Changing Economic Patterns in the Miami Metropolitan Area, 1940-1980

By Raymond A. Mohl*

The Miami metropolitan area has been a dynamic and changing urban region since World War Two. Beginning as a tourist and retirement haven, Miami developed a more diversified economy in the post-war years. Small-scale and specialized manufacturing spread during and after the 1950s. Air travel acquired a growing importance in the local economy after the war. The population of the Miami Metropolitan area (Miami SMSA) rocketed upward in the post-war era, reaching 1.6 million in 1980 — a demographic change which in turn stimulated the local construction industry for several decades. The arrival of Cuban refugees in the 1960s and 1970s helped to reshape the economy, as well. Hard-working, upwardly mobile Cubans energetically developed new business and industry, not only in Little Havana but throughout the entire metropolitan area. By the end of the 1970s Miami had emerged as an exciting center of international trade and banking. Foreign investment was pouring into the city, as was illegal drug money. Symbolic of these economic changes, new skyscraper construction in the city’s central business district began to transform Miami’s skyline. The city that began as a tourist playground early in the twentieth century had become by 1980 an international business center with a booming economy.

Miami’s tourist trade remains a vital component of the local economy. By 1940, the Miami metropolitan area was serving about two million vacationers each year — putting them up in hotels, motels, and apartments, serving them in restaurants and retail establishments, and

*Dr. Mohl is professor of history at Florida Atlantic University, an editor of the Journal of Urban History, and author of several books and articles on urban history.
entertaining them in night clubs and theaters, at race tracks and dog tracks, and at beaches, parks, and other amusement centers. At the outbreak of World War Two, one observer wrote, the tourist dollar was “the lifeblood that feeds the economic organism.” The war cut tourism drastically, although war-related activities helped to sustain the economy. The post-war era witnessed a great hotel building boom, with most new construction in Miami Beach and other oceanfront communities to the north. In 1942 Miami Beach had 291 hotels; by 1955, the number had increased to 382. Tourists continued to come to the Miami area in ever larger numbers — 5.5 million in 1960, over 6 million in 1970, and 12.6 million in 1980. But, while total tourist volume rose over the post-war decades, the proportion of workers employed in tourism gradually declined. In 1940, for example, about 35 percent of all Dade County workers earned their living in hotel, restaurant, and other service occupations. The proportion of tourist-related workers declined to about 20 percent of the labor force in 1960, and to about 10 percent in 1979.

Thus, the tourist industry has declined in the post-war era in relation to other sectors of the local economy. Nevertheless, tourism remains the largest single economic force in the Miami SMSA. Building upon Miami’s climate and location, hotel men and others in the tourist industry have begun promoting the area as a center for foreign vacationers. “The British are coming” the Wall Street Journal reported in a 1980 article on Miami Beach; some 327,000 British tourists visited Dade County in 1980, along with 67,000 Germans, 38,000 Spaniards, 22,000 French, and thousands of other Europeans. However, the European tourist influx pales before the two million visitors from Central and South America and from the Caribbean. These new tourists have pumped up the local retail trade, purchasing designer clothing, jewelry, appliances, electronic equipment, and other consumer items. Indeed, according to local tourist officials, the 12.6 million tourists who visited Miami in 1980 spent 9.1 billion dollars in local hotels, restaurants, and retail establishments. New highrise hotels are going up in downtown Miami to accommodate the new tourist influx, while industry officials are seeking to attract Japanese and other Asian tourists. In addition, Miami is the nation’s leading cruise ship port, with more than 1.6 million passengers in 1980. Thus, through boom and recession, tourism remains a mainstay of the Miami economy. However, the nature of the industry has changed, and increasing proportions of European and Latin American tourists have added to Miami’s international character.

