

‘Forty Just Men’

By Michele Blagg, Research Consultant and visiting Research Associate at the ICBH, Kings College London



The LME “ring”, circa mid 1980s, image supplied courtesy of the London Metal Exchange

The latest in the series of articles in the LBMA’s Voices Project, Michele interviews John Wolff about his career spanning five decades, including his family’s close association with the London Metal Exchange and his involvement with the bullion market and the establishment of the LBMA.

On learning that John Wolff had been one of the original signatories of the LBMA constitution, I was interested to know more about his involvement with the Association. Whilst recording his contribution for the LBMA Voices Project, John, a veteran of the commodity markets, shared some interesting insights into the enormous changes he witnessed during his five decades involved in the London market.

There aren’t that many metal traders who can boast that they have a designer cocktail named after them. The cocktail was created by the former head barman at the Savoy Hotel, Joe Gilmore¹, to mark John Wolff’s election as chairman of the London Metal Exchange [LME]

in 1990. John was the third generation of the Wolff family to hold the prized position² and Joe conjured up the cocktail in his honour, calling it the ‘Wolfram’ [another name for the metal known as tungsten]. The cocktail contains Wolfschmidt Kummel, Gordon’s gin, dry vermouth and fresh lemon juice, and is a little strong for the average Pina Colada drinker!³

In 1958, by joining Rudolf Wolff and Company, John carried on a long-standing family tradition. His great-grandfather Rudolf founded the metal merchants in 1866 when he came over from the Baltic port of Königsberg, which was then in East Prussia. Both Rudolf’s father and grandfather had been merchants in Königsberg. Rudolf came over to London in his

early twenties, attracted by the premier trading relationships on offer following the Industrial Revolution, which made England suppliers of goods to the world. His early career in trading included supplying railway lines to Russia⁴. Both John’s grandfather and great-uncle, despite being in their eighties, were still working partners in the firm when he joined. He recalled how they came into the office twice a week, although both retired shortly after his arrival. He worked alongside his father Fred, two uncles, a second cousin and a brother-in-law. Starting in the most junior position on the floor of the Exchange, he worked his way up, earning the respect of his peers. All his working life he was conscious of having to work that bit harder to be able to say: “I’ve done this on my own merit, not because I’m a family member.”⁵

John’s family history is intertwined with that of the London Metal Exchange. In 1877, Rudolf Wolff was amongst the group of merchants who formed the LME, which first traded over a hat shop in Lombard Court. Its success stemmed from its position as the world’s leading barometer for metals price determination, enabling both producers and users to hedge their own risks,⁶ or as the eminent financial historian Youssef Cassis so eloquently put it: “The City’s pulse beat to the rhythm of its Markets.”⁷ The primary function of the LME is to provide a marketplace for forward metals contracts, with regular trading hours and standardised specifications for these contracts.⁸

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Inevitably, an air of mystique accompanied the trading practice of the ‘ring’; an open-outcry trading floor which is central to the process of price discovery. Over the years, the traditional trading rituals remained unchanged.

1 Joe Gilmore (1922-2015) was born in Belfast and was one of the longest-running head barmen at The Savoy Hotel’s American bar. Starting as a trainee barman in 1940, he was appointed head barman in 1955, a position he held until he retired in 1976. He invented numerous cocktails to mark special events and important guests. Joe invented cocktails in honour of members of the royal family, politicians and celebrities, including The Prince of Wales, Prince William, and the American Presidents Harry S. Truman and Richard Nixon. He also invented cocktails

to commemorate the first walk on the moon in 1969 by Neil Armstrong.

2 John Wolff was first elected by members of the London Metal Exchange in 1978 and served on various committees, later becoming a Board member, then chairman (1990) and eventually a past chairman of the Board.

3 *Financial Times*, 17 August 1990.

4 Cathy Courtney & Paul Thompson, *City Lives* (London: Methuen, 1996), pp.26-7.

5 *Ibid.*, pp.114-115.

