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Meltdown

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Extract

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TRADING THE MARKETS could be more than a little alarming for a novice. Samuel came back from the hallway vending machine, punched a command into the keyboard and almost fell off his chair. The screen told him that he had a profit on the day of $200 million. Far from feeling excitement, he had a cold sickness in his stomach that quickly intensified to an icy ball of fear and pain.

He knew something had happened as he pushed through the first pair of soundproof double doors that led to the giant trading floor clutching his Diet Coke. As he walked to his desk, he could sense the huge rush of adrenalin that accompanies a major market move. It was pure animal pheromone: you could smell it for miles, the scent of frenzied trading activity.

Three minutes earlier, Samuel's colleagues had been slumped back in their chairs reading the papers and toying with overpriced chicken salad sandwiches. The sporadic flicking of the Reuters and Bloomberg screens was really quite secondary to the serious business of filling their stomachs.

Now those screens were strobing blue and red, assimilating huge amounts of new information, straining to report the multitude of buy and sell orders which were flooding the market by

the second. Most of the dealers were standing up. They were all shouting.

Some screamed into panel speakers, the direct audio links they had with favoured clients. Others held phones to both ears, with third and fourth handsets unhooked and lying abandoned on the desktops. Each individual voice strained louder and louder to rise above the incessant din that it was itself augmenting.

This should have been a moment of newly discovered pleasure for Samuel. The trading floor was no bigger than the St Cross law library in Oxford, but it was packed with professionals, all intent on trying to make as much money as they could for Ropner Bank and themselves. Instead of creaking trolleys loaded with leather-bound law reports, billions of dollars were hurtling around him now, invisibly flowing from Tokyo to Frankfurt to New York, alighting briefly in his rue Auber dealing room in Paris and moving restlessly on again. Billions and billions and billions of dollars.

Samuel had a problem. His trading book had been put together to withstand this sort of mayhem. The carefully constructed portfolio was not supposed to move violently up or down. So where had the gain come from?

He looked at the screen again. His boss, Khan, was away playing the investment superstar he undoubtedly was at an investment banking conference in Singapore. Khan was the principal proprietary trader at Ropner Bank, responsible for the bank's own investments. Samuel had been extremely flattered when Khan had left him in charge of the book, despite his inexperience. Now he could not explain why the book was up $200 million on the day.

A glance at his Bloomberg screen told Samuel that the European Central Bank had done it again, flying in the face of

expectations and raising interest rates. That was what had sent the markets into a panic. Investors saw lean times for company profits ahead and even harder times for those who had borrowed to expand. The thinking was to sell now and buy back later at lower prices. Everyone had reacted in the same way, sending the markets into freefall.

Khan had been gone for a couple of days, but Samuel had made only one minor adjustment to the proprietary trading book. He had tried to call Khan before dealing, but without success. So he used his initiative, and switched some tin futures for some copper futures. He had read a very compelling report which predicted that the copper price was going to rise sharply on the back of increased Chinese demand. He was convinced that Khan would be impressed.

A cry went up from the fixed-interest desk, which dominated the Opéra side of the big V-shaped dealing room. The noise was already deafening, but now it had increased to lung-bursting, eardrum-piercing levels. Samuel checked the position again. Slightly down, but still showing a huge profit. He checked his own trade of that morning – yes, a good price hike in the copper price, but not a $200 million bonanza.

Samuel began scrolling through the components of the portfolio, slowly examining each and every asset in search of explanation and understanding. The temptation was to give in to the lunacy all around him – to scream, jabber, and punch buttons with both hands, his fist, his forehead. But he made his movements as slow as possible; he forced the image into his head of a concert pianist cracking his knuckles and flicking his coat tails before settling at the keyboard.

Even in moments of undiluted market panic such as this – especially now, in fact – Samuel was aware that the process of judgement continued on its inexorable, ruthlessly determined

way. His new colleagues were watching him. That indefinable entity called the market, the thing of which he himself had recently become a member, was also assessing him.

