

CHAPTER XVI

THE enormous numbers of people who had been surging southwards ever since the boom began had been actuated almost entirely by a single motive and lured by a single bait—the age-old and irresistible temptation of easy money. Apart from some slight admixture of mere curiosity to see what it was all about, my own motive in coming to Florida in the first place had been no higher than this; of the primeval spirit of the pioneer, of that fine evangelizing frenzy of the true Southerner, I regret to say that I had nothing. I had come to Florida solely for the purpose of making money. But somehow, after I had once established myself with Coral Gables and especially after I had come into contact with Mr. Merrick, who was not in the true sense a product of the boom at all, this first great objective had become for a little while dimmed and almost forgotten. Whatever one did, it seemed, money came pouring in; and in the frenzy of those extraordinary days when the boom was reaching its height it was impossible to doubt that one would never be in want of money again. I was caught up in the spirit of the boom, and carried along on its flood, but my own individual part in it had been forgotten. After the first few weeks the

actual money side of it became nothing; I had become a passionate believer in Florida and its future; and as for Coral Gables, every one of its vast new buildings that had arisen since my arrival there I regarded almost as my own possession. It was not until considerably later—until, in fact, far too late—that I started on my brief and ill-fated career as a land speculator; and unfortunately enough, it was while my head was still in the clouds that the greatest of all the boom fortunes were being made all around me.

The basis of almost all the millions that were being made out of nothing during the end of 1925 was the so-called "binder" or deposit system, which had also more than a little to do with the final and inevitable collapse. Under the operation of this system, a deposit or "binder" of five per cent of the purchase price was legally sufficient to close a land-deal, and the first genuine instalment—say twenty-five per cent of the purchase price—could not be demanded by the seller until the title to the property had been cleared. In the congested state of the law offices, a congestion which reached its height towards the end of the year, it took usually from four to six weeks for the title to a parcel of land to be properly cleared; and by that time the happy "binder boy," as the professional depositors were called, had probably resold his property at a vastly increased price and perhaps even for cash. In other words, resales were taking place far more rapidly than the law could follow them, and the result, in the case of a block which had been sold, say, six times in as many days—a not infrequent happening—was sheer chaos. The opportunities for every kind of trickery were legion, and were fully exploited. Towards

the end of the year, the rush for land at any price reached such insane proportions that the "binder boys" used to meet the trains bringing fresh arrivals from the north, and often enough sell their alleged options for cash even before their clients had left the railway station. I am not suggesting that the majority of these options were not perfectly genuine, as indeed most of them were; but the complications attaching to them were in nearly every case so hopelessly involved that in the event of anyone actually wanting to take possession of the property (a very remote contingency) the difficulties would have been almost unthinkable. In spite of this, some of the "binder boys" actually managed to sell properties outright for cash, and at enormous profits, having themselves paid nothing more than the original "binder," which in itself had perhaps been paid out of money raised against the value of the property itself.

It is easy to see how, under this system, enormous fortunes could be made in a few weeks; and, so long as values were still soaring, it could all be done out of practically nothing. A man arriving in Florida with a total capital of, say, 500 dollars would buy a property worth 10,000 dollars and sell it the following week for 15,000 dollars, making his net profit 3500 dollars after deducting the broker's ten per cent commission. With this sum in hand, or even belonging to him on paper, he might buy another property worth anything up to 70,000 dollars; and so on indefinitely. This sort of operation was not only possible, but was actually for some months almost the normal way of doing business in Florida land. For the gambler with a minimum of capital its possibilities were unlimited, and those very few who saw the end

coming before it was too late retired from the field with immense fortunes.

Even this method of operating the system, however, was too conservative and too slow for those of the "binder boys" whose ambitions of millionairedom knew no limits. There was an alternative method of working the binder, which though more risky was even faster still. When A. had sold his property to B. for 15,000 dollars, he would not immediately repay to the vendor the full remainder of the 10,000 dollars that he owed; he would, on the contrary, pay only the deposit of 25 per cent which was the usual custom, the balance to be paid in three equal annual instalments. The result was that A. (if B. had been induced to pay cash for his bargain) would by the end of the week possess a sum of 11,500 dollars in cash, or twenty-five times his original capital. With this comparatively large sum he could deposit a binder for a property going at 200,000 dollars, and might perhaps resell this for as much as half a million to one of the more respectable Northern Developmental Syndicates which really wanted the land for actual use, and was prepared to pay twenty-five per cent down without worrying about binders at all. These syndicates were constantly being formed for the exploitation of Florida, and they were compelled to get hold of land in suitable locations at almost any price at all. In this way, after a very short time, A. would have cleared 125,000 dollars from the syndicate, and have been mulcted of 50,000 in commission—or a sheer profit of 75,000, with a further 375,000 due to him spread over three years. If he wanted to consolidate his position, he could now pay the first instalment of 50,000

