BY ROBERT SCOTT MARTIN

Wall Street After the Fall

ON SEPTEMBER 11, someone drove two airliners into the heart of global capitalism.

By the time it started beating again nearly a week later, thousands were dead and the survivors were picking their way through the ruins of a financial universe in which dollars, stock certificates and other paperwork had gone up in smoke.

"Almost everyone in our country is sad right now," says Joan Youngwirth, a vice president at the Commonwealth Financial Network. "It has not been business as usual."

Only accidents of timing kept the death toll from being much, much worse.

Since tourists tend to start the day later than the typical investment professional, the famous observation deck and other World Trade Center landmarks were relatively empty when the planes drove into the towers.

In the offices, employees were still trickling into the neighborhood, or even, in the case of those with children to get into daycare or other morning errands, still on the train. On a normal day, this level of tardiness would have passed without comment, but on September 11, those late for work were rewarded with their lives.

The dreamlike pace at which the disaster unfolded added to its horror, but gave many already at work in the towers time to make their escape.

"I am sitting at the table in the center of the office," one trader narrates in an e-mail update to friends and family. "Suddenly, a horrific explosion. An immediate change in the air pressure. A ghostly column of air shoots like a cannon into the office. The front door slams shut. Papers are whipped into the air."

After this, he says he quickly lost track of time in the struggle to climb down 85 flights of stairs to safety before the towers collapsed.

Some companies were luckier than others. Days before the attack, Morgan Stanley, which employed the most people in the complex, had called off a previously scheduled meeting with out-of-town staff, allowing many who would have otherwise made a special trip to the New York office on the fatal morning to stay home.

On the other hand, the combination of Cantor Fitzgerald's commanding perch on the top floors of the north tower — the first hit — and the rhythm of the bond market meant that the firm's staffers were already in the swing of their working day when the towers were struck. Out of 1,000 people the firm had working in New

York, only 300 made it out. Expertise and institutional memory built up over decades had vanished.

AN INDUSTRY'S RUBBLE

For survivors, it was a whole new ball game.

Joan Youngwirth from Commonwealth sums up the industry mood as "stressed out."

"Many representatives I've spoken with are experiencing a number of emotional and mental reactions in the wake of the tragic events," she wrote in a note to independent financial advisors. "It's lonely out there."

During that long week after the attacks, advisors were assailed with questions from clients and colleagues alike: How will the market react? Are you still there? Now what?

In general, Youngwirth said, the typical advisor had two or three clients who called in a state of "near panic" insisting that the financial system was on the edge of collapse and now was the time to cash out of stocks. Otherwise, with the markets closed, survivors found themselves alone with their own uncertainty.

"Few phones have been ringing off the hook," Youngwirth said. "While normally this may come as a welcome relief, in these strange times it feels a bit eerie to most representatives."

WORLD TRADE DIASPORA

This sense of disorientation was even more pronounced for the thousands whose offices were uprooted in the disaster.

The sudden absence of the World Trade Center did more than unbalance the New York skyline. It damaged or destroyed a full 30 percent of the office space downtown — the heart of the financial world — and forced hundreds of companies to become corporate refugees.

As a result, the landscape of U.S. finance is shifting, at least temporarily.

The list of firms moving some of all of their people to New Jersey reads like a Social Register of Wall Street: Morgan Stanley, Merrill Lynch, Lehman Brothers, Cantor Fitzgerald, Deutsche Bank. American Express is splitting its headquarters team among three locations in New Jersey and Connecticut while waiting for repairs on its building — a process likely to take months.

Other firms elected to relocate their displaced staffs uptown, where the failure of several Internet companies had left whole floors of several office buildings vacant.

"Ironically, largely due to the high volume of sublease space thrown onto the market following the demise of the dot-coms, the market is better poised to accommodate displaced WTC center tenants now than it would have been nine months ago," says John F. Powers, vice chairman of commercial real estate broker Insignia/ESG.

Powers sees most of the companies displaced by cosmetic damage moving back downtown by January, but the majority of those whose offices were completely destroyed are unlikely to come back in the near future — at least not for five years, when real-estate consulting firm TenantWise estimates the World Trade Center properties will be rebuilt.

A NEW LANDMARK

If the person on the street has anything to say about it, we might see those twin 110-story towers looming over the New York skyline in the future.