Who was he? What made him happy, sad, angry, content? Know the man, know the trade. He was being continuously monitored, just as he endlessly monitored everyone else. Life in the dealing room was Stalin's Russia with million-dollar bonuses. If he could simulate a moment's calm amid the panic, he might create a breathing space for himself, bluff a line of credit with the doubters. Yes, there were doubters, those who claimed his presence there was a result of influence, who were jealous of his position close to Khan.

Minutes of measured searching revealed nothing. Not knowing why he had won out so handsomely was almost worse than losing money. In the financial markets, the one thing you definitely could not say was 'I don't understand.' And Samuel still had no idea why his trip to the vending machine had procured him a fortune.

An unexpected profit of $200 million to those in his position should have meant one thing and one thing only: a bonus of at least $1 million. But Samuel, as his colleagues never stopped reminding him, was new to the business. The outside world, which, after having been immersed in this Parisian pressure chamber for a few weeks, he now thought of as the 'real' world, still exercised some influence. To Samuel, $200 million represented something larger than a big cheque; it was a hundred times the life earnings of his father; it was five fully equipped hospitals; it was mansions and cars with several Van Gogh paintings thrown in; it was the gross annual economic output of a city of 300,000 people in one of the poorer parts of Africa.

It was also an anomaly on his screen, one that Anton Miller

would surely ask him to explain any second now. Two hundred million dollars. Up, down or sideways you had to have a pretty neat explanation for that or you were out on your arse before you could programme your wristwatch. It was 14.47. Despite the mayhem, Samuel was surprised that Miller wasn't already there, hovering at his back.

Anton Miller was country head of Ropner Bank, and his dislike of Khan, high-profile king of prop traders, was a simple, well-documented fact of life in their cosy little Paris office. In idle moments, the talk amongst the traders was always of sport. There were three kinds, as identified by Samuel. Conventional sport periodically consumed their collective attention and then there was sex as sport, the brutal classification and interminable discussion as to which women were slappers, sperm trout, dykes or phone queens. And there was office politics as sport, a kind of bare-knuckle boxing, but without the sense of fair play. That was the game played by Miller and Khan.

The senior management of Ropner Bank viewed Khan as a god. He had been responsible for creating 25 per cent of the entire bank's profits the previous year and it looked as though this was going to be an even more successful year, which was why Anton Miller hated him so much. Khan's independent style made it impossible for Miller to exert authority over him. Successful prop traders were hot property in investment banking. They made money in markets few understood except themselves. They were both a necessity as a profit centre and an incomprehensible, impossible management challenge.

Like it or not, Samuel was seen as the creature of Khan, and so implicated in office politics. He sat at Khan's right hand, analysing price charts for companies, commodities and market

indices, trying to spot anomalies and assist his boss in making even more money for Ropner Bank and hence himself. His job was to seek out volatility and take advantage of it. Samuel had surprised himself by how quickly he had taken to trading, how intrinsically pleasurable he found it. Up until now, he had been enjoying himself immensely.

Samuel tried Khan's hotel room in Singapore again. Still no reply; the master trader was probably moving in the fiercely protected hinterland of his private life.

Meanwhile, the book was continuing to behave weirdly. According to his screen, the profit on the day was now $197 million, a small retrenchment, which again he couldn't explain. Samuel looked through the opening positions again and did a quick profit reconciliation in his head. He could only account for $2 million of the gain. Where had the other $195 million come from?

Oh God. Samuel checked his current position again. The profit on the day had fallen from $197 million to $162 million. His ignorance had cost the bank more than $35 million in five minutes. Inadvertently making a huge gain was one thing. Allowing it to ebb away was quite another.

Three lights were flashing on his telephone panel. Samuel jabbed at the buttons while flicking through the screens, trying to add and subtract the various price movements in his head.

The first call was from Chuck Stuttaford, a close friend of the chairman of the bank and one of a small number of private investors that Khan deigned to talk to.

