

THE FLORIDA BANKER AS A PROPHET

Summary of Remarks

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The Florida Banker's Association has emphasized at many development commission and Chamber of Commerce meetings that banking is more dependent upon the prosperous growth of its customers and community than any other business. This is especially evident to a country banker like myself, active for many years in a Georgia town. You often find a large, successful manufacturing plant in a small town; however, you rarely find a bank larger or more prosperous than the community it serves. The community's future is vital to the banker, and as a banker you find yourself instinctively active in civic affairs and in trying to help the town develop.

This places the banker in the position of a prophet who must not only foresee the future, but prepare for it. The task is even more difficult when the future changes so radically as in the case of Florida's phenomenal growth since World War II. One of the more remarkable areas of growth in the Sunshine State has been the massive volume of statistics it produces with increasing vigor each year. Today we will do our best to avoid these percentages and ratios, and talk, instead, about the trends and possibilities this often bewildering array of figures reveals.

Let us first emphasize that in dealing with future events we are not crystal gazing. The banker's prophecy comes, even in Volusia County, not from a surreptitious trip to the mediums at Casadega, but from a studied awareness of the possible courses present growth trends may take. These possible courses may be two in number, or a hundred; but the hallmark of the prophet is that whichever course occurs, he is not taken unaware. And being prepared, he might even influence its outcome.

The first aspect of growth to confront us is that of population. Population growth brings problems to every community. These problems are probably more evident to the central city banker, since they assume frightening proportions first in urban areas. I suspect it is the new birth figures and increasing baby food dividends more than picketing youths that make us aware of the city's impending need for new hospitals, schools, and jobs.

In answer to these needs, all states and most cities have established planning and development commissions. Their goals are often as varied as their problems. The Georgia Commission stresses the need to directly encourage new industry and income into the state. The Tennessee Commission stresses the necessity of civic improvement of utilities and public services, counting on the industry and new jobs to follow naturally.

There are possibly 50 different approaches because of the immensity of the problems. However, the vastness of the problem is perhaps overstressed because today's science has made us careless of past experience. The Now Generation is firmly convinced that because grandfather could not go to the moon, his every effort must have been drawn by a team of mules. The necessary corollary, then, is that each generation must solve all society's problems starting from scratch.

The fact is that Boston, New York, and Atlanta are just now facing numerous problems which London, Paris, and Berlin solved in 1880; and which Jacksonville and Tampa will have to solve in 1980. There are discernible growth patterns which can help the banker serve as the community's prophet.

A hypothetical Nevada mining town provides a good example. One day there is only an empty ridgeline rising from the mesquite. The next,

a prospector discovers silver. In a month's time there is a mine shaft sunk, 200 laborers, and the first payroll--new income. In two months' time there is a general store, a barber shop, and a saloon to spend the payroll and generate secondary income. In three months there is a bank to deposit that secondary income. In ten months the bank finances several silver-related enterprises--a foundry and a silversmiths' guild. The smiths export their wares and bring in additional new income which in turn increases the number of general stores, store keepers, and the town's population.

Three years later a railroad to California comes through. A year later, because of the railroad, we find several wholesalers in town who distribute goods to retailers in four other mining towns in the area. But now, five years after its discovery, the silver lode gives out. The mine closes. However, the town remains. It does not stagnate because it is now supported by the income generated through railway, wholesale, banking, and other services it provides for the territory. Had the town stayed a one-industry mining town, it would have died with the mine's closing.

This pattern is more or less typical of every town and state's economic growth. Today's planning commissioner would call the silver mine the "extractive" or "base" industry. It extracts the community's natural resources and provides the base of its income. The base industry produces a product to export or sell to out-of-towners. The product may be silver, lumber, cotton, oranges, fish, missile parts, or even, as we shall see in a moment, sunshine and white beaches. The basic industry brings new income to the community and builds the town; it is the community's contact with the regional and national market place. For this reason

we often hear it called the "export base." When a state or Federal agency requests an "economic base study" for a town to qualify for assistance, it is requesting a study of these primary income-producing industries. The agency is very much like a bank officer looking at a term loan--where is the town going to derive the income to pay for its goods and services?

