

American Minute with Bill Federer

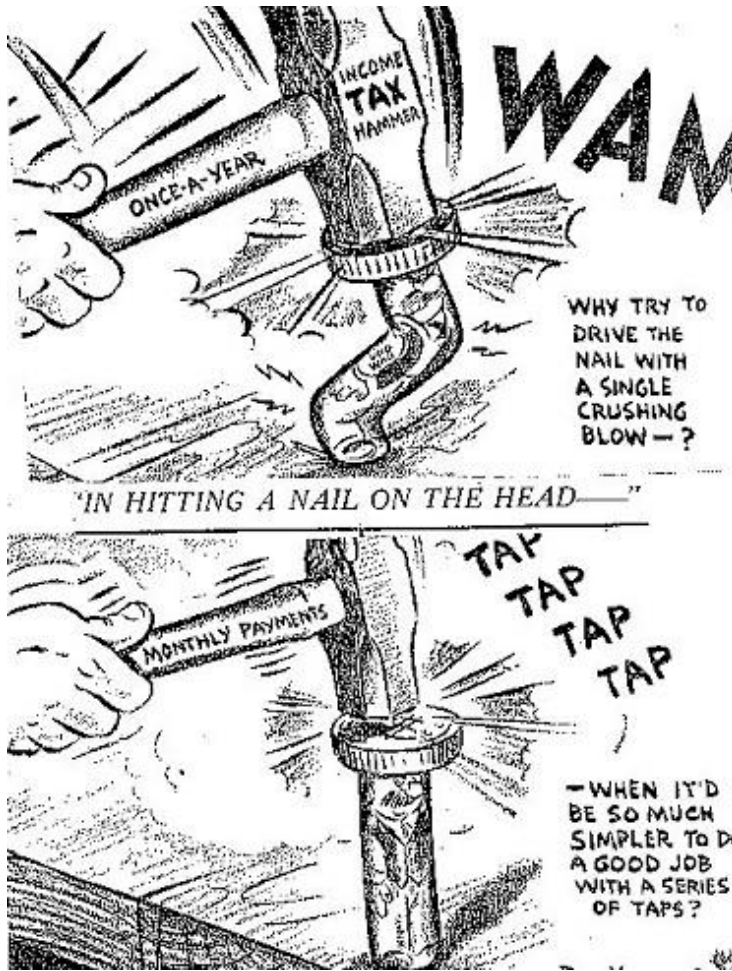
Withholding Taxes from Your Paycheck started as Emergency during WWII "People will willingly pay very high taxes during wartime"

[Read American Minute](#)

Do you have a Social Security Number?

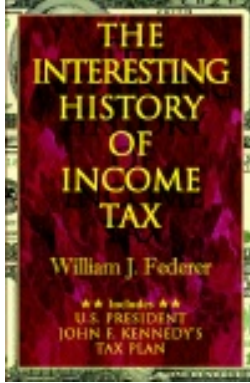
Social Security numbers came into use in November of 1935, as part of Franklin D. Roosevelt's New Deal program during the Great Depression.

It was in response to so many citizens losing their life's saving when the speculative bank investments of the **Roaring Twenties** came to an abrupt end with the **1929 Stock Market Crash** ... [continue reading American Minute here ...](#)



[Download as PDF ...](#)

[The Interesting History of Income Tax](#)



Printed on the card, until 1972, was the statement:

"FOR SOCIAL SECURITY PURPOSES -- NOT FOR IDENTIFICATION."

Does your employer withhold money from your paycheck?

Withholding taxes from paychecks began June 9, 1943, as an **emergency program** to collect taxes to fund the government **during World War Two**.

Congress needed money to fight **Hitler's National Socialist Workers Party**, which was conquering and enslaving millions of people in Europe.

The idea of **withholding of taxes from people's paychecks** came from **Beardsley Ruml**, treasurer of Macy's Department Store who became chairman of New York's Federal Reserve Bank.

Ruml was helped by Wall Street financier **Bernard Baruch** and Nobel Prize winning economist **Milton Friedman**.

Milton Friedman stated in a 1995 interview with *Reason* magazine's Brian Doherty:

"I was an employee at the Treasury Department. We were in a **wartime situation**.

How do you raise the enormous amount of taxes you need for wartime? ...

In World War One, a very **small fraction** of the total **war expenditure** was **financed by taxes**, so we had a **doubling of prices** during the war and after the war.