'Hello, sir,' said Samuel, cutting through Stuttaford's lengthy introduction.

'Yes, yes, the markets are shifting, sir . . .' Samuel stuck a finger in his ear against the background noise. Stuttaford

hadn't heard about the rate rise – now the ancient news of ten minutes ago. He asked for Khan's Singapore phone number. Samuel was glad to oblige, and punched the next button.

'Khan?'

'No, Samuel Spendlove.'

At least this would be a quick one. Dee Tungley, a salesman from the bank's Frankfurt office, had been sniffing around Khan for months, in the hope of establishing a regular dialogue and becoming recognized as one of the king's idea generators.

'Hi, Sam. Need some help?'

Tungley was unlucky. Khan was the man who gave the orders and he wasn't there. Samuel quickly passed on the Singapore number, but it was an empty gesture. For some reason, Khan seemed to dislike the American, perhaps because he saw him as being too overtly pushy. There was little chance of Tungley reaching the inner circle.

Button number three.

'Could I speak to Mr Khan please?'

Samuel was distracted as he called up the page on his system that showed the trading profit for the day. It was down again to $119 million now. The profit was evaporating before his eyes.

'Ropner Bank,' he said finally.

'Could I speak to Khan, please? Who's that?'

Samuel felt a sudden pang of anxiety. He knew that voice from somewhere.

'He's in Singapore. Can I help?'

'Hope so. It's José Nissan from the *Mercury Inquirer* in London. Who's that?'

'I'm, erm, I'm his assistant, and I'm afraid I can't talk to the press.' José Nissan. He knew that he had recognized the voice.

'Perhaps off the record? A quick Ropner take on the

mayhem in the markets? Let me know what you make of the situation and we'll run a "sources close to Khan said" attribution?'

'Sorry, no. Really I must go. I can give you Khan's Singapore number though.'

Nissan took the number and hung up. If he recognized Samuel's voice he had disguised the fact well. Samuel hadn't spoken to Nissan for several years – not since they were undergraduates together. And he certainly didn't want Nissan to know he was working at Ropners. That would jeopardize everything.

It was calls like Nissan's and the articles that arose from them which represented the final insult for Anton Miller. Miller was openly envious of Khan's reputation. His trading success alone would have been enough to create bitterness in an office where money was the ultimate lingua franca. But Miller particularly resented Khan's popularity across the investment community and with the financial press. A succession of media interviews had created an ever-spiralling cycle of hype that included such masterpieces of journalism as an article entitled 'King Khan', which featured a collage of the eminent trader's head of steel-grey hair superimposed on a King Kong body atop the Empire State Building: Khan had scaled the heights of the investment banking industry. Unlucky for him that he should be away on such a momentous day in the markets.

Samuel glanced up. Anton Miller, who saw persecuting him as a way of causing pain in the Khan empire, was bearing down on him.

Miller was tall, narrow-framed, and permanently wrapped in well-tailored suits and Hermès silk ties. He was unusually old for an investment banker and had thin, frizzy hair and

gimlet eyes that never quite joined in with the rest of his face on the rare occasions when he laughed. Now, however, in the middle of the market crisis there was some kind of a smile playing at the edges of his lips.

'Extraordinary, no?'

Extraordinary, now Samuel came to think of it, was the fact that the head of the bank's Paris office should present himself before the desk of the most junior employee in the flying wedge, as the traders referred to their V-shaped dealing room.

'It's amazing how much noise fifty-seven people can make, that's for sure,' quipped Samuel.

'What's the prop desk's understanding of events?'

'As you know, Khan says the only thing to understand about the Germans is that they're always reliving the aftermath of the First World War, even now. The national psyche is still scarred by memories of hyperinflation.' Samuel flicked through prices on his screen, trying to maintain a cool demeanour.

'I'm aware of Khan's somewhat unoriginal analysis of the market psyche, but what's Ropner's position? Is this good or bad news for us?' Miller had a curious air of stillness about him, the quiet intensity of the predator about to strike and kill its prey with impact alone, the shock of suddenness.

