Senator McCARTHY. Do you know where this amendment came from? Has it been around in academic circles or have lawyers been using it in international tax problems for some time?

Mr. HENDERSON. I do not know, Senator, what the origin was.

Senator McCARTHY. Are there courses in international taxation in Harvard which have been given through the years, do you know?

Mr. HENDERSON. This provision, has it been considered?

Senator McCARTHY. This proposition of money earned in international trade—did it come to you as a complete surprise when it was put into the House bill?

Mr. HENDERSON. This particular language and particular provision is new, but down through the years there has been discussion at the tax bar and Treasury staff and Congress staff and elsewhere about the source-of-income rules—which are the present rules in our code which determine what income is taxable here and what income is not taxable here—and people have various ideas and have had through the years about whether there ought to be amendments to the source-of-income rules.

The American Law Institute, when the 1954 code was being adopted, as we mention in an appendix here to our report, gave some consideration to possibly changing our source-of-income rules, and they finall decided after 2 years of study of the problems involved that they would not recommend any change in them.

The source-of-income rules have been in the code, I think, sinc 1917.

This provision which is in here dealing with "effectively connected' foeign-source income properly sshould be considered as an amendmen to the source rules.

The CHAIRMAN. May I just say this to you, sir? My impression i that there is no greater economic waste and no greater waste of goo brainpower in this country than the unnecessary complexity of Amer ican tax laws. I suppose we probably sop up more of America' brains with needless complications in these tax laws than with any thing else. For what we gain in income on taxation of foreign in come, the fantastic amounts of executive, legal, accountant, and cleri cal talent that we put to work on it, is probably a prime example o economic waste.

Think of all the fantastic amount of brainpower it takes to wor all these kinds of things out when there must be some simple way t do it.

Mr. HENDERSON. I have always thought, Senator, when the Treas ury makes computations of the collection costs of tax moneys, an determines what the percentage of the collection costs is to tax money received, that we really ought to add the private taxpayers' expense in getting tax advice and handling the paperwork involved, befor we really know what the effective cost of tax collection is. This partic ular provision here would cause an enormous amount of additiona complexity. But it would not produce additional revenue.

Senator ANDERSON. And would we not have a lot of lawyers unemployed if we simplified the code?

Mr. HENDERSON. Well, I suppose they would have less to do, Sena tor; that is right. But it would nonetheless have a good effect on th economy if we simplified it.