The post-war tourist boom in the Miami metropolitan area was
facilitated by the growth of air travel. In the years since 1945, the commercial aviation industry has also provided a major impetus to Miami's economic growth. As a result of military aviation activities in south Florida during World War Two, Miamians in the post-war era had a new consciousness of the importance of air travel. As early as 1945, one Miami leader noted that "the life blood of Miami is aviation." Several major airlines, including Pan Am, Eastern, National, and Delta, originated in Miami in the pre-war period. In 1945, the Dade County Port Authority was created to administer the city's airports and seaport. In the same year, Pan Am's terminal facilities at N.W. 36th Street were purchased for a public airport (now the site of Miami International Airport). City and County officials began promoting Miami as the "gateway" for international air travel, particularly to Latin America, and seeking federal authorization for new air routes. By the early 1970s, some 65 percent of all tourists came to Miami by air.\(^5\)

In addition, several of the major airlines located their aircraft overhaul, repair, and maintenance facilities at Miami's airport, thus adding to the area's employment payroll. Employing over 7,000 workers, for example, Eastern Airlines was the largest single employer in the Miami SMSA in 1960; by 1980, Eastern employed 14,000 workers. Miami passenger traffic and international air freight skyrocketed in the 1970s. Miami International handled 20.5 million passengers in 1980, making Miami the ninth busiest airport in the world. Furthermore, the Miami airport was the world's sixth largest in air cargo tonnage. Moreover, among U.S. airports, Miami stands second only to New York's Kennedy International in international passengers and international cargo. According to Florida International University economist Jan Luytjes, an estimated 160,800 workers, or about one-fifth of the Miami labor force, are directly or indirectly employed in airport and aviation activities. More so than in most cities, commercial aviation has helped to fuel growth and development in post-war Miami.\(^6\)

Tourism and commercial aviation have been closely interrelated in the Miami economy throughout the post-war period. In addition, the growing influx of annual tourists, along with the rapidly rising population of permanent residents, has supported a vigorous construction industry in the Miami SMSA. In 1940 and again in 1950, about 10 percent of the Dade County labor force was employed in the building trades. The post-war era began with a ten-year boom in new hotel building. At the same time, the demand for new apartments and single-family homes remained high, sustained by a population increase of 84.9
percent in the SMSA in the 1940s and 88.9 percent in the 1950s. In 1954, when new homes were going up at the rate of 11,000 per year, Miami led all U.S. cities in new home construction per 1,000 population. Between 1960 and 1980, the construction industry thrived on continued real estate subdivision and development on the suburban periphery and on a high-rise condominium boom in Miami Beach and on the fringes of the Miami CBD. Interestingly, by the early seventies, Cuban-owned construction companies were putting up at least 35 percent of all Dade-County’s new buildings. As the 1970s drew to a close, downtown Miami sprouted 68 major construction and development projects, including dozens of new skyscrapers, hotels, office buildings, and condominiums — a virtual Miami “renaissance,” according to some observers. As the Miami News has noted, some 2.2 billion dollars in private and government funds have been invested in this downtown construction. Thus, throughout the entire post-war period, the construction industry has been an integral part of the local economy, building to accommodate new tourists, new permanent residents, and new business functions.

Although heavily dependent upon tourism and tourist-related activities, the Miami economy has developed an increasingly important manufacturing sector since World War Two. Miami was the least industrialized metropolitan area in the United States in 1940, when 3,600 workers, or about 3.3 percent of the labor force, held factory jobs. By 1950, manufacturing employment had risen to 14,600, or 9.4 percent of SMSA workers. At the end of the fifties, factory work had expanded still further, employing some 38,000 people — about 13 percent of the labor force. “Tourism,” one study suggested in 1962, “appears to be gradually giving way to manufacturing in relative importance.” This prophecy has never been completely fulfilled, but manufacturing employment continued to rise steadily after 1960, reaching 75,000 in 1970, 92,500 in 1974, and an estimated 118,000 in 1980.

In the 1940s and 1950s, Miami manufacturing was characterized by relatively small plants and centered on consumers’ goods — food products, bread baking, meat packing, bottled beverages, home furnishings, fishing and sports equipment, and clothing. In addition, local factories provided other products for local needs: concrete and lumber products, fabricated metal and aluminum goods, printing and publishing, and boat building. By the 1970s, however, Miami manufacturers were expanding beyond local and regional markets and beginning to tap national and international markets. New industries included plastics, electronic equipment, aircraft parts, and medical technology. An extensive gar-
ment industry emerged, often using refugees and illegal alien workers who labor under conditions reminiscent of old-time sweatshops. Most of the Miami SMSA's manufacturing firms—some 4,700 of them in 1980—are small, but taken together they have helped to create a more balanced economy no longer exclusively dominated by tourism.