At the outbreak of **World War Two**, the Treasury was determined not to make the same mistake again. You could not do that ... without **withholding** ..."

Friedman continued:

"And so people at the **Treasury tax research department**, where I was working, investigated **various methods of withholding**.

I was one of the small technical group that worked on developing it.

One of the major opponents of the idea was the IRS.

Because every organization knows that the only way you can do anything is the way they've always been doing it. **This was something new**, and **they kept telling us how impossible it was** ..."

Friedman concluded:

"It was a very interesting and very challenging intellectual task. **I played a significant role**, no question about it, in **introducing withholding**.

I think **it's a great mistake for peacetime**, but in 1941-43, all of us were concentrating on the **war** ...

I really wish we hadn't found it necessary and **I wish there were some way of abolishing withholding now.**"

The Federal Government got people to sign up for **withholding taxes** by forgiving them for not paying their lump sum taxes due at the end of 1941.

It was called the "**Pay-As-You-Go**" tax, being accepted by the public as part of the patriotic war enthusiasm which included slogans such as:

"UNCLE SAME NEEDS YOU";

"BUY WAR BONDS";

and

"SMASH THE AXIS-PAY YOUR TAXES."

So much money came in from the "**Pay-As-You-Go**" tax with so few complaints that it continued after the war.

John Steele Gordon wrote in his article "American Taxation"
(*American Heritage*, May 1996):

"People will **willingly** pay very high taxes during **wartime.**"

John F. Kennedy told Congress, April 20, 1961:

"**Introduced during the war** when the income tax was extended to millions of new taxpayers, the **wage-withholding system** has been one of the most important and successful **advances in our tax system** in recent times ...

Initial difficulties were quickly overcome, and the new system helped the taxpayer no less than the tax collector."

He continued:

"In meeting the **demands of war finance**, the individual **income tax** moved from a **selective tax imposed on the wealthy** to the means by which **the great majority of our citizens participate in paying.**"

On September 18, 1963, **Kennedy** stated:

"The high **wartime** and **postwar tax rates** we are now paying **are no longer necessary.**

They are, in fact, **harmful.** These high rates do not leave **enough money in private hands** to keep this country's economy growing and healthy."

Kennedy stated February 6, 1961:

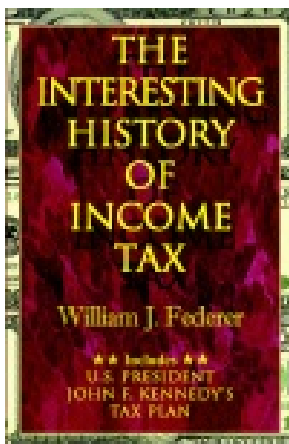
"Present tax laws may be stimulating in undue amounts the **flow of American capital** to the industrial countries **abroad."**

He added April 20, 1961:

"**In those countries where income taxes are lower** than in the United States, the ability to defer the payment of U.S. tax by retaining income in the subsidiary companies provides a **tax advantage for companies operating through overseas subsidiaries."**

John F. Kennedy stated September 18, 1963:

"**A tax cut means new strength** around the world **for the American dollar** ... helping make the **American economy ... more competitive**, by enabling our goods to compete with those who are developing foreign factories, and **by making investment in America more attractive** than investment abroad."



[The Interesting History of Income Tax](#)

Americans have had an historical aversion to taxation.

During the period when the U.S. Constitution was being written, the female Anti-Federalist author **Mercy Otis Warren** warned In her work, *Observations on the new Constitution, and on the Federal and State Conventions*, 1788:

"The immediate **gift of the Creator** obliges every one ... to **resist the first approaches of tyranny**, which at this day threaten to **sweep away the rights** for which the brave Sons of America have fought ...

And when asked, **what is become of the rich produce of their farms** - they may answer in the hapless style of the *Man of La Mancha*, 'The steward of my Lord has seized and sent it to Madrid.'

Or, in the more literal language ... Government requires that the **collectors of the revenue** should transmit it to the **Federal City.**"

Jefferson noted in his 2nd Annual Message, 1802:

"We are able, **without a direct tax, without internal taxes**, and without borrowing, to make large and effectual payments toward the discharge of our public debt and the emancipation of our posterity from **that mortal canker** ...

... It is an encouragement, fellow-citizens, of the highest order to proceed as we have begun in **substituting economy for taxation.**"

President Andrew Jackson stated in his 8th Annual Message, December 5, 1836:

"There is **no such provision** as would **authorize Congress to collect** together the property of the country, under the name of revenue, for the purpose of dividing it

equally or unequally among the States or the people.