Once we have identified the town's base sector we can then identify the service sector which provides goods and services to those working in the base industry. These are the general stores, barber shops, saloons, and banks which serve the silver miners. These businesses, which include ours, are dependent on the income generated by the basic sector. This dependency makes the prophet's job possible as well as necessary. The prophet can watch the basic sector' to determine the likely future of the service sector. The silver mine may give out, or the export base sector may expand with a foundry or silversmiths' guild, or the base sector may change altogether--a railroad or military garrison replacing the closed silver mine.

Concentrating now on Florida's growth, we can readily see the trends in the state's early experiences. Natural resources were timber and a climate conducive to growing oranges. The Diston Saw Company acquired almost the entire north central portion of Florida in the 1880's and lumber towns sprang up. However, these towns declined when the base did not diversify, and the forest yields decreased. Such was not the case in North Carolina lumber towns where the proximity of textiles to the lumber source resulted in prosperous city-building furniture industries.

The 1880's also produced the first commercial citrus groves in Florida. The devastating freezes of the 1890's did not destroy the industry, however, because New York still wanted oranges. Growers improved their grove stock, learned something about air drainage, and moved further south--a movement which is still continuing today into Indian River and St. Lucie counties.

Florida's forest resources again entered the picture in the 1920's. Alfred duPont acquired the timber of Florida's panhandle, still a wilderness. This time another resource came into play--water. Northwest Florida has some of the purest and most abundant water in the nation. The result was a paper industry and the development of north Florida.

Just as combining lumber and textiles gave North Carolina a broader export base, the more recent proximity of petrochemicals from Louisiana wells has given north Florida an additional base. Petroleum and lumber by-products combined with plentiful water have produced synthetic fibers. We can now see why a drought would be of far more concern to the Pensacola banker than to the Miami banker.

The Florida banker can prepare for changes in his deposit growth and loan demand by watching the national market for paper, rayon, and oranges, just as the Detroit banker watches automobile sales.

It becomes evident that a community's grocer will feel better about his business's future if his customers produce their income through a variety of goods rather than a specialized source like oranges or lumber. That way the grocer will not have to file bankruptcy if New Yorkers decide to drink apple juice.

The desire to diversify the community's export base, and so insure continuous prosperity, is the goal of every state's industrial development

commission. This is the reason communities in Florida think of development and growth in terms of bringing a new light industry to town.

We have not yet, however, accounted for the truly phenomenal growth of Florida's population and economic development in the post-war period. Florida's spectacular achievements have been shared only with Arizona and California, which is unusual due to the three states' geographical remoteness from national markets. The unique resource and reason is, in all three cases, the sunshine.

This is no great revelation to you. However, the amenity of pleasant climate as the source of significant population increase has become important to Florida's growth only since the United States began to move from an economic frontier of hardship to one of comfort. This is one of two major national trends contributing to Florida's rapid growth. Calling sunshine a resource, I realize, places me in the company of land speculators and promoters; but becoming a central banker, I have found, places one in a variety of unlikely postures.

Nonetheless, to consider sunshine a resource has a unique effect on our view of the growing Florida community. This is because it is a resource which does not have to be exported to produce primary income. The buyer comes to the producer. He comes as the tourist and he returns as the retiree. A visitor's dollar spent in Daytona Beach has the same effect on the local economy as though the city bottled the sun and shipped it at no cost to Chicago. The result is that in Daytona and Miami we find a growth situation peculiar to Florida--there are the grocery stores, the barber shops, saloons, and banks--but no silver mines. That is, there is a service sector with no evident export base sector. One noticeable result in such a community is that savings and loan associations tend

to be more competitive with commercial banks. Another is the greater mobility of businesses and people since they are engaged in service-sector rather than geographically tied basic-sector activities.