6 David Kynaston, *The City of London, Volume IV, A Club No More, 1945-2000* (London: Pimlico, 2002), p.125.

7 Youssef Cassis, *Capital of Capital* (Cambridge University Press, 2006), p.83.

8 Richard Roberts, *The City, A Guide to London’s Global Financial Centre* (London: Profile Books Ltd, 2004), p.210.

The chalk circle, which originally made up the 'ring', was replaced in 1886 by four curved benches, each containing ten numbered seats that faced inwards making a complete circle. This limited the number who were able to deal around the ring at any one time to forty. In 1895, the right to deal was restricted to London members and authorised dealers. All business had to be conducted through the intermediary of those forty firms of 'ring members'.⁹

Collin Brooks, in his entertaining survey *Something in the City* (1931), revealed much of the unchanged practice of the ring and 'The Forty Just Men':

"Tucked away in Whittington Avenue, 'an unassuming little passageway' next to Leadenhall Market, I found the London Metal Exchange. Trading took place twice a day (12 to 1.20 and 3.45 to 4.15) in a ring of well-cushioned and comfortable looking benches, with a monogram as a kind of magic focal point in the centre of that enclosed floor space. Membership was divided into forty ring members and just over a hundred other members, the latter of whom could deal only through ring members; the exchange dealt in only four metals – copper, tin, lead and spelter, otherwise known as zinc."¹⁰

Brooks was struck, not only by the formal and concentrated way of doing business, which was different from the relaxed routine of the Stock Exchange, but also by the invisible power of the LME, claiming it was:

"An annex of America and the gorgeous – or perhaps not so gorgeous – Beast. From William Street, New York, where stands the National Metal Exchange, from the Malay Straits, from other centres at the outer ends of the world, the cables tick over prices and instructions to Whittington Avenue, bids are made, and over-bid and on the initiative of men thousands of miles away, the business of the ring goes on. Similarly, when Whittington Avenue has ended its morning session and fixed its prices, the ends of the earth, as America and Malay represent them, jump into new activity. The mastery of time is conquered, the disabilities of space, the action and reaction of one centre upon another is a matter of moments only."¹¹

In a later account, provided by Oscar Hobson (1957)¹² in *How the City Works*, of the daily workings of the LME, nothing much had changed:

"At noon the Ring Members took their place, a clerk behind each one to take a note of his principal's transactions, with

representatives of other firms also gathered around the Ring. Starting with Copper, bids and offers were made. Dealing continued for exactly five minutes before the ring of a bell signalling the next five minutes [which] were devoted to dealings in tin, then lead and zinc each received five minutes. After a 10 minute interval there was a further five minute call for each of the metals and [the] official session closed at 12:50. In the afternoon there was an 'unofficial' session from 3:45 to 4:30 pm."¹³

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All business was transacted by open offer and acceptance was given by outcry across the ring; private deals between parties were discouraged.¹⁴

During those early years, John witnessed the expansion of business in the London market. He worked alongside his father Fred, who incidentally was both an Olympic gold medalist at the 1936 summer games and the recipient of a CBE in 1975 for his contribution to invisible trade exports, becoming senior partner at Rudolf Wolff and chairman of the LME from 1970 to 1977. At that time, Fred was probably one of the best-known figures in the post-war metal world. Described as "big, ebullient and with an infectious laugh", he was the driving force behind the company for many years. As

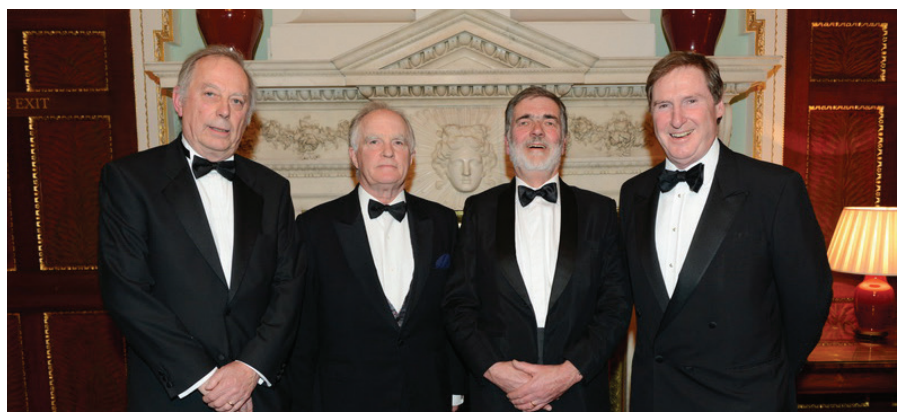
well as sitting on the Board and committee of the LME, he built up the important American side of the business and was a member of the New York Metal Exchange.¹⁵

