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Fastest Growing Economies Cut Tax Subsidies

To the Editor:

Ann Crittenden uses the terms tax subsidy and tax deduction/credit synonymously when arguing for the Federal Government to eliminate "unproductive tax subsidies" ("Bad Breaks," Op-Ed, Nov. 18). The terms are anything but similar.

A tax subsidy is a government grant collected from taxpayers and then given out to certain private groups. Tax deductions and credits are accounting mechanisms that reduce the individual taxpayer's liability. They do not at all involve the transfer of tax dollars to other groups as does a tax subsidy.

What Ms. Crittenden is really calling for is the elimination of various tax deductions and credits allowing the Government increased revenues that in turn would be used by the government for investing. But this so-called investing is really nothing more than a tax subsidy since it involves transferring taxpayer dollars to private groups.

The question one then has to ask is this: Do tax subsidies result in improved productivity? The answer is almost self-evident. If one looks at the fastest growing economies of the world, such as Argentina and Mexico, a common characteristic is the dismantling of tax subsidies. On the other hand, the poorest countries have the largest number of tax subsidies.

Lawrence S. Applebome Brooklyn, Nov. 19, 1992

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OUR ARCHITECTS OF SHAKY DEBT STRUCTURES

To the Editor:

Walter Wriston claims that countries do not go bankrupt because each owns more than it owes. He comes to the conclusion that national debt problems are not problems of insolvency but liquidity, but he makes a serious error when he fails to differentiate between internal and external debts.

Internal debt, commonly known as national debt, is denominated in a country's own currency. External debt, or international debt, however, is denominated in foreign currency. Mr. Wriston may be technically correct when he states that a country can never go bankrupt because it owns more than it owes. Indeed, through its central bank a country can finance national debt by printing more currency. However, a country's international debt cannot be paid back in national currency: that debt must be paid back in foreign currency. Thus a country could go bankrupt if its foreign currency reserves are depleted.

By defining this state of affairs as just a liquidity problem, Mr. Wriston misleads readers into thinking that countries' debt problems are not deep-seated but only temporary in nature.

Lawrence S. Applebome, Brooklyn, Sept. 15, 1982

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