Indeed, it is not probable that such an idea ever occurred to the States when they adopted the Constitution."

Andrew Jackson told Congress, May 27, 1830:

"Through the favor of an overruling and indulgent **Providence** our country is blessed with general prosperity and **our citizens exempted from the pressure of taxation**, which other less favored portions of the human family are obliged to bear."

Jackson stated December 5, 1836:

"No people can hope to perpetuate their liberties who long acquiesce in **a policy which taxes them** for objects not necessary to the legitimate and real wants of their Government ...

... The practical effect of such an attempt must ever be to burden the people with taxes, not for the purposes beneficial to them, but to swell the profits of deposit banks and **support a band of useless public officers** ...

... There would soon be but **one taxing power**, and that vested in a body of men **far removed from the people** ...

... The **States** ... **would not dare to murmur at the proceedings of the General Government**, lest they should lose their supplies;

all would be merged in a practical **consolidation**, **cemented by widespread corruption**, which could only be eradicated by one of those **bloody revolutions** which occasionally **overthrow the despotic systems of the Old World.**"

Andrew Jackson stated in his Farewell Address, 1837:

"There is, perhaps, **no one power** conferred on the **Federal Government** so liable to **abuse as the taxing power** ...

Plain as these principles appear to be, you will yet find there is **a constant effort to induce the General Government** to go beyond the limits of its **taxing power** and to impose unnecessary burdens upon the people ... to fasten upon the people this unjust and unequal system."

President Calvin Coolidge stated May 31, 1926:

"While many other nations ... are struggling with a burden of increased debts and rising taxes, which makes them seek for new sources from which by further taxation they can secure new revenues,

we have made large toward paying off our national debt, have **greatly reduced our national taxes**, and been able to relieve the people by abandoning altogether many sources of national revenue."

Prior to 1913, other than **Lincoln's Revenue Act** during the **Civil War**, there was **no income tax**.

The **Federal Government** was financed primarily by **tariff taxes on imports, called imposts**.

President Franklin Pierce stated in his First Annual Message, December 5, 1853, how the Federal Government was originally financed, not with an income tax, but **tariff taxes on imported goods**:

"Happily, I have no occasion to suggest any radical changes in the financial policy of the Government.

Ours is almost, if not absolutely, the **solitary power of Christendom** having a **surplus revenue** drawn immediately from **imposts (tariffs) on commerce**."

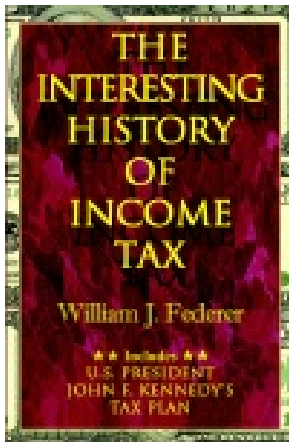
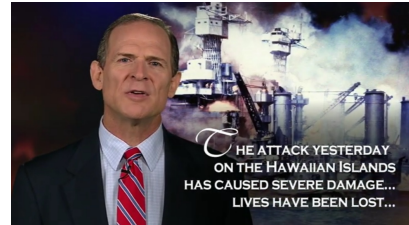
--
[Download as PDF ... Withholding Taxes from Your Paycheck started as Emergency during WWII "People will willingly pay very high taxes during wartime"](#)

[Read as American Minute blog post](#)

William J. Federer videos

[Rumble](#)

[YouTube](#)



[The Interesting History of Income Tax](#)

Schedule Bill Federer for informative interviews & captivating PowerPoint presentations: 314-502-8924

wjfederer@gmail.com

American Minute is a registered trademark of William J. Federer. Permission is granted to forward, reprint, or duplicate, with acknowledgment.

www.AmericanMinute.com

[Please consider a donation to American Priorities. Thank you!](#)

[American Minute store](#)

[Interviews on The Eric Metaxas Show](#)

[700 Club - Miraculous Milestones in Science, Medicine & Innovation](#)

[700 Club - Socialism \(episode 1\)](#)

[700 Club - Socialism \(episode 2\)](#)

[700 Club - Miracles in History \(episode 1\)](#)

[\(episode 2\)](#)

[\(episode 3\)](#)

[Miracles in American History-Volume TWO \(D.James Kennedy Ministry\)](#)

[Faith in History TCT](#)

[Archives](#)

CBN "Liberty" Special
Today's Bible reading

