the same job interview advertised in the New York Herald Tribune.

A twenty-eight year old former oil geologist named Don Rusk soon arrived at the hotel. He described how rich we could become selling the *Wonderland of Knowledge*, a juvenile encyclopedia, to the families of American soldiers scattered throughout the countryside south of Paris beyond the Loire and west to the Bay of Biscay. Numerous small posts in that region supported American military headquarters at Rambouillet in the Bois de Boulogne. Many

G.I.s lived off post with their families; some had married French farm girls who spoke no English.

Rusk hired us both on the spot and asked if my wife would also like to join his team. Much to my surprise when I telephoned her, she favored rejecting a safe desk job for the uncertainty of life on the road. Two days later she arrived in Paris with our car and studied the written sales pitch our company had prepared for new hires. The simple formula for door-to-door sales had been perfected by the Fuller Brush Company during the Depression: get your foot inside a prospect's home and don't take no for an answer.

We spent the next two weeks with Don Rusk making cold calls on married G.I.s living in villages near their military bases. These targets were easy to find because their vehicles had distinctive license plates and were always parked immediately next to the front door of their rented residences. One of us would work a village on foot while the other drove to a nearby village previously scouted. Because the G. I.s had dinner promptly at 5:00 p.m. after returning from work and retired at 9:00 p. m., our sales time was limited to a three-hour window from 5:30 to 8:30. We rented apartments successively in Chinon and then La Rochelle until the fall when we moved to Wiesbaden to train new salespeople for the larger German market. It was a dissolute but rewarding lifestyle eating and drinking late after work every night; and then cruising about the countryside in picturesque villages the next day looking for signs of an American presence.

There was time to sit in cafes and refine sales techniques. We had to enter a stranger's home and convince him in less than an hour to write a check as the down payment on a children's encyclopedia for his offspring or for his foreign bride to learn English.

Selling a children's encyclopedia door-to-door was a lowbrow way to make a living, but doing it in a foreign environment satisfied our desire to live abroad for an extended period without being tied to an office with regular hours. We worked seven days a week earning enough to maintain our peripatetic lifestyle. We learned from the Police and storeowners if a village actually had resident Americans before finding their exact locations by searching for their parked cars around 5p.m. The whole experience taught the basics of bookselling: find your market, present your product, and ask for the order. It was not the mystique of offering literature in a romantic shop setting, but was, in its way, an introduction to bookselling. This experience drew me into the world of rare books in 1965.

After returning from Europe late in 1957, I spent the intervening eight years as a wine merchant in our family supermarket enterprise before succumbing to the lure of the rare book business.

What I sometimes wonder is whether I would have spent 44 years in the antiquarian end of bookselling if fate had played a different role on May 10, 1956.

What if the 10:00am interviewer had showed up at the Café de Flore before I bolted out for my noon appointment?

That morning Bernie Cornfeld failed to show up; if he had, I might have been selling mutual funds to the same G.I.s I contacted to buy encyclopedias. Perhaps I would have made a fortune, and gone to jail for securities fraud. I like to believe that Cornfeld's failure was my stroke of luck, a life-changing *bump in the road*.