dollars on his 200,000 land-deal, and be left with 25,000 dollars cash and an assured income of 75,000 dollars a year for the next three years—and all this in a week or so, out of a total original investment of a hundred pounds. Such deals as these were not mere fairy-stories; they were absolute facts, and there were any number of them going forward during the latter part of 1925. If anyone does not believe that rises such as this were possible, even in Florida and during a land-boom, I can only refer him to the city records of Miami. There was one plot of land there that changed hands in 1914 for 1500 dollars, and in 1926 for 1,500,000 dollars, or exactly one thousand times the amount it had realized twelve years previously. And most of this phenomenal rise in value occurred during the last two years that it was on the market.

There were, of course, any amount of stories in circulation dealing with the enormous fortunes which were supposed to be being made out of this sort of deal, and a good many of them had possibly very little relation to truth. On the other hand, a great many of them really *were* true, and founded on actual and provable facts, and I myself personally knew several cases scarcely less staggering than the one I have cited. An acquaintance of my own, an extremely hard-up bank-clerk in New York, went to Florida with a thousand dollars—all the money he had in the world—and returned three weeks later with no less than 375,000 dollars in "real money." This young man had the almost inhuman good sense to retire while his luck still held. He invested his fortune in gilt-edged securities, married the girl to whom he had been engaged (apparently hopelessly) for several years,

and settled down in a flat in New York, where I believe he still is to this day. Unknown to me, he had arrived in Miami twenty-four hours earlier than I, and had been actually making his marvellously easy money while I had been tramping the streets trying to sell life-memberships in the International Yacht Club. On his first night at the hotel he had met a man who had just made a great deal of money, and who had happened to remark that the one thing he now wanted was a steam-yacht. Without the slightest hesitation, my friend had offered to sell him his own magnificent vessel, which was naturally non-existent; but before lunch-time on the following day he had actually managed to find a man who did possess a yacht, and had obtained a twenty-four hours' option to buy it. Before the day was out he had resold it at a profit of more than ten thousand dollars, and in addition had introduced the original owner to a land-agent with whom he did a very large deal, and from whom my friend received a liberal commission. Not a bad day's work for an aspiring bank-clerk who was still on the sunny side of twenty-five. "What a wonderful invention—I wish I had thought of it!" as the mythical and fatuous Lord Anbutter is said to have remarked on first seeing the Woolworth Building. I wish I had, anyway; but unfortunately for me, I never showed a slightest *flair* for this sort of deal, and when I did finally try to bring off a coup of my own it was far too late, and I had missed my opportunity.

But while haphazard and casual deals of this sort were legion, it was the "realtors" who were making money far more consistently than the speculators, and scarcely

less rapidly. The realtor always retained ten per cent of the purchase price of any property which he sold, irrespective of the arrangements between buyer and seller, and his own money was comparatively safe whatever happened to either of them. The fortunes which some of these realtors made during the last part of 1925 were simply colossal, even when they were not combined with private land-deals of their own in which the broker's commission was of course eliminated. The real-estate turn-over in Florida during 1925 was never accurately assessed, but in any case it certainly amounted to several thousands of millions of dollars. The direct sales of Coral Gables properties alone—irrespective of resales—amounted to ninety-eight millions of dollars during the twelve months, and the resales were of course incalculable. In any case, it is safe to say that the fortunes made by Florida realtors amounted during 1925 to some hundreds of millions of dollars; and it must not be forgotten that even in the paper transactions, in which the seller did not actually own the land he was selling and the purchaser had no money to buy what he was buying, the realtor always netted his ten per cent and held it comparatively safely.

The unscrupulous real-estate operator in Florida—and there were all sorts, good as well as bad—encouraged his clients to make quick-profit resales on a small margin, and often resold what they had bought from him within a few hours of the deal being signed. I knew one case of a man who netted four commissions of ten per cent on the same property within two days. But as a matter of fact it was possibly the more legitimate operators who, through being entrusted with the larger deals often

running into millions of dollars, in the end made the largest profits.

