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Crusading historian Vickers is still battling his detractors

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LAST OF THREE PARTS

Historian and banking attorney Raymond "Vic" Vickers expected that his book exposing fraud and insider abuse by Florida bankers in the 1920s would garner criticism.

He didn't have to wait long. A year after "Panic in Paradise" was published in 1994, two college professors wrote "The Florida Land Boom," which refuted many of Vickers' assertions. Some of the reviews in historical journals also were critical.

Legendary orator, three-time presidential candidate and Scopes "Monkey Trial" prosecutor William Jennings Bryan was paid $100,000 a year, half in real estate, to promote land sales to crowds at Coral Gables. He spoke to them of the virtues of "God's sunshine" from a platform in the Venetian Pool. Bryan, who died at the height of the Florida land boom in the summer of 1925, earned about $500,000 speculating in real estate.

Vickers' book, which calls for ending the secrecy of bank-examination records, placed the blame for the 1926 bank panics, which accompanied the crash of the real estate market, not on skittish depositors who wanted to clean out their bank accounts and stuff their cash into their mattresses, but on fraud and insider abuse by bankers, developers and real estate promoters. They often were one and the same, Vickers' research showed, or sat on each other's boards of directors. Loans to these insiders often exceeded the banks' reserves and frequently were not paid back.

He came to these conclusions after spending years studying bank records that had been held secret by the state for 63 years. (His footnotes and bibliography also include hundreds of other published sources.) In Florida, the examination reports of banks are held in secret forever, except in the case of banks that fail, when they are public record after 50 years -- thanks to Vickers' dogged campaign to make them so.

The central argument of his book is that the nation's bank regulatory system needs a "drastic overhaul with disclosure, not secrecy, as its basis." He was labeled by one historian as "the new Brandeis," a reference to Louis Brandeis, who called for the end of bank secrecy after the Panic of 1907 and later became a U.S. Supreme Court justice.

But Vickers' assertions were refuted by the 1995 book "The Florida Land Boom," by former University of Florida economics professor William Frazer and former Daytona Beach Community College history professor John Guthrie Jr. (Both men are deceased.)

Frazer and Guthrie, in their book, said the 1920s boom had nothing to do with bank fraud, but instead was caused by Florida's 1923 repeal of its state income and inheritance taxes, tourism, climate, and a flood of money from rumrunning during Prohibition.

"Raymond B. Vickers erred in his effort to blame bank fraud, insider abuse, greed, bank secrecy and inadequate bank supervision for bringing an end to the boom," they wrote. "Indeed, it is primarily after the peak of the boom that cases may be made for fraud and inadequate supervision. ...

"Vickers failed to distinguish causation from symptoms," they wrote. "He got it all wrong," Frazer and Guthrie concluded. "We see no universal conspiracy of evil men ... out to loot society."

Guthrie also was critical of Vickers' book in a review published by the Florida Historical Quarterly. But Vickers got the last word. Given the opportunity to review the Frazer-Guthrie book for that same quarterly, he blasted their work as an unsubstantiated effort to promote their own banking theories. All they had to do, he wrote, is check the bank records that Vickers fought hard to make public.

"It's an attack piece," said Vickers, 58, who has both a law degree and a doctorate in economic history from Florida State University. "That's the book that (said) the rumrunners quit running as much between the Bahamas and Florida, and that's why the banks failed. Of course, they had no documentation for anything they said -- except other books and articles they had written. I love when historians and economists quote themselves to back up what they are saying."

Businessmen as bankers

Another critic of "Panic in Paradise" was Larry Schweikart, professor of history at the University of Dayton and an expert in U.S. banking history. He took the Vickers book to task on several points in the Business History Review (see sidebar).

In a recent telephone interview, Schweikart said Vickers was judging 1920s banking with a 1990s perspective. Insider deals, Schweikart said, were common after World War I, before falling out of favor after the Great Depression. (But Vickers scoffs at the notion that personal and business ethics have improved since the 1920s.)

Schweikart also said it was common for businessmen to become bankers.

"The only reason anyone started a bank was to fund their business activities, because most of the bankers started in another business -- textiles, cotton, railroads. Many times the bank would have the name of the other business."

He also said the bank regulators of the 1920s were struggling to find their way.

"Bank regulation was fairly new," Schweikart said. "Most states had only created an office of banking review between 1900 and 1915, most of them were one or two people. Occasionally you had four or five. In a state with hundreds of banks, sometimes they would only get around once a year. They had only a few hours to go over a bank's books and make a decision on what had happened. If there was a bank they thought was in trouble, but they couldn't validate it in any other way, they would just say, 'It's probably insider lending.' It was an easy catch-all.

"I'm not saying that insider lending did not occur or that there was no fraud or speculation; I'm just saying that can't be, de facto, taken as the reason why most of these banks failed."

In support of Vickers

David Whitten takes a different view. Now retired, he was a history professor at Auburn University and during his career edited the Business Library Review.

"I thought it ("Panic in Paradise") was well written and well researched," he said in an e-mail interview. Acknowledging that the book has not changed the standard version of the boom story, Whitten said, "Vic's thesis was no surprise to me or to the many economic historians because we knew bankers played a role in that collapse, but we lacked the supporting evidence that Vic provided. I had always considered the collapse of the Florida market and the collapse of many banks intertwined events."

More support comes from James M. Denham, Ph.D., director of the Center for Florida History at Florida Southern College in Lakeland.

The 1920s boom "was all fueled by the banking shenanigans, which fueled the hysterical investments," said Denham. "There was all this cash, people were falling all over each other trying to loan each other money. It was a Ponzi scheme -- (Charles) Ponzi was actually mixed up in Florida."

Vickers, said Denham, tells "a story that has never been told before ... using sources that nobody had even begun to look at before, and even now. Historians typically do not do a lot with economics and are not trained ... in those difficult-to-understand subjects. But Vic had a great background because he was a banking attorney. Legal training, banking background, doctorate in history: He brought to that project skills that very few people possess.

"It's a book that any politician and public policy makers should read. It's a seminal event. Vic tells it in a way that is just breathtaking. It does everything that a good historical work should do -- it's local, state, and also links the national trends to the specific activities here in the state of Florida."

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