



FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

Issue #89
October 21, 2022

Bubble in the Sun

I just finished reading Bubble in the Sun: The Florida Boom of the 1920s and How It Brought on the Great Depression by Christopher Knowlton. As a Florida native and collapsologist, it was interesting to read about this little-known (or forgotten) era, and I learned a lot. The author is a liberal so spends a lot of time writing about topics such as race relations and the environment, but is fairly restrained about interjecting his personal opinions until the end of the book.

Before the 1920s, Florida was sparsely populated and mostly unexplored wilderness and the poorest state in the Union. I can understand why. Except for certain places and at certain times during the winter, the heat and humidity (exacerbated by daily afternoon thunderstorms during the summer) are oppressive. Then there are the legions of biting or annoying insects. Hordes of mosquitoes are a year-round threat (except when it's very cold); often when you open a door, several rush into the house. Spring brings blind mosquitoes (they're not really blind, they just don't bite) in swarms near water that are so thick you have to close your mouth and squint your eyes. Swarms of gnats are a huge annoyance, and seem to love to feast on your sweat (one is almost always sweating). My high school mascot was the yellow jacket—not the stinging kind, they're like an orange deer fly that stealthily land on you at dusk and bite the crap out of you before agilely dodging your swat. At certain times and places (such as early morning on a beach), you

can get eaten alive by “no-see-ums”--insects so small that you can't even see them.

Other drawbacks include possible hurricanes (often infrequent but potentially devastating, especially along the coast), a lack of seasons, harsh sunlight and occasional sinkholes. So Florida was an improbable location for a real estate boom (especially before the invention of air conditioning) but a logical place for a bust.

Florida's development began when Henry Flagler—one of the original business partners of John D. Rockefeller—brought his wife (via train) to St. Augustine for health reasons. There wasn't a suitable hotel for them to stay in. Years later he would build two large hotels there and eventually extend the railroad all the way to Key West (the largest town in Florida at the time), a stunning engineering feat that required laying track over 13 separate stretches of water as long as 28.4 miles (!) and 10 to 30 feet deep. Later a hurricane would destroy this railroad bridge, never to be rebuilt.

I was born in a town that the railroad reached in 1893. And once when I was canoeing a river in Florida, I was surprised to come across an old railroad trestle that once carried train passengers to an adjacent hotel next to a spring. Like nearly all hotels that were built during that era, it was made of wood, and eventually burned to the ground.



The Breakers hotel burning down in 1925.

The railroad allowed people and supplies to be ferried down the coast, spurring development, especially in the Palm Beach and Miami areas. After World War I, Americans were ready for some relaxation and recreation. Industrialization and a growing economy produced a new class of wealthy corporate executives (and their families) that was looking for a warmer place to spend the winter. Real estate developers aimed to position Florida as the premier winter resort in the world. The many large hotels they built to cater to these “snowbirds” (or “Yankees” as we called them) would shut down once winter was over.

Here the author devotes many pages to architecture and antiques, specific individuals and their mansions, and scandalous tales. I found it interesting that nearly all of these fabulously wealthy people ended up divorced, depressed, broken, humiliated, alcoholic (or insane) and destitute, and how a number of their palatial mansions were torn down as early as the 1950s.

As Florida became known as a winter playground for the wealthy, and word spread that investors were making money in real estate, it began to appeal to the more aspirational members of the middle class. Real estate developers started using a number of new ways to reach a much wider audience: publicists; advertisements in newspapers, magazines, billboards and radio (in 1924, the *Miami Herald* published an astonishing 674,738 classified ads and set records for the amount of paid advertising and the size of a single edition; it would later set a record for the number of published foreclosures and tax lien notices); publicity stunts (called “ballyhoo”) and celebrities; and over-the-top amenities (such as a ticker tape machine that provided stock quotes) at luxury clubs and resorts.

One of the appeals of Florida was that Prohibition was virtually unenforced, so it became known as a place you could go (for a vacation or the winter) to let your hair down and have a good time. (Apparently, one of my own grandfathers made and sold moonshine.) Florida followed this same strategy during the COVID “pandemic,” pushing back against federal guidelines and mandates such as mask wearing and social distancing to provide a refuge of sanity and fun for tourists. Florida has maintained this libertarian streak for at least a century, with no state income tax, strong support of the Second Amendment, and no helmet law.

Legal (and illegal) gambling (at clubs and casinos, at the horse or dog track, or on jai alai) was another appeal. As the author wrote, “The quick profits made from land sales in turn spurred more gambling and more rum-running [from Cuba and the Bahamas], which in turn spurred more land sales, leading to what might be called a *virtueless cycle*. Florida was becoming [like what] Las Vegas is today: a gaudy, rowdy, gambling mecca where anything goes.”

Another appeal was that it was the first place where women started wearing less modest bathing suits that didn't cover their legs. Developers would flaunt this on billboards. You can still see this today on billboards for Ron Jon Surf Shop, and places such as Daytona Beach are well known for their wet T-shirt contests.