About a fourth of the people surveyed by opinion tracking firm E-Poll say the World Trade Center should be rebuilt in its old configuration.

The rest of the responses were almost evenly matched between those wanting a new complex — the most likely course for the property's owners — and those wanting to see the site turned into a memorial park.

TWISTING THE KNIFE

While by no means comparable to the loss of life and security, the monetary aftershocks of the tragedy could carry an especially bitter sting for the industry that takes money most seriously.

"Beyond the incomprehensible human loss, the World Trade Center tragedy has dealt a financial blow to major U.S. brokerage firms," says industry analyst Martin Weiss, chairman of Weiss Ratings.

Morgan Stanley estimates it will be $150 million out of pocket after it relocates its offices and replaces destroyed equipment. While insurance is likely to pay some of the bills, an unexpected expense of that magnitude can still play havoc with the bottom line.

And there are those lost trading days to consider. The

BOUNCING BACK

Wall Street loves a challenge, and several commentators — including risk-rating giant Standard & Poor's — are telling investors that the market will likely use the angst and anger of the World Trade Center attack as fuel for a fresh stock rally.

From the shock of Pearl Harbor to the end of World War II, for example, the S&P 500 index jumped 62 percent, more than overcoming an early tumble as uncertainty turned to resolve, the company says.

Likewise, over the course of the Korean War, the S&P 500 climbed nearly 30 percent, again reversing early losses.

And as for conflicts with less readily defined boundaries like the current War on Terrorism, S&P points out that a year after the Gulf War began, the index was trading up 10 percent.

unwelcome four-day vacation could cost the securities industry — all firms, not just those headquartered in the World Trade Center — as much as 2 percent of its overall net profit for the quarter.

It couldn't have come at a worse time for many Wall Street firms, already bleeding from trading losses and anemic market volume, says Weiss.

"Right now, most large firms still have enough capital to withstand the multiple blows — from falling commission and IPO revenues, the World Trade Center tragedy, and the bear market," he said. "But if the market decline deepens, some firms could find themselves staring down a deep cavern of insolvency."

DID TERRORISTS BET?

Although Weiss warns that "it's premature to predict which firms might fail or when," SEC officials are investigating the possibility that someone with inside knowledge of the attacks tried to profit from the securities industry's heartache.

Global regulators already suspect that the terrorists were cold-blooded enough to take a short interest in various airline stocks and at least one insurance company before September 11 sent shares in both sectors reeling.

Since Wall Street itself also stood to suffer, the SEC has asked traders to look for signs that someone was betting against securities firms.

The likeliest targets for profiteering? Morgan Stanley, American Express and Bank of America are obvious choices, since all three were based in or near the World Trade Center and were most immediately endangered by the attack's destruction of personnel and physical plant.

However, the roll call of financial names in the SEC's short list extends far beyond downtown Manhattan, underlining the grim realization that the terrorists were hoping to kill the entire industry by aiming at its heart.

Citigroup. Lehman Brothers. Bear Stearns. W.R. Grace. Marsh & McLennan. Bank of New York. Bank One. Out of a reported 38 stocks the SEC is investigating for unusual trading activity, 10 are financial companies.

THE PUBLIC RALLIES

If the terrorists made some dirty money by shorting Wall Street stocks before they demolished the Trade Center, the facts will emerge in due time.

Meanwhile, the American people were doing just the opposite: refusing to surrender to the urge to sell out, no matter how bleak the future looked.

When the trading floors finally reopened after the long forced vacation, institutional investors turned out to show their support for stocks, the economy and the capitalist way of life — and they did their talking with their wallets.

Managers of more than 30 pension funds vowed to avoid any major selling, and many actually took advantage of the chance to put their money back to work. New York State Comptroller H. Carl McCall, who manages the state's $115 billion pension fund, set an example by plowing about $1 billion in cash back into equities after the attack, saying the U.S. economy "represents a real buying opportunity."

Retail investors followed the big boys' lead. Galvanized by e-mail chain letters and word of mouth, everyday people flooded into the market, not to redeem their retirement funds, but to buy a few shares of this stock or that, essentially donating a few dollars to help get Wall Street back on its feet.

As a result, we all got a little poorer, but the market avoided a complete collapse. The pain, once shared, was manageable after all.