Fischer Black, 57, Wall Street Theorist, Dies

By DIANA B. HENRIQUES

Fischer Black, an economist whose groundbreaking work in financial theory helped revolutionize modern Wall Street, died yesterday at his home in New Canaan, Conn., after a yearlong battle with cancer, his family said.

Mr. Black, 57, was a partner in the investment banking firm of Goldman, Sachs & Company.

He was the father, with two other noted economists, of a seminal theory, known as the Black-Scholes model, that first gave Wall Street a complex but workable solution to a simple but intractable puzzle: how to value an option.

An option is a financial instrument that allows, but does not require, an investor to buy an asset, like a stock, at a prearranged price during a fixed span of time. Until 1973, when the theory that Mr. Black helped devise was first outlined in a University of Chicago journal, the difficulty of sorting through all the variables that would affect the value of an option during its lifetime had severely limited the growth of the options market.

Noted economists agree that it was the options pricing theory devised by Mr. Black and his collaborators and fellow economists, Myron Scholes and Robert C. Merton, that solved the puzzle of options pricing. That solution helped lay the cornerstone for today's vast global options market, a marketplace that touches almost everyone with a stake in the capital markets, from corporate executives who receive stock options as part of their pay package to modest mutual fund investors whose money-market funds use options to hedge their interest rate risk.

Fischer S. Black Jr. was born in Washington in 1938. He graduated from Harvard in 1959 with a degree in physics and, in 1964, was awarded a doctorate in applied mathematics. Peter L. Bernstein, the author of a study of ideas that shaped Wall Street ("Capital Ideas, the Improbable Origins of Modern Wall Street," The Free Press, 1992), said Mr. Black quickly "found his scientific studies too abstract" and headed for the world of business.

It was while working at Arthur D. Little & Company in the late 1960's that he collaborated with Mr. Scholes and Mr. Merton, both junior faculty members at the Massachusetts Institute of Technology, on the options pricing model. Mr. Black then formed his own consulting firm in 1969, and in 1971 became a visiting professor of finance at the University of Chicago, where Mr. Merton was instrumental in adding him to the faculty as a professor of finance in 1972.

In 1975, Mr. Black moved to M.I.T., where he remained until joining Goldman, Sachs in 1984. He later became a partner in the firm, helping to create hedging, trading and portfolio management strategies for its clients.

In making the transition from academia, Mr. Black was among the first of what came to be called the rocket scientists on Wall Street, financial experts who helped usher in an era of increasingly intricate, often useful and sometimes controversial financial instruments.

After his cancer was diagnosed a year ago, Mr. Black continued to correspond by computer with colleagues and friends until a few weeks ago, and this summer he saw the publication of his second book, "Exploring General Equilibrium" (M.I.T. Press).

Mr. Black is survived by his parents, Fischer and Elizabeth Black of Tampa, Fla., and by his third wife, Catherine Tawes Black of New Canaan. Two earlier marriages ended in divorce.

Calvin Campbell, 1984

Fischer Black

Survivors also include four daughters, Alethea Black of New York City, Melissa Black of Boston, Ashley Black of Atlanta, and Paige Black of Winchester, Mass.; a son, Terry Linton of Washington; a stepdaughter, Kristen A. Tawes of New Canaan; a stepson, Kevin L. Tawes of Boston; a brother, Louis E. Black of New York City, and a sister, J. Blakeney Bartlett, of Fairlee, Vt.

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OPINION

"WELL, I'LL BE.... YOU'RE RIGHT, MR. BLACK....THERE **ARE** OPTIONS!"