

Private Property

Large-Scale Building Not The Best

Wallace Kaufman

Back in the 1950s while my friends and I carried golf bags for a certain Mr. and Mrs. Levitt, we were all whispering how they were making millions in the housing industry.

Last week I talked with an old Duke classmate of mine about his job as court-approved manager of the Levitt empire. Business history seems to have completed one of its shortest stories and perhaps there's a moral in it.

Levitt rose to fame and fortune stamping out badly needed homes for World War II veterans. The company was, in essence, made possible by the indirect subsidy of the G.I. home loans. The basic premise behind Levitt's business strategy was to build the same house over and over so you could buy standard materials in huge quantities.

The strategy seemed to work. It stood to reason that the more you bought of a given grade of plywood or stove, the better price you could negotiate. Levitt and Sons spread

from New York to every part of the U.S. and to France, Germany, Spain and Puerto Rico.

Four years ago Edward Cortese, a Levitt vice president, told the *New York Times* he was planning for a big year, but was a little worried that high deposit levels in savings and loans might indicate buyers were hoarding money as they lost confidence in the economy and their ability to sustain a home investment.

Levitt and Sons, by then so successful it had been bought by ITT, should have explored Cortese's premonition. The recession came, buyers withdrew, mortgages dried up, and ITT Levitt and Sons lost its shirt.

Levitt was not only a victim of the times but of its own strategy, size and overconfidence. Recessions from 1950 to 1973 had generally been small, and the building industry was never threatened. Single-family homes were still within everyone's reach.

Given Levitt's good start, only an

incompetent could have failed to prosper. Like so many children of the era, Levitt and Sons grew up in an easy, affluent, permissive atmosphere. When the chips were down, Levitt couldn't survive. It was a victim not of recession, but of the preceding prosperity.

The company was too big and the business had been fostered by the prevailing idea that everything was going to grow forever because growth was a sign of health. The era of good times, however, provided no adequate test of Levitt's strategy.

The savings from large contract buying turned out to be very marginal and were more than soaked up by excess management personnel, multiple offices, high overhead and executive salaries.

The savings from standardized design were lost to the demands of local markets and codes. Only an over-enthusiastic communist propagandist could have assumed so much sameness in so large a population.

While Levitt was sinking, many smaller builders stayed afloat on local markets. They built 10, 20, 50 or 100 homes a year, few of them on pure speculation.

The office was often a room at home or in a realty office. The staff was often family with lawyers and accountants paid as needed. Materials purchased on a local market, close to the brick kilns or forests, could be purchased as cheaply per unit in small lots as carloads shipped several thousand miles.

The collapse of big builders like Levitt while smaller builders survived indicates that big business can be as easily taken in by romantic visions of the future as any cloistered academic or fuzzy politician.

Someone ought to write a scholarly history of the Levitt business. I may be all wrong, but a good title might be "Small is Beautiful." An economist named E.F. Shumacher, of course, has already written that book and more people should read it.

Agribusiness Notes

Sharp Shifts In Plantings

Bill Humphries

Sharp shifts in plantings of various crops—some of the sharpest in years, in fact—are taking place on North Carolina farms this year.

Seldom do such wide fluctuations in plantings of so many important crops occur in a single season, say extension economists at North Carolina State University.

The Federal-State Crop and Livestock Reporting Service conducted a survey based on conditions around June 1. Reports from a sample of farmers indicated that corn plantings had reached 2,100,000 acres—up a whopping 24% from 1975 and the largest acreage since 1955.

As of early July the corn crop was looking unusually good, although some irregularity in stands and growth was reported.

Many farmers who normally plant soybeans have shifted to corn this season. This is indicated by a 19% drop in soybean acreage based on June 1 reports. The crop may be the smallest since 1971.

It's possible, however, that a substantial soybean price rise in June caused many farmers to increase their bean plantings by double-cropping after small grain. If so, the crop will be larger than the 1,150,000 acres indicated in the June 1 survey.

Cotton plantings, at 70,000 acres, are up 25% from last year—a sizable increase. Still, the acreage will be the second smallest of record.

Peanut growers, predictably, planted 168,000 acres, reflecting allotments at the legal maximum. Plantings are about the same as during the past several years.

Flue-cured tobacco plantings are down to 427,000 acres, 9% less than in 1975. Quotas were reduced by 15%, but thousands of growers brought forward unused quotas from last season when yields in many areas were hurt by bad weather.

In Piedmont North Carolina (Old and Middle belts) flue-cured plantings are down by only 2%. In Eastern North Carolina, they are down 13%; in southeastern counties (Border Belt) the reduction is 18%.

In western counties, burley tobacco growers expect to harvest 9,000 acres, a 5% decrease from last season.

Sweet potatoes for harvest are estimated at 34,000 acres, up 3,000 acres from last season. North Carolina is expected to hold its No. 1 position among the states in sweet potato production.

An 8% increase in all types of hay is indicated, to an estimated 350,000 acres.

Sorghum acreage for grain harvest is up 12½%, from 80,000 to 90,000 acres.

Small grains harvested in 1976 included 260,000 acres of wheat, down 13%; 95,000 acres of oats, up 12%; 65,000 acres of barley, up 8%; and 20,000 acres of rye, same as a year earlier.

Nationally, indicated planted acreages include: Corn 84.1 million, up 8%; cotton 11.7 million, up 23%; soybeans 49 million, down 10%; peanuts 1.5 million, up slightly from last year; flue-cured tobacco 652,000, down 9%.

For the flue-cured marketing year that began July 1, total supply (estimated carryover plus the projected 1976 crop) may gain a little as compared with a year earlier. The smaller crop this season and a 14% higher support level will result in higher average prices on the 1976 markets.

Auction sales of flue-cured leaf began July 8 in Florida and Georgia. South Carolina and a few markets in southeastern North Carolina will open July 13, and the starting date for Eastern North Carolina is July 20.

An opening date for markets in Piedmont North Carolina and in Virginia is to be set at a meeting of the Flue-Cured Tobacco Marketing Advisory Committee in Raleigh July 12. On the same date, the season's first production forecasts for a number of crops, both state and national, are to be released.

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