John recalled how when he started work, most of the companies were still traditional City partnerships. Gradually, this changed as they were taken over. This included Rudolf Wolff when, in 1971, it was taken over by a Canadian mining group, Noranda, which had once been a client. John explained that:

"A sort of Big Bang in the LME took place before the Stock Exchange one. Due to the growth in world production and consumption of the metals traded on the LME, business had greatly expanded.

This was enhanced by the gradual relaxation of overseas Governmental restrictions on foreign exchange dealing, thereby allowing many more international firms to hedge and take positions on the LME. Private partnerships and small limited companies no longer had the required Capital to underwrite the expanded business. The natural outcome was for more substantial companies to take over ring dealing brokers. Some of the large international mining houses were attracted to do this because they based all their sales on LME prices and owning a broker gave them a better understanding of the marketplace. Producers from Japan, Germany, Belgium, France and North America joined the market. Rudolf Wolff itself was taken over by Noranda Mines, a substantial Canadian producer. As a fourth-generation family member, it was sad, but I don't think there was any option but to sell."¹⁶

Under Noranda, Rudolf Wolff became part of a much larger group. This changed the company to a certain extent – it was no longer a family business, but Noranda were good to people. John stayed on there until



The photo shows John Wolff (second from the left) with the other signatories of the original memorandum incorporating the founding of the LBMA, which was signed by them on the 24th November 1987. Pictured are (left to right) Les Edgar, John Wolff, Neil Newitt and Robert Guy.

9 Joe Irving, *The City at Work* (London: Andre Deutsch Ltd., 1981), pp.121-124.

10 Reproduced in: David Kynaston, *The City of London, Volume III, Illusions of Gold 1914-1945* (London: Pimlico, 2000), pp.252-3.

11 Ibid. The LME was located in Whittington Avenue for 98 years before relocating to Plantation House where it remained for 14 years. In 1994, it moved to Leadenhall Street. In 2012, following the sale of the Exchange to Hong

Kong Exchanges & Clearing, it moved to 10 Finsbury Square.

12 As with most commodities, war violently disrupts established channels of trade, production and consumers. The London Metal Exchange was closed during World War II and it was eight years after the end of hostilities before it was fully operative again. J.D. Wolff, John's great uncle, was instrumental in negotiations with the government for the reopening.

13 Hobson, *How the City Works*, pp.132-3

14 Both aluminium and nickel were later added to the list of metals traded in 1978-79. Silver was also dealt at the time, having been reintroduced in February 1968, but tended to be only a small part of the LME business. As demand required, commodities were added to the list traded.

15 *Financial Times*, 19 March 1968

16 Notes by John Wolff.

the end of 1992 before deciding to form his own consultancy company. Noranda was eventually taken over by Xtrata, which in turn was absorbed by Glencore.

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John shared that it was the changes in the metal markets throughout the 1970s that strengthened and deepened his involvement with members of the bullion market:

“There was always an interconnection between the LME and the bullion market, but for several reasons, this gathered pace in the 1970s and 80s. The LME had a silver contract which gave rise to arbitrage opportunities between the two markets, especially in volatile markets such as the Bunker Hunt silver squeeze. Another reason was that silver and gold are by-products in the production of lead, zinc and copper, and production and consumption of these metals was increasing. These producers would be in daily contact with brokers on the LME to do their main hedging, so it was natural for them to also hedge their by-products through the same brokers.”

