United States and money to the United States and does not have a provision like our subpart F—or like our basic tax code which taxes the worldwide income of our citizens and resident corporations and domestic corporations—then why should the United States care? That basically is a problem of the foreign government. They have power to extend their taxing jurisdiction to their citizens, as we did in our code when we taxed all our citizens' income and as we did when we taxed certain of their income from foreign corporations under subpart F.

So this is basically not, I think, our problem. It is basically the foreign country's problem.

Senator McCARTHY. I could not completely agree to that. It would certainly give them a competitive advantage in the American market against American taxpayers. We have costs around the world which have to be paid for in some way, and the only way we have of raising money is through the imposition of taxes. So you could have all American business giving its business over to foreign firms. You say, "Don't tax them because their own country does not care."

Mr. HENDERSON. Senator, if that is happening to American firms something should be done about it.

Senator McCARTHY. Certainly it should be done. But even if it is on a small scale something should be done about it. You do not have to wait until it is 90 percent of the American market. It is an inequity. The general rule we have is that people who make money should pay taxes in this country. We are not going to get foreign countries to make a reasonable contribution to the costs which this country is now bearing around the world in defense and in economic development by imposing tribute or demanding tribute from foreign countries. That has not worked since the Roman Empire, and it did not work very well then.

The only way we can get it is by taxing foreign corporations on the basis of the business they do in this country and taxing American corporations on the basis of profits they make in foreign countries. This is the way in which you can get the revenue to pay for the worldwide expenses this country is bearing today.

Mr. HENDERSON. Senator, the basic question is will the imposition of this tax help the position of the United States.

Senator McCARTHY. Well, that is correct.

Mr. HENDERSON. If the only effect of this tax is to remove offices from the United States and force them into different countries, then I do not think we have helped the position of American business, and we certainly have not helped our balance-of-payments situation. That is a basic question of principle that ought to be examined by the Congress, and there is not enough fact in the prior record of this bill to determine whether there is any real problem here at all or whether it is just a theoretical problem, and if there is a real problem, whether this bill will solve it, or simply hurt us.

Senator McCARTHY. I have no further questions.

The CHAIRMAN. Senator Morton.

Senator MORTON. You discussed this question of a simple rule like the word "destination," which is on page 26 of your report.