

foreign investors. Adoption of our recommendations would remove the substantial deterrent to foreign investment in the United States posed by a certain unwillingness among potential foreign investors to undertake complicated procedures for minimizing U.S. taxes. These procedures are often necessary if the investor is to avoid tax burdens which limit the attractiveness of investment in the United States. Complexities of the current system of U.S. taxation of foreign investors discourage these investors and advisers who endeavor to live within the confines of the law and good conscience. These complexities result in minuscule tax revenue, substantially reduce the incentive to invest here and encourage disrespect for our laws.

### **Reducing Restraints on the Sale of U.S. Securities in Other Capital Markets**

The monetary disturbances of the 1930's, followed by World War II and the abnormal needs and circumstances of reconstruction, left Europe and most other advanced areas of the world with relatively small and inefficient capital markets. These markets were separated from each other and from the remainder of the world by numerous monetary, legal, administrative, and institutional restrictions. Much progress has been made in recent years toward removing controls on the movement of capital between industrial countries and toward improving the internal functioning of their capital markets. Nevertheless, restrictions still impede foreign purchases of U.S. securities and limit the ability of U.S. firms to obtain long-term financing for their oversea operations from foreign sources.

Although the Task Force has conducted an intensive study of restrictions in other capital markets, we have not attempted to set forth all of our findings here. The identification and critical appraisal of restrictions remaining in the capital markets of other industrial countries have been covered extensively in a recent study by the Treasury Department, made publicly available by the Joint Economic Committee of Congress. In this section of our report, we summarize the most important legal and administrative obstacles abroad which impede foreign investment in U.S. corporate securities. No useful purposes would, we believe, be served by making detailed recommendations as to the removal of foreign restrictions or methods by which other countries could improve their domestic capital markets. In each country these matters are often complex and technical; they involve delicate domestic relationships; frequently they transcend financial considerations and encompass national policies well beyond the terms of reference of the Task Force. It should be noted that efforts to remove restraining