

LETTERS

SAGACIOUS CEO

In "Views From the Top" (July/August), you asked 95 business leaders to name the most significant challenge facing American business. The most farsighted response was that of Colman M. Mockler Jr., chairman and chief executive officer of The Gillette Company: "To expand in a mature market, using technology, new products and effective marketing. American business will have to apply a socially responsible multinational approach in its strategies." This answer reflected integrity in American business, as well as confidence in our future.

ROGER W. CHRISTENSEN
Roseville, Minnesota

TAX UNUSED LAND

In his report from Japan ("Around the World," July/August), James Fallows pinpoints land prices as the primary problem facing Japanese society, while noting that these prices occur because "much of [the land] is artificially kept out of use." He suggests that the Japanese need to "stop subsidizing farmers [and] start taxing unused land."

Mr. Fallows has touched on the most sensitive arena of privilege not only in Japan but in all the industrialized democracies. Questions concerning private control over land and natural resources continue to haunt our sociopolitical systems and have serious economic consequences.

Taxing unused land at a rate that approaches its true potential economic rent, without regard to how the land is used, will improve the situation. As any good economist will tell you, higher tax rates will tend to drive down the selling price of land.

The United States can use a dose of the same medicine. Land costs have driven the median price of housing above \$120,000 and out of reach for an increasing number of families. As more and more of a family's disposable income is taken by the fixed expense of a housing payment, the inevitable impact on the economy is a loss of purchasing power—for housing and for everything else.

EDWARD J. DODSON
Cherry Hill, New Jersey

GM'S CASH FLOW

The article "The Cash Crunch" (July/August) contained a number of references to General Motors that we believe

do not accurately reflect GM's true cash-flow position. In fact, GM actually generated an \$8.5 billion positive cash flow in 1987.

The measure you used to calculate cash flow highly distorted GM's performance over the past two years—a distortion stemming from a change in [GM's] dealer financing in 1986. Before that, General Motors Acceptance Corporation provided inventory financing to dealers. In the fourth quarter of 1986, GM began directly financing dealer inventory and used funding provided by GMAC to finance these receivables. The change had no impact on GM's cash position, although it did result in growing receivables on GM's balance sheet and a corresponding growth [\$8.5 billion in 1987] in the payable to GMAC. Your cash-flow measurement accounted for the growth in receivables as a use of funds, while not reflecting the offsetting long-term payable.

R.T. O'CONNELL
*Executive Vice President
General Motors Corporation
New York City*

BUSINESS MONTH stands by its numbers. In calculating current cash flow, short-term receivables cannot be offset by a long-term payable.
—THE EDITORS

ARKANSAS INCENTIVE

In "Going After Business" (June), the table "A Coast-to-Coast Guide to Incentives" states that Arkansas does not issue umbrella bonds. This is incorrect. Umbrella bonds for manufacturing and nonmanufacturing projects are available through the Arkansas Development Finance Authority.

JAMES BRANYAN
*Chairman
Arkansas Development Finance Authority
Little Rock*

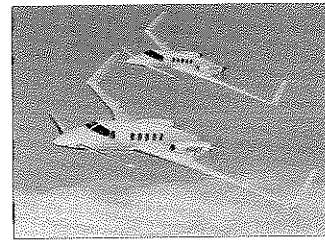
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K.C. MOSIER II
*Chairman
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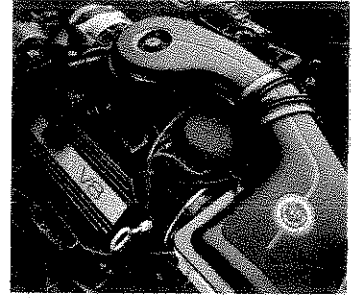
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Charles F. Harding, a principal at PPH Fantus Corporation, tells what to look for.

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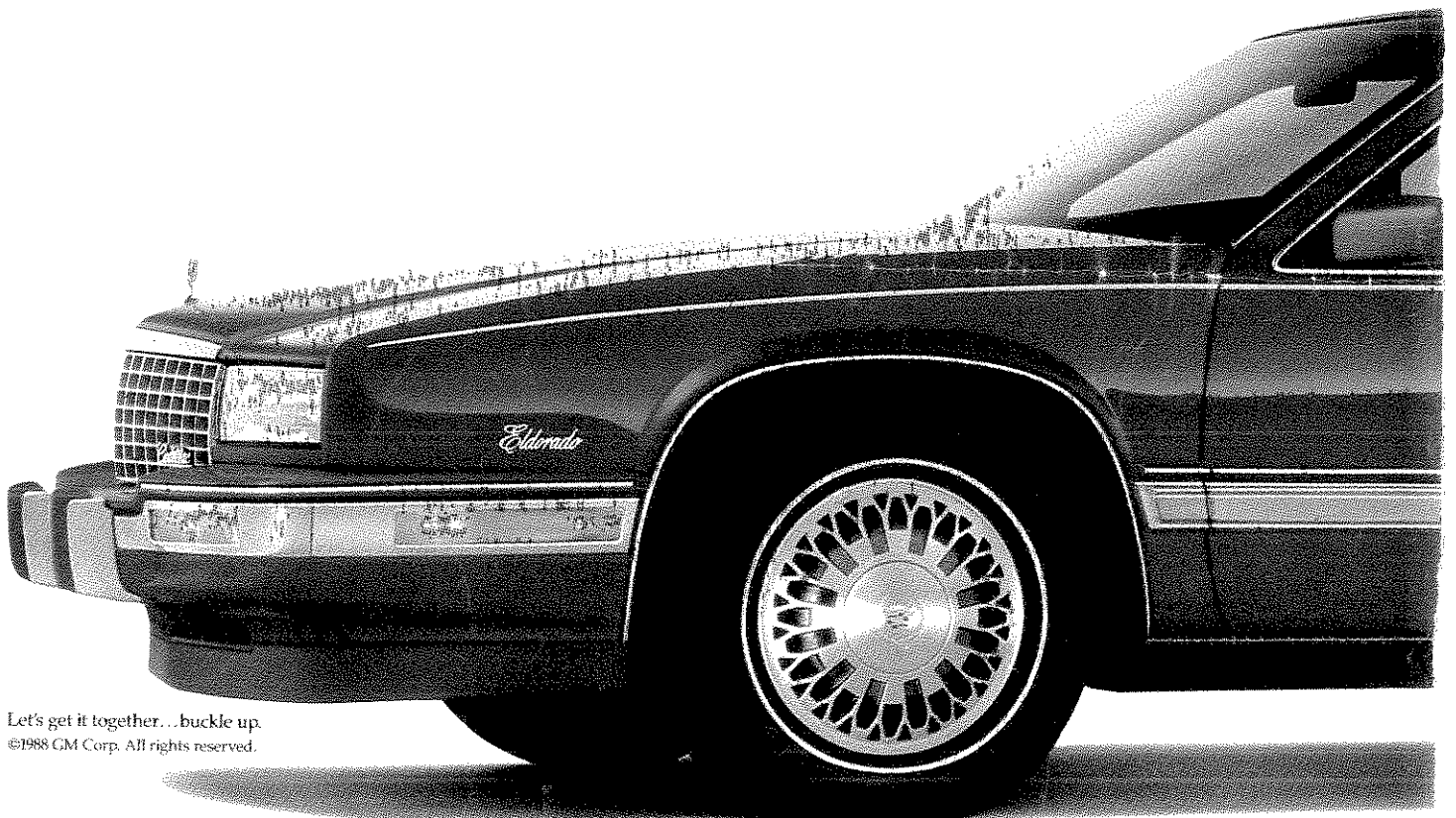
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