

The spirited comment by Grubert (2005) on Desai and Hines (2004) is a useful continuation in the ongoing debate on the appropriate taxation of foreign income. It raises numerous points on which intuition can easily go astray and, thereby, indirectly illustrates the benefits of hard and dispassionate analysis. While it is tempting to reply individually to every point raised in this comment, its length suggests that interested readers would benefit most from revisiting the original article. Accordingly, the function of this reply is to address some of the central issues in a manner that may serve to prevent further confusion.