Over the course of the post-war era, the location of manufacturing has shifted. At first, most manufacturing was located in the city of Miami, either in the CBD or along a north-south strip running parallel to the two rail lines entering the city. By the 1950s, according to economist Reinhold Wolff, many industries had relocated to Hialeah, North Miami, and the northwest unincorporated areas. More space, cheaper land, lower taxes, availability of a working-class population, and other inducements drew new industry to Hialeah and the northwest area. County zoning policies contributed to the deconcentration of industry as well. Designation of large sections in the western unincorporated area for industrial development, as well as the growth of industrial parks near Miami International Airport and major expressways, has tended to decentralize Dade County manufacturing. Following the dispersal of population, industrial activity has spread far beyond the boundaries of the central city.

If industry has decentralized in Dade County, international trade and banking has concentrated in Miami and Coral Gables. Local officials and businessmen began promoting Miami's place in international and especially Latin American trade soon after World War Two. But not until the 1970s did Miami become a true center of international trade and banking. The dramatic emergence of Miami in a new world role stems from a combination of geographic location, excellent air and sea links to Latin America, aggressive business leadership, and the growth of Miami after 1960 as a bilingual city. As noted earlier, the Miami International Airport does a heavy air freight business with Latin America and the Caribbean. Similarly, the Port of Miami provides a base for no less than 85 steamship companies, most of them operating freighters to Central and South America. During 1979, more than 5 billion dollars in goods were shipped by air and sea from Miami to Caribbean and Latin American countries.

At least three other developments of the 1970s contributed to Miami's emergence as an international trade center. First, U.S. multinational corporations began to locate their Latin American headquarters in the Miami area, particularly in Coral Gables. Some 55 regional offices had been established in Coral Gables by 1977, and by 1980 the number...
had increased to an even 100. The multinationals betting on the Miami area’s future prospects included Exxon, Gulf Oil, Texaco, Dow Chemical, International Harvester, ITT, DuPont, Alcoa, General Electric, Goodyear, Uniroyal, Lockheed, American Express, and other huge corporations. At the same time, numerous Latin American and Caribbean corporations are setting up shop in Miami and Coral Gables to facilitate trade and business with North America.\cite{16} Second, under the provisions of the federal Edge Act, 24 large U.S. banks established branches in Miami by 1981 in order to engage in international banking and finance. Similarly, after favorable state legislation in 1978, 43 foreign bank agencies opened offices in Miami by early 1981. These banks, along with about two dozen major local banks with aggressive international departments, have revolutionized trade, finance, and banking in Miami in a very short time. The city is now North America’s third largest international banking center. Miami, one financial writer noted in 1980, had become banking’s new “frontier town.”\cite{17}

The third significant business development was the establishment of the Miami “free trade zone,” a large designated area west of Miami’s airport accommodating almost 200 companies involved in international trade. In addition, a “free zone industrial park” to be located in Homestead is planned for 1982. The largest of several such free trade zones in the United States, the Miami free zone provides a place for export-import companies to store, process, manufacture, assemble, display, or re-export goods from abroad without first paying tariffs. Local businessmen expect this free trade zone to handle two billion dollars worth of goods per year. Like the Edge Act banks, this free trade zone has tremendously stimulated international business activity in the Miami SMSA.\cite{18} Enormous changes, therefore, have taken place in metropolitan Miami’s business pattern during the past ten years. Miami is finally fulfilling the dreams of early post-war businessmen who envisioned their city as the gateway to Latin America. As Joel Garreau has suggested in his recent book, The Nine Nations of North America (1981), Miami experienced a sweeping “geographic reorientation” during the past decade—one which made Miami the economic and cultural capital of the entire Caribbean basin.\cite{19}

While Miamians have been developing new overseas business and banking connections, foreigners have been investing in Florida on a vast and unprecedented scale. Latin American, European, and Arab investors have been buying up Florida farm land, purchasing citrus and phosphate industries, and investing heavily in urban real estate, office buildings,
shopping centers, condominiums, hotels, and private homes. According to economist Mira Wilkins, author of *Foreign Enterprise in Florida* (1979), Miami "has proven to be a magnet for non-U.S. investments in land and real estate, construction, manufacturing, retail and wholesale trade, transportation services, insurance, and banking." The full extent of this foreign financial involvement in the Miami SMSA is unknown, but it undoubtedly represents a huge investment. One hint as to how huge comes from Charles Kimball, a south Florida real estate analyst. In a recent study, for example, Kimball found that 1980 property sales using Netherlands Antilles corporations totaled a staggering one billion dollars in Dade County and another 900 million dollars in Broward and Palm Beach counties. Foreign investors also use corporations registered in Panama, the Bahamas, and the Cayman Islands. From these off-shore tax havens, foreign investment has been pouring into the Miami metropolitan area. This tremendous investment has pumped up the south Florida economy and partially insulated Miami from the economic woes of the rest of the nation, but it has also tended to make the city dependent upon the continued flow of foreign capital.