This combination of quick real estate profits, sun, fun, warm weather, alcohol, gambling, sex, fishing, golf, swimming, freedom and remarkable amenities and luxuries in an exotic frontier led to the largest migration of Americans up to that point in history. (Another huge migration to Florida occurred during COVID.) Many came on trains, but many others drove down in new cars on new roads and camped at night in travelers campgrounds. Around campfires at night, travelers swapped tales of getting rich quick by investing in Florida real estate.

Millions of Americans (including some of my wife's ancestors) bought land in Florida sight unseen. New subdivisions sold out within hours, before any houses were built. Buyers would queue up for hours ahead of time and then throw so many checks at developer employees that they were collected in barrels. Miami's skyline began to fill up with new skyscrapers under construction. A labor shortage developed because many people quit their jobs to become realtors.

Increasingly, the buyers of lots had no intention of ever building a house and living there, but were buying purely to speculate. And these speculators began using leverage to magnify their returns. Some properties sold several times a day. Soon options to buy specific lots began to trade, and a deed might have many of these attached to it. County offices that recorded deeds couldn't keep up with the volume.

Just like towards the end of every mania, the large, quick profits attracted fraudsters and organized crime. Charles Ponzi sold thousands of micro-lots in a swamp to gullible mom & pop investors via mail order. And Al Capone moved to Miami and set up shop.

In the years leading up to this, banks and manufacturers began offering consumers credit to buy cars, appliances, radios, etc. Consumers who wanted to live the American Dream *now* loaded up on debt and soon found themselves overextended. Many Florida banks that had loaned millions of dollars to developers or property buyers went bust.

During this period, many Florida municipalities issued bonds that they later defaulted on. One of the largest property developers and his cronies took over the local government and then engineered four municipal bond issues to buy real estate from his sinking company at vastly inflated prices.

Just as there were a number of factors that caused the boom, a perfect storm (literally) of events led to its bust. A railroad embargo on non-perishable goods (the trains were too full of passengers and food) prevented developers from receiving building supplies. A large ship sank at the entrance to Miami's harbor, blocking it for months. Three major hurricanes hit south Florida over several years, killing and injuring thousands of people, damaging or destroying thousands of buildings, and leaving many thousands homeless. A new local tax on real estate transactions made speculation less profitable. The national media began to question and criticize the boom. The supply of new lots and houses vastly exceeded the maximum possible demand. And as one realtor said, "We just ran out of suckers."



The 1926 hurricane helped bring about the bust.

The boom took a handful of years to unfold, but its collapse was shockingly swift (this is known as the Seneca Effect, which I'll write about in a future issue). Realtors who once made a killing working in opulent offices soon found themselves broke. A developer from St. Petersburg (where the bust hadn't hit yet) came to Miami to hire some redundant realtors, and had to pay for their transportation to St. Pete because they couldn't afford it. The four major real estate developers, who had all become fabulously wealthy, all went broke and became dependent on friends for handouts.

The author explores a number of possible explanations for the bust, even mentioning Milton Friedman and the monetarist theory (but of course nothing about the Austrian school of economics). To his credit, he reports that the (recently created) Federal Reserve had an “accommodative” policy at the time, lowering the federal funds rate from 4.5% in 1920 to 3.0% in 1922 before raising it to 3.5% in 1925. So back then, an interest rate of 3.0% was considered “accommodative.” So what is the rate now, after the steepest series of rate hikes in history that has cratered financial markets? 3.25%. Think about that. We have a *long* way to go before it even catches up to [the true inflation rate](#), which is around 17%.

I'm sure the Florida real estate bust was a significant contributing factor to the stock market crash of 1929. But I think the author—again, a liberal—was searching for an explanation for why the Great Depression was so deep and lasted so long. He blames “unfettered capitalism” (at least in part), but I think if he would examine the policies of FDR that were hostile to economic liberty (and the uncertainty they created), he would find the answer.

In conclusion, one thing that struck me was how history repeats itself. The author describes all of the stillborn housing developments with streets, curbs, sidewalks, streetlights and an entrance sign with maybe one or two abandoned houses near the front. I remember flying down to Orlando around 2011 and seeing subdivision after subdivision in the same condition. I once had some clients who lived in Miami part time, and they bought a condo before it was even built; it had already been bought and sold several times. History provides clues about what the future holds, if we will only study it. There is nothing new under the Florida sun.

News Items

[A tour of downtown Los Angeles](#). America is collapsing. The sooner you realize, accept and prepare for this, the better.

[Pfizer: We Never Tested COVID Vaccine Against Transmission](#). What?

[Moderna CEO: COVID Is Like Seasonal Flu, Only Vulnerable Need Jabs](#). Oh!

[CDC Set to Add COVID Vaccine to Childhood Immunization Schedule](#) Sure, why not?



This is the future: lost in Zuckerberg's virtual reality, jabbed by a Bill Gates vaccine. This is the scariest photo I've seen in a long time.

What You Should Be Doing Now

Documentary to watch: [Zero Days](#) on Amazon Prime Video. This is a must watch documentary with profound implications for preparedness. Don't miss the end.

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I would love to hear from you! I thrive on feedback from readers. If you have any comments, suggestions, insight/wisdom, or you'd like to share a link to a great article, please [email me](#).

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