However, the biggest factor was the watershed moment in 1971 when the dollar came off the gold standard. Up until then, trading in bullion had been a very specialist business largely done by the bullion houses and banks. However, with gold no longer pegged to the dollar at \$35 an ounce, the gold market became of great interest to a whole new set of customers who wanted to invest and trade in it. Trading in gold and gold futures on the Comex market in New York increased greatly. Some of the LME brokers opened precious metals departments to respond to this. In fact, a joint venture between the LME and the bullion market to create a gold futures exchange in London was formed, known as the LGFM or London Gold Futures Market. Unfortunately, it was short-lived. The gold futures market on Comex was already well established. It is very difficult to create a second market trading the same thing if the first one is already successful. Clients want to trade where the liquidity is. All the above made for a much greater interplay between the members of the LME and the bullion markets. In fact, Mocatta and Johnson Matthey joined the LME as ring dealers. When the Management Committee of the bullion market was formed, they wanted to include someone like myself from outside the bullion market. The LME also had more experience in the then embryonic world of regulation and the workings of clearing houses.”¹⁷

So when the constitution of the London bullion market was under review in the mid-1980s, it was felt necessary to go outside the core bullion dealers to get the necessary expertise to deal with the emerging regulatory situation. John was approached because of his knowledge and experience gained during

his service to the LME. Robert Guy invited him to join the recently formed London Bullion Market Management Committee, leading to him becoming one of the original signatories marking the formation of the London Bullion Market Association.



Dr Michele Blagg (BA, MA, PhD) is a visiting Research Associate at the Institute of Contemporary British History (ICBH) at King’s College London. Until recently Michele was Research Consultant for the LBMA, engaged on the oral history project ‘Voices of the London Bullion Market’. As part of a collaborative doctoral award granted by the Arts and Humanities Research Council, she was based at the Rothschild Archive. Her doctoral research focused on the Royal Mint Refinery, operated by N M Rothschild & Sons between 1852 and 1968, and how it adapted to the changed London gold market.

Her areas of interest are in financial and business history with special regard for the actors and networks located in the London market.

She teaches on the MA in Contemporary British History and assists with the Witness Seminar Programme. She sits on the Business Archives Council Executive and is involved in the annual ‘Meet the Archivists’ workshop held in the City that aims to explore ways in which research students can identify and use business records in a variety of different research fields.

17 LBMA Voices Project, John Wolff.

Future LBMA Events

LBMA AGM - 27 September 2016, Glaziers Hall, 9 Montague Close, London, SE1 9DD

To accommodate the General Meeting in June this year’s AGM will take place later than usual, and as with the General Meeting, the AGM will take place at Glaziers Hall. As well as the normal proceedings this year’s AGM will incorporate, into the constitution of the LBMA, the governance and legal structure changes agreed at the General Meeting in June. In addition, to approving the accounts and appointing the auditors, those attending will hear reviews from the LBMA Committees explaining what they have been doing over the last year. All in all, the AGM provides the ideal opportunity for staff of member and Associate companies to hear about what the LBMA has been doing and what it is planning for the future.

Biennial Dinner - 1 December 2016 Goldsmiths’ Hall, Foster Lane, London, EC2V 6BN

The 2016 biennial dinner is a black tie event for members, associates and guests of the LBMA. This year the dinner will take place in the salubrious surroundings of Goldsmiths Hall in the heart of the City of London. The proceedings begin at 18:30 with a cocktail reception followed by the dinner at 19:30. The Keynote Speaker for the event has been confirmed as the Right Honourable Michael Portillo, former MP and Cabinet Minister, and now a renowned broadcaster and journalist. For those coming to the event by train don’t forget to take your George Bradshaw Railway Guide!! Mark the event in your diary. Full details for the event including registration will be published later in the year.

LBMA Assay & Refining Conference 19-21 March 2017, Royal Garden Hotel, 2-24 Kensington High Street, Kensington, London, W8 4PT

The biennial Assay & Refining (A&R) Conference is a technical forum designed for assayers and laboratory analysts, refinery managers and engineers but also of interest to anyone interested in hearing about the latest technical developments within the assay and refining industry. Bringing together experts from refineries located around the world it naturally provides the perfect opportunity for those attending to network with their peer group. An event to mark in your diary and look out for further details regarding the programme and registration later in the year.