The commonest story of a fabulous profit made overnight was associated with the name of Mr. Carl Fisher, and was so far as I could ascertain a reasonably authentic one. Mr. Fisher's master-stroke was the purchase for 8,000,000 dollars of an enormous and very valuable area at the northern end of Miami Beach, which was to be developed into another ideal city. For this huge tract he paid 3,000,000 cash down, which was said to be one of the largest individual cheques ever written even in Miami. Within two weeks he had resold the property for 11,000,000 and had received in deposit a cheque for 4,000,000. The story went that he had his purchaser tied down before he himself had completed the first deal, and that the bank to which his 3,000,000 dollar cheque had been presented had received a considerable inducement to postpone its clearance for three weeks. If this story were true, as I have no reason to doubt, Mr. Fisher had made 3,000,000 in two weeks out of literally nothing at all!

A man who lived at Coral Gables told me he had bought a large tract of land there three years previously for 150 dollars an acre, and had just refused an offer for 3000 dollars an acre on the ground that the land was worth 4000 dollars an acre if it were worth a cent. A few days later this belief was justified, and he netted his full figure.

It was stories such as these, many of them fully authenticated and a great many not, that had been the main cause of that enormous flood of humanity sweeping southwards towards the end of 1925. It appeared from

these stories that it was impossible to buy anything in Florida that would not show an enormous return within a few weeks; and for a short time at least this was actually true. The rush for land, and the general belief that everything was going to rise to such a terrific extent (which indeed it did) added fuel to the flames; people would pay almost any sum to have a stake in the country, in their sublime belief that its value would increase overnight and that in the morning they would be able to hand it on to somebody else. There were no thoughts of intrinsic values or calculations as to economic soundness; such things did not worry them. They relied entirely on their ability to "pass the baby" to somebody else within a few days of receiving it themselves, and in this expectation the earlier speculators at least were fully justified. Most of the realtors, of course, encouraged this tendency, and concerted bursts of the most hysterical forms of advertising kept the pot boiling. One of these wild plungers whom I happened to meet at the Lido Club on Hibiscus Island himself pointed out to me that, in order to justify the price which he had just paid for a certain city property, he would have to build on it an office 200 stories high with all the rooms let in perpetuity at the prevailing enormous rents. He knew, of course, that such a thing was utterly impossible, but he didn't care in the least. He knew also that he could hand on this gem of an investment to somebody else at a vastly-increased price, and by the time I met him again a few days later he had actually done so.

At this time, too, the housing shortage was so acute that the profits being reaped by the building contractors were scarcely less than those of the land dealers; and

the contractors had the additional satisfaction of knowing that, in any event, they had in their bricks and mortar a permanent asset which could hardly decline to nothing. In certain favoured districts, the banks would advance building-loans to as much as eighty per cent of the value of the ground purchased—a state of affairs which was responsible for much of the subsequent chaos when the boom collapsed and land-values fell to zero. But while the rush lasted the lot of the Florida builder was a happy one, especially as the demand for his services was unlimited. A small bungalow costing 7000 dollars to build could be sold at anything from 20,000 upwards, and the profits even on larger buildings such as apartment houses and hotels were scarcely less.

But as I say, during the latter part of 1925 there was practically no way in which one could not make a fortune in Florida. An example of this was a man named Phillips whom I met in Miami, and who had founded (on, I believe, the usual borrowed capital) a humorous weekly paper which he wrote entirely himself. For advertising space in this sheet he charged 280 dollars a page, and got it. He was a competent journalist, and his paper was amusing enough, without being in any way remarkable; and from the moment of his first issue his paper was a financial success beyond the dreams of avarice. I have had a good deal of newspaper experience, but this is the only case I have ever known of a man founding a paper, making a fortune, and retiring, all within twelve months. The only people who made nothing in those days were those who simply would not do any sort of work whatever under any circumstances; and even some of these, in spite of themselves, went back

many times richer than they had come. I heard, for instance, of one of these happy individuals who was sitting quietly in the lounge of his hotel when the man next to him dropped into conversation and remarked that he'd give ten thousand bucks to any guy who could sell his subdivision in Ochechobee. Without even getting out of his chair, the non-worker turned to the man on the other side of him (whom he had never seen before) and observed that for 80,000 dollars he could get him in on the ground floor of a steal near Lake Ochechobee. Ten minutes later the papers had been sealed, signed and delivered, and the deal was over. I cannot vouch at first hand for the authenticity of this story, but from what I myself saw and heard in those days I had no reason to doubt it.