'We are positioned to take advantage of market volatility and to benefit from disorderly markets. As you know, Khan doesn't follow trends. He doesn't make bets on which way things are actually going to move.'

This was a poor response and they both knew it. Miller came closer to Samuel and spoke quietly, just audible above the din.

'Spare me the prepubescent flannel. What is our position?'

Miller continued to stand over him, a dark, threatening presence.

'Hi, Samuel. Insane day, isn't it?'

Kaz Day, by far the most beautiful woman in the office – come to think of it, one of the most beautiful women Samuel had ever seen – was walking over from her seat next to the fat leather chair that Miller normally occupied. He had an office too, of course, but had to have territory on the battlefield, had to be amongst the troops. Miller wheeled round.

'Anton, I think you should look at this. We're down more than $100 million on the fixed-income book. We need the full fire-fighting team on this one.'

Miller was instantly gone, half-running towards the fixed-interest desk. As Kaz followed behind she cast a glance over her shoulder in Samuel's direction.

The trader who had incurred the loss was in tears before Miller got there. For a moment, he stood his ground, staring at Miller defiantly. Then, realizing that his position was hopeless, he trudged off the floor. There was no need for words. The young man knew that for Anton Miller – and therefore for Ropner Bank – he no longer existed.

Kaz was now back by her desk prowling elegantly behind her traders. Women were rare on the trading floor and most of them held relatively junior positions. Special qualities had propelled Kaz to the top of the organization. Ageless in her beauty, she flicked back her tresses of long chestnut hair, offering advice and encouragement as the equities team worked to salvage its positions and generate revenue for the bank. Kaz was cooing to her team now. She wanted them to encourage clients to buy stock after the fall. More sales meant more commissions and a stream of buy orders would help to stabilize the market and preface a recovery.

Samuel was unable to take his eyes off Kaz. Her ability to stay calm in a crisis was impressive.

One of the monitors beeped, and Samuel was brought abruptly back to reality. The book position blinked up at him from the screen, resolutely unfathomable. He dialled François's number for the fifth time. François Morgon was his buddy in the IT department. The bank's trading systems were close to overload and Samuel realized that they must be frantic down there. This time, instead of the engaged tone, the phone answered on the second ring.

'François? Thank God. It's Samuel.'

'This is a bad time, Samuel.'

'I know, I know, everyone's chasing you. But listen, this is desperate. I think there is something wrong with the prop trading system.'

A slight hesitation.

'You know that it's Khan's personal, customized system. We run it on a separate server, so there shouldn't be any problems. You don't trade much. All the computer power is for analysis. Number squashing.'

'Crunching, François. Crunching. Listen, can you just take a quick look and get straight back to me if there's a problem? I'm staring down the barrel of a gun here.'

At least he had been able to confide in someone. François was safe, dependable, and far enough outside the circle of dealers for Samuel to relax in his company.

One of the equity traders was repeatedly banging his head on the desk. The phone rang. Samuel yanked it from the cradle.

'Yes?'

'No problems, my friend.' It was François, back in double-quick time. 'None that I can see. I hope that is good news.'

'I don't know. But thanks anyway.' He replaced the handset.

He checked on his position. The profit on the day had slipped below $100 million and all in the course of a two-minute telephone conversation. There was nothing else for it, he would have to call Miller over again with all the consequences that entailed. Miller would suspend trading on the book, thereby attracting dire publicity for the bank, but especially for Khan. Khan would descend on Samuel like thunder, and he would shortly be sharing the fate of the tearful fixed-interest trader. It was all very well being semi-autonomous within the bank, the Chechnya of the Ropner empire as Khan liked to put it, but Samuel needed someone to give him guidance before the rest of the profit disappeared.

Samuel punched angrily through to the next reporting screen.

'If only the bastard were here in Paris instead of messing around in Singapore . . .' he muttered.