A substantial portion of the money flowing into south Florida — no one knows exactly how much — is illegal drug money. From its earliest days as a tourist playground, Miami and Miami Beach attracted gamblers, bookies, and gangsters. Racketeering became even more widespread in the post-war era, and in 1955 the *Miami Herald* called the city the nation's leading gangster haven. When mobsters began buying up swanky Miami Beach hotels in the 1960s, *Newsweek* labeled the place "Mob Town, U.S.A." In the 1970s, a new kind of crime wave swept metropolitan Miami — illegal drug smuggling, mostly organized by gangs of Columbian "cocaine cowboys." Like much legitimate business, smuggled cocaine, marijuana, and quaaludes come to Miami by sea and air from Latin America and the Caribbean; like legitimate business profits, much of the drug money, properly laundered, finds its way into Miami banks, real estate, and business operations. "Illegal money is the major factor in the current boom in south Florida," says real estate man Kimball. Almost half of all Miami real estate sales to offshore corporations or foreign investors, Kimball contends, are paid for with laundered "narcobucks." At least four Miami banks, law enforcement authorities say, are actually owned by drug smugglers. Federal officials estimate that at least 28 billion dollars worth of illegal drugs come into the United States through south Florida each year. Miami in the 1980s is the undisputed drug capital of the world. Joel Garreau argues that drug...
smuggling has become south Florida's number one industry—surpassing even tourism. Illicit drug dealing, another writer claims “may be Florida's biggest retail business.” True or not, even as staid a source as the New York Times agreed in 1980 that the multibillion dollar transfusion of drug money protected Miami's economy from recession.23

In many ways, therefore, the economy of metropolitan Miami has been dramatically transformed in only a few short years. It would be difficult to dispute the contention that the remarkable progress of the Cuban refugees after 1960 had a lot to do with Miami's changing economy. “There's no doubt about it,” Miami Herald editor Jim Hampton wrote in 1980. “Refugees have been the economic salvation of Dade County. They've given it a rich cultural milieu. They've been instrumental in turning an unremarkable Southern tinseltown into an international city of unlimited potential.”24 With its downtown in decline, its image as a tourist playground losing its glitter, and its population dispersing to the suburbs, Miami was rejuvenated by the Cuban influx of the 1960s and early 1970s. In essence, an entire professional middle class population was uprooted from Cuba and set down in Miami. After a short period of adjustment, the Cubans pursued the American dream with a vengeance. By 1980, they had established some 18,000 businesses in the Miami area — restaurants, banks, construction companies and service stations, wholesale and retail outlets, clothing, shoe, and cigar factories, auto dealerships and fishing fleets, and the like. Over a period of two decades, their economic success has been nothing short of spectacular. Moreover, they made Miami into a Latin American city, one in which the Spanish language and Latin culture existed side by side with English and the native Anglo culture. This Latin ambience has attracted businessmen and tourists from Central and South America, and Miami Cubans have aggressively promoted international trade and commerce.25 “It is an article of faith in Miami,” one writer noted in 1980, “that without the impetus provided by the Cuban-exile community the city today would be just another Sun Belt spa well past its prime.”26

Thus, the Miami metropolitan area has experienced significant economic shifts since World War Two. Tourism remains important, although the industry has shifted considerably in its new reliance on European and Latin American tourists. Continued population growth has provided long-term strength to the construction industry, and development continues in downtown Miami and all across the suburban periphery. The most dramatic change, however, appears to be Miami's emergence as a major center of international banking, trade and finance.
All the elements of a new Florida boom came together in the late 1970s. "Miami seems to have grown young again," one writer noted recently. "Rather than nodding off with the old folk, Miami goes roaring into the 80s...Miami boils and bubbles, making history faster than even South Florida ever saw before. This is an urban frontier, full of the risk and turbulence and opportunity that all true frontiers offer." Like some of the Sunbelt cities of the southwest, Miami has become a dynamic and rapidly changing metropolitan center.

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