The second phase of Florida's sun as a resource is that it also attracts certain true basic export industries. It will draw that industry which can produce at a distance from its national market. The product must be lightweight, of high value, and transportable. The electronics industry fits this description, and the post-war development of electronics is the other national trend contributing to Florida's phenomenal growth. Just as the communities with water and petrochemicals became producers of synthetics, the communities with sunshine and commercial airports will become producers of electronic equipment. This is prophecy and not crystal gazing. It does not say that in 1980 DeLand will enlarge its airport and in 1981 Western Electric will build the hemisphere's largest plant there. It does say that if Orange County builds a large airport complex, Orlando bankers might revise their market estimates.

We have forged some tools which can help the banker anticipate growth trends in Volusia County. The county's resources are its citrus, managed forests, and the sun. DeLand has an additional source of primary income, a college with national recognition. However, unlike the university city of Tallahassee, DeLand does not have the considerable state agencies to contribute to the primary income. The locating of single new industries would have profound effects on local growth. Three new fabricating industries employing 60 persons would in turn create 20 jobs for grocers and retailers. These are 80 possible new deposit customers for your bank.



The larger coastal areas in Volusia County already have the sizable labor and consumer markets which draw in new business. Their problems, like those of the Tennessee Development Commission, are likely to lie not in expanding some hypothetical export base, but in keeping utilities, roadways, and public facilities abreast of the established growth of the service sector.

The entire county's growth will be dependent also on what happens to the two urban centers upon which it relies for many commercial needs. Orlando is the closer center and is now linked by Interstate 4, but the major wholesale and tourist transportation routes still come through Jacksonville.

These centers and the county will fare as the state fares. The prophet will watch the national orange, winter vegetable and cattle markets, the international sugar and phosphate markets. He will closely follow retirement and tourist trends. He will watch NASA and defense contracts as closely as his own construction loans. And, most significantly, he will keep an eye on those long-term developments which might affect his community's basic income structure: the super-sonic jetport in South Florida and its effect on national air commerce, the cross-Florida barge canal's effect on Gulf Coast commerce passing to eastern markets through the St. Johns basin and Jacksonville, the effects on the Tampa-Louisiana chemical commerce by the completion of the inter-coastal waterway south of Cedar Key.

The role of a banker extends from teller to prophet as his time horizon moves into the future. The typist prepares for this afternoon's mail, the office manager prepares for next month's typist; the cashier insures adequate currency and audit control for the coming six months,

the vice president prepares instalment and seasonal loan policy for the year; the president adjusts the long-term portfolio, the president and directors determine the bank's automation schedule and market policy for the coming ten years. Each step up requires the executive to be more of a prophet, to see and to prepare further ahead.

This is true of the smallest country bank and of the central bank. The Federal Reserve anticipated a growing population demand on the payments mechanism, and with the cooperation of the ABA it has instituted the automation necessary to handle increasing numbers of checks and interdistrict settlements. The Federal Reserve has had to anticipate national trends toward credit cards. The System has had to re-evaluate its discount function in national credit markets.

It is evident to those of us active in AIB programs that this ability to plan ahead does not follow a job promotion, as the ability to see a farther horizon comes after stepping up a ladder. The step up the executive ladder comes, rather, as a result of first being able to see the extended horizon. It is AIB's objective to help its students extend that horizon, and the reason for our presence here today.

To this end we have addressed our remarks today to trends in Florida's economic growth and to the consequent trend in banking. The trend in Florida's economy is growth at an increasingly rapid pace; the necessary trend in banking is preparing the community's participation in that growth.

A very specific example of what that entails in Volusia County is a recent move by the East Central Florida Regional Planning Council, one of Florida's best and one in which your county participates. The Council has designated the Rose Bay section as an urban-defining open space to

prevent uncontrolled urban sprawl between Daytona Beach and New Smyrna Beach. Florida's growth will undoubtedly put a man in your office seeking finance to develop this area commercially. This development could bring jobs to the county and a return to your bank. Would you be able to relocate the developer outside the designated open space, fully accommodate his needs, and simultaneously keep these new jobs in Volusia County?

The trend in banking is to do just that: to serve the customer and the stockholder and at the same time keep an eye on the community's full growth potential. It is a most significant trend in banking. It is a job not even a third generation computer can perform. And it requires the banker to be a prophet.