'Well the bastard is here. Where are we today?'

Samuel whirled round. 'Khan! I thought—'

'Yes. I can guess what you were thinking, which is why I came back early.'

Khan always attracted attention when he entered the wedge, but all eyes were definitely on him now. Kaz glanced up for an instant and then continued to prowl behind her team.

Khan took off his jacket, revealing his crisp, white shirt, and gave Samuel a half-second of full-beam smile. His teeth seemed even whiter than usual against his coffee-coloured skin. He had clearly spent some time by the pool in Singapore. The famous bouffant hairstyle was gone; the thick grey thatch had been cropped to within half an inch of his skull. He looked, Samuel thought, disgustingly relaxed.

'Khan, you do realize . . . ?'

'That we're around $100 million up on the day?'

'Less than that. We were $200 million up, but the position slipped. I'm afraid I, er, don't know why.'

This was the moment. If Samuel was going to get the chop, now was the time.

'Dear boy, you weren't *supposed* to know. I was running a little flutter off the book. You'll find, by the way, that we are just over $100 million up on the day. I closed the position on the way into the office.'

'Off the book?'

'I'd just made my presentation on day one and went to the cocktail party afterwards. Plan was to go to bed early. Have you been to Singapore? Asian values, whatever they are, all over the place. Damned boring.'

Khan was slim and short, maybe 5′ 6″, and sounded like a 1950s BBC newsreader. God knows what his ethnic origin was. Some speculated that he was Indian, others Thai, others that he was an Algerian Jew who had changed his name. It didn't really matter. Khan was clever, with degrees from Cambridge and Princeton and had no interest in Asian values when there was a good time in the West to be had, and another piece of modern art to be collected. He had taken Samuel on board with the nonchalance of a big-budget movie director hiring the latest extra. But now, thinking of the half-hour of hell he had just lived through, all Samuel wanted to do was punch Khan in the face. Not exactly the response of an intellectual – but a rather satisfying notion. Samuel smiled to himself. In his new world, if things worked, that was all that mattered.

Khan was still talking: '. . . and the German Minister of Finance almost choked when I suggested inflation was dead.

That's when I realized that the ECB was probably going to raise interest rates. They're canny chaps these German financiers, but they don't realize what they give away by not saying things. So I set up a little off-the-book bet, and returned early to supervise it. Not early enough it seems.'

'How will "off the book" go down with the compliance team?'

'Everyone does it. Let's say you want to make a speculative play, as I did, once I saw the fear in the eyes of the beast. What you do is you go to another bank – not difficult to find as there are plenty falling over themselves to do business with you – and you borrow against the security of your book. You can usually persuade them to part with about 60 per cent of the value of the assets you put up as security.'

'So you were playing the market with money borrowed from another bank?'

'Exactly. That's why you couldn't work out where the gain had come from.' Khan smiled smugly as Samuel tried to assimilate the new information that he now had.

'You see, Samuel, I hadn't changed anything. There was just an intra-day entry on the suspense account to reflect the loan. If I hadn't closed it out by the end of the day, I would have had to let compliance and the management committee know. But I have closed it out, so the only thing to record will be our gain of . . .'

Khan tapped at the keyboard with a slim finger: '$103.4 million, in fact.'

'But where did the gain actually come from?'

'No rocket science involved whatever. I bought some put options on German government bonds, giant bets that 99 times out of 100 would be worthless, but if the market falls out of bed you make several times your money.' Khan

continued to tap away at his keyboard, checking through the book to make sure that he was happy with all the remaining positions.

'But you knew that interest rates would rise, and bonds would fall, so how could you lose?'

'It wasn't a certainty that rates would rise. If it had gone the wrong way, the options could have been worthless and we would have owed the other bank money. But I did make a bet on you, all alone here.' Khan shot him another white-toothed smile which relayed a message of approval. Then the smile faded. 'You didn't say anything to Miller did you?'

'He asked me what our position was and I reminded him of our investment remit.'

