upon American life in general and upon American moral climate in particular is of tremendous importance currently. It is only fair, therefore, to insist that they assume major responsibility for lifting society onto a higher moral and ethical plane—that they use their corporate power to strengthen America instead of to restore the social irresponsibility of a bygone era.

The stock option scandal also points up the fundamental truth that great social triumphs may be subsequently undermined by public indifference and lack of vigilance. There is nothing inherently permanent about such victories. The abuse of corporate power contributed to the great depression of the thirties and it will contribute to costly social and economic dislocations in the future unless the American people remain interested, informed, active and determined to protect and extend this country's earlier victories over executive greed and corporate irresponsibility.

APPENDIX

TABLE 1

Estimated Taxes on Gains From Sales of Stock Referred to in Hypothetical Example (Page 2)

I. Tax and Net Income as Computed Under Law Prior to 1950

A. *Taxes Paid During Year in Which Stock Was Purchased:*	
Market value on date of purchase	$1,250,000
Purchase price under option agreement	475,000
Difference	775,000
Tax on difference (assuming additional income to Mr. Smith would be taxed at 72% rate)	$558,000
B. *Tax Paid After Sale:*	
Total income from sale	$2,000,000
Market value on date of purchase	1,250,000
Difference	750,000
Maximum capital gains rate	.25
Capital gains tax	$187,500
C. *Net Income From Transaction if Pre-1950 Tax Laws Were in Effect:*	
Income from sale	$2,000,000
Minus purchase price	475,000
	1,525,000
Minus tax at time of purchase	558,000
	967,000
Minus tax at time of sale	187,500
Net income	$779,500

II. Tax and Net Income in Hypothetical Example as Computed Under Present Law

A. *Total Tax (Paid Entirely After Sale):*	
Income from sale	$2,000,000
Purchase price	475,000
Gross profit	1,525,000
Maximum capital gains rate	.25
Capital gains tax	$381,250
B. *Net Income From Transaction Under Present Law:*	
Gross profit	$1,525,000
Amount of tax	381,250
Net income	$1,143,750

III. Difference in Net Income Under Two Laws

Net Income as Computed Under Present Law	$1,143,750
Net Income as Computed Under Prior Law	779,500
Difference	$364,250