For all that, for some reason which I myself am quite unable to explain, it was not until the December of 1925, when I had already been in Florida for four months, that I made any attempt to make my own fortune out of speculating in land. Looking back on it now, it seems to me incredible that I was able to hold back so long, when I had access to most of the "good things" that were going and when people all about me were making so much money that they scarcely knew what to do with it next. But I was doing extraordinarily well for myself as it was, and at the beginning at least it seemed better to trust to my own efforts than to the advice of other people, as I knew nothing about land-values myself and could not very well pick out bargains on my own initiative. I thought at the time that this was a piece of singular wisdom on my part, but as events turned out it was a piece of singular folly. Because the

very moment when I started to invest on my own account was the very moment when things, though not as yet very openly, had begun to go wrong. Values were poising on the dizziest pinnacle of inflation; they were for the moment stationary before taking that sickening plunge into the abyss that was to follow only a few weeks later.

It was in a way because I subconsciously realized this, though not fully enough to be of any use to me, that I decided in December that the time had come when I should make enough to retire. I told myself that the sound thing to do would be to make a hundred thousand dollars, send it back to a bank in New York, and then stay on in Florida making what more I could until the time should come when I wanted to go home. It was not that I felt that the boom was approaching its inevitable end; I was still an ardent believer in the future of Florida, and the very idea of any collapse was still an unthinkable one. But having more time to think now than I had had before, I began to realize that it was possible that I might not always want to stay in Florida for ever, and the idea of having a really solid weight of capital behind me seemed now to be a particularly sound one.

I spent an evening by myself thinking all this out, wandering along Miami Beach in the moonlight and consciously trying for the first time since I had arrived in Florida to see things in some sort of true proportion. It was extraordinarily difficult; the magic of the boom still held, and although I see now that all my decisions made on that evening were hopelessly wrong, I should have been more than human if they had been otherwise.

It was not until some two weeks later that I had my first premonition that the end might be near; I was, in fact, quite convinced that the approaching winter season would bring with it fresh hordes of investors from the north who would inevitably force prices higher still. It was a reasonable enough view, and I still do not altogether realize why the reaction started when it did. But even on that very evening, as I wandered back along the sand towards the distant lights of the Casino, I realize now that there must have been strange things beginning to happen; uneasy meetings of bank presidents behind locked doors in empty office buildings, Mr. Merrick's long, rakish two-seater sliding down the Ponce de Leon Boulevard to a late conference of the Coral Gables Corporation, Mr. Carl Fisher in his study overlooking Biscayne Bay gathering up his papers and getting through on the long-distance wire to his new development at Fort Washington. But I knew nothing of these things; those ominous mutterings of the approaching storm could still only be heard from the mountains. And by the time I had arrived back at the New York Hotel I had decided that to-morrow should be the day which would see the beginnings of my fortune.

I spoke to Dr. Dammers about it on the next morning. He was very busy, and hardly paid any attention to what I was saying, which was not like him. I happened to know that a new tract of country was going to be added to Coral Gables, and it seemed to me that here would be an excellent beginning—to get in first, before the announcement, and sell out as soon as the news became general. This was the sort of thing that all kinds of people had been doing for months, and it seemed an

ideal opportunity. But somehow Dr. Dammers didn't seem to grasp what I was talking about, and I left him feeling slightly irritated. I was quite able to look after myself now, anyhow, without asking anyone's advice. So I drove on to Coral Gables, where I told my scheme to another man in the office. We went across the road to the drug-store opposite to the Administration Building, and discussed it over a chocolate milk-shake; and in five minutes—and never were five minutes spent to worse advantage—he had decided to come in with me. The idea was that we were to go shares in an option amounting in all to four thousand dollars, and as soon as the news of the extension was announced we would sell our property to an outside bidder, take up our option, and pocket the difference, which might run into practically anything. Our option would extend for four weeks, and we should probably be able to sell within a few days.

It all seemed perfectly simple; and half an hour later the deal was done, the papers pocketed, and the cheque signed. But little did I realize then, as I came blinking out into the sunshine of Coral Way, that it was the beginning of the end. It was, indeed, an ill-fated moment; but for all that we went across to the Casa Loma Hotel feeling that we were already the richest men in all Florida, and drank success to ourselves over one of the cheerfullest and most expensive lunches of a lifetime.