'Excellent. That anally retentive buffoon needs to learn a lesson. He doesn't even know what his own people are doing, let alone professional investors like me.'

'But why did you let the profit slide from $200 million to $100 million?'

Khan held up his mobile phone.

'I was stuck in a cab on the way here and couldn't close out the position because my phone had run out of juice and the cab driver didn't have one. $100 million is an irritatingly expensive price to pay for a dead mobile battery, but these things happen. Especially when you have everything so cranked up that every small move is worth $1 million. Anyway, it's probably a little easier on Miller this way. I hear it was our fixed-income team who were on the other side of the trade.' Khan had an even more self-satisfied expression on his face as he contemplated the flak that Miller would get from New York. Samuel did not like Miller one little bit, but he was beginning to feel some sympathy with his plight.

'Don't look at me like that, Samuel. They were playing a

silly game, and they've been taught a lesson. It's just lucky for the bank that I was on the receiving end of the profit. The bank hasn't lost anything. The net result is that I get the credit for saving the day and Miller gets a scintilla of what he deserves for being such an interfering fool. He should find out what's happening in his own backyard before investigating the wide blue yonder.'

Samuel rocked back in his chair. Garnier's Opéra filled the wide bay window. He considered it wildly overdecorated, and didn't much care for it – but perhaps that was because he knew it had been Hitler's favourite building in Paris.

The hubbub had abated considerably now. The activity in the dealing room was no more frantic than, say, the Gare du Nord at rush hour. Samuel raised a hand to his aching brow. It seemed like an effort.

'It's been quite a day,' sighed Samuel.

Khan was tapping busily at a keyboard, working the windows of his Reuters screen. 'Today probably won't even have a name. Not so much a Black Wednesday as a Grey Tuesday Afternoon.' Khan considered his assistant for a moment.

'And you've done well, Samuel. I admit I was worried when my mobile went down on the way in. But you've done well. Kept your head, held your tongue. It sounds like you played the situation very ably. I scanned your trading log and I think the switch from tin to copper was a good decision. That tells me that the risk I took in allowing you to work with me is beginning to pay off. Maybe, just maybe, you have a talent for this job.'

Samuel reddened slightly at the compliment. There were times when he was beguiled by Khan's urbanity and undoubted charm, but he was a world-famous market fixer, and Samuel was briefed to find out the truth.

Khan made hundreds of millions by playing with bonds, currencies, effectively whole economies and the lives of the people who worked in them. And he liked to do it 'off the book' – he played God, but he didn't even play by God's rules. But one man's gain was another man's loss in the turbulent financial markets. The public had a right to know about Khan's unscrupulous methods, driven by an insatiable desire for personal wealth and recognition from his peers. Samuel wanted to lift the lid on this weird game with all its infighting and its ruthlessness. The specific brief in his red envelope was to find out what had really happened to Gallimard, the celebrated publishing house of Saint-Exupéry, Sartre, Camus and Simone de Beauvoir. Khan had made a fortune in the shares, playing bidder off against counter-bidder, playing God again. William Barton had lost out. According to the newspapers, he had been incandescent with rage. But Samuel didn't care about that. He was in a position to make a difference now, and he was going to.

He felt the gentle pressure of Khan's hand on his shoulder and his heart almost stopped. Deceit, even if derived from the best intentions, was a difficult burden to bear.

'Just finish up here. Tidy the daily trading journal and we'll close down for the day. Maybe grab some champagne at Café Marly. What do you say?'

'Sure,' said Samuel without a moment's hesitation. 'Love to.'

'Tell me a story, Papa.'

'What kind of story? A book story or a telling story?'

'A telling story, a telling story!'

Telling stories were always the best. They were different from the book stories in the way that Mom's pies and cakes were different from the ones that came in a packet. They were more satisfying. If stories could have had a taste, Papa's telling stories tasted better.

'What shall it be now?' reflected Papa.

'The watchtower story! The one about the war, when you were a little boy, like me!'

'Let me see now … the watchtower story. Let's see if I remember that one.' Papa was smiling, as he always did before he began a telling story.

They both knew the tales, almost by heart. The key details never varied, and nor did the various doings of Oma and Opa, Papa's parents. He noticed that, when Papa finished his telling stories, he had a sad look in his eyes. Maybe it was because the story had come to an end. The little boy didn't like that either. Endings made him sad. But this was the beginning of the story.

'Let me see now. I'd be about your age. Maybe a little older.'

The boy sighed with pleasure and lay back on his bed.

'It was a very cold night. I had to pull the cord of my dressing gown tight round me.'

'Where were Oma and Opa?'

'They were downstairs in our house listening to the wireless. That was how we knew what was going on in those days. There wasn't any television of course. So I put my slippers on, crept out of the house and ran to the watchtower. It was only a few yards away from our house. Then I climbed quickly up the ladder. It was very, very cold.'

'Bitterly cold, Papa. It was bitterly cold,' corrected the boy. Bitter cold was a key detail, a vital ingredient of the story.

'Yes, it was, son. Bitterly cold,' smiled Papa. 'But the cabin was snug, warmed by the paraffin heater, and deserted. There was always a half-hour or so when the eastern watchtower of the camp was empty. It was peacetime; the terrible war that people still talked about was long over.'

'And where were the guards, Papa?'

'The guards felt they deserved a little cocoa and rum on the changeover. For a small boy like me, unable to sleep at night, a trip to the tower was very exciting.'

'It was like being a real soldier,' said the boy.

'Exactly. It was like being a real soldier. Anyway, from the window I could see some of the American soldiers – we called them GIs – returning on a late pass. They laughed and talked loudly. You could hear them far and wide, because the city was very quiet at night. But they quietened down when they got to the razor-barbed wire and the barricades of the checkpoint.'

'And what about the lady, Papa? Where was she?'

'She was there, as she was almost every night, under the street light down below, a couple of hundred metres away. She wasn't American, though. She was German like Oma and Opa. I remember that she was just out of sight of the checkpoint, but clearly visible

from the tower. I used to like to look at her, bathed in the fuzzy glow of the light.

'Well, this night, the woman cocked her head at the GIs and smiled, and somehow her coat fell open. I remember I saw a flash of cream beneath the coat. It was her skin.'

'So she wasn't properly dressed at all? She really must have been very cold, poor thing.'

'Yes, she must have been cold, son. And the GIs weren't being nice to her as they passed by. They were making fun of her, which made me sad.'

'The Americans were still cross with the Germans, even though the war was over?'

'That's exactly right. Anyway, I remember how one of the soldiers talked quietly and nicely to the woman, and then they went away together for a while.'

'Where did they go in the dark?' The little boy was looking at the ceiling and imagining the couple becoming invisible. He waited for an explanation from Papa as to where they had gone, but he was onto the next part of the story.

'And then I thought that someone must have told a very good joke, because all the remaining GIs were laughing and clapping when the woman and the soldier came back. But the man who had been away wasn't laughing. He was just looking at the floor and fiddling with the buttons of his uniform.

'I remember the GIs were laughing even more loudly and heading towards the camp and the tower where I was when the woman called something out. The soldier she had been talking to turned back and said something.'

'What was it, Papa?'

'I couldn't hear, but I knew it wasn't nice. His voice was harsh. Then the soldier took a few steps towards the woman and threw something on the ground. It looked like money – and something else.'

'What was the something else, Papa?'

'I couldn't see properly at first, but then I saw that it was cigarettes. Cigarettes! The soldier had thrown cigarettes at the woman, and she bent down to pick them up from the ground.'

'You were so brave to climb up to the watchtower, Papa,' said the boy in a small, sleepy whisper.

'It wasn't that brave,' said Papa. 'It was like being on top of the world without anyone knowing that I was there.' The little boy was asleep and so his father kissed him on the forehead, tucked him in and crept out of the room.