

**The Players in the Destruction of  
the Second Bank of the United States**

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*"The will of one man, Andrew Jackson, carried the day against  
the assembled talent and the interested capital of the country."*

*-- James Parton*

Repeat title here -

During his second term as president, Andrew Jackson undertook the destruction of the Second Bank of the United States as a viable federal institution. In what is commonly called the Bank War, Jackson defied Congress, ignored the advice of his several of his closest advisers, and destroyed the Bank. Based on lifelong prejudices and fervent convictions, Jackson believed his actions would benefit the citizens of the United States. Perhaps, for the long run, he accomplished this. For several years after he succeeded in his quest, however, the United States suffered through a tough economic depression.

President Jackson could not accomplish his goal alone. He had powerful and influential men like Vice-President Martin Van Buren, (Amos Kendall), and Secretary of the Treasury Roger B. Taney on his side, prodding him into action whenever he waned. Jackson's prime adversary, addressed in this discussion, was Bank president Nicholas Biddle. The Second Bank of the United States (BUS) also played a pivotal role in the war functioning as an institution.

Five years after the failure of the First Bank of the United States, the Second Bank of the United States was chartered on 10 May 1816 by President James Madison. The charter was slated for twenty years. The BUS was established with \$35 million in capital stock, only 20% of which was to be held by the federal government. This left 4/5 of the Bank's stock available for a privileged group of 3,500 American and 500 foreign

investors<sup>1</sup>. The duties of the BUS were to store and transfer government funds, help collect taxes, provide credit, issue bank notes, and help reduce the federal deficit.

The BUS evolved into a powerful financial institution. By 1830, the BUS had 25 branches in various states that could receive and hold notes issued by state banks; it could present these notes and demand payment on them at any time, giving the BUS considerable sway over the operation of state banks. Twenty percent of the \$13 million in circulation at the time was on BUS notes. Its \$16 million in deposits amounted to 25% of all the deposits in the United States at that time and its capital level of \$35 million was more than two times the yearly total federal expenditure<sup>2</sup>.

The looming 1836 recharter of the BUS is what got Jackson, Biddle, and the Bank up in arms. Jackson flexed his considerable political muscle and changed the way Congress would forever react to the chief executive. He ignored a House of Representatives vote that declared, by 109-46, the BUS safe for federal deposits and pushed the House Ways and Means Committee into voting his way. He got the committee to pass a resolution disallowing the recharter by a vote of 134-82 and to pass another resolution to keep public money out of the Bank by 118-103<sup>3</sup>. It was this kind of political dealing against the BUS that took up much of Jackson's time in office.

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<sup>1</sup> Cole, Donald B. The Presidency of Andrew Jackson. Lawrence, KS: University Press of Kansas, 1993, p. 58.

<sup>2</sup> Ibid.

<sup>3</sup> McFaul, John M. The Politics of Jacksonian Finance. Ithaca, NY: Cornell University Press, 1972, p. 111.

Jackson had many reasons to dislike the BUS, not the least of which were his beliefs in its unconstitutionality and that the government had no right to establish a bank outside of the District of Columbia. He wanted the United States to return to a bimetal specie system; that is, he wanted gold and silver to be the basis of US economy, not paper and promises. He firmly believed that paper money hurt the working class and said, "Gold and silver coinage can cover and protect the labor of our country without the aid of a national bank."<sup>4</sup> In 1836, Jackson prodded Congress into passing his Specie Circular, which stipulated that only gold or silver could be accepted by the government as payment for public lands. His statement and subsequent actions defend his belief that the BUS had not managed to establish a sound currency, something he believed no national bank would do.

Jackson?

Congress did not support Jackson in his efforts to end the Bank, a fact which annoyed him and made him paranoid at times. While Congress was working on the Bank's recharter bill in 1832, he made several requests. Naturally, Congress made the changes Jackson wanted; they limited the power of the Bank, gave the president the power to appoint branch directors, and then passed the amended bill in both the House and the Senate. Jackson promptly vetoed the bill and effectively gave the Bank less than four years to live.

too strong

Why after changes?

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<sup>4</sup> Cole, p. 222.

Jackson's prejudice against banks was not the majority opinion. Most Westerners and especially people interested in buying land from the government held the Bank in high regard<sup>5</sup>. After all, banks extended credit and used paper money, which had only a speculative, theoretical background. Jackson's efforts in ending the Bank were antagonistic at best and his veto of the recharter bill was the beginning of the end of a long and spiteful battle.

Nicholas Biddle, who presided over the BUS from 1822 to 1836, was a well-educated man, sophisticated, vain, and above all else, proud. Having graduated from Princeton at the age of 15, he was intellectually quite a formidable man for Jackson to take on. A self-proclaimed Jeffersonian democrat<sup>6</sup>, Biddle personally controlled the defense of the Bank throughout its struggle for its recharter. In spite of the fact that he believed the BUS had the power to financially destroy any state bank in the Union<sup>7</sup>, he tried hard to appease Jackson, the Bank, and the Bank's investors and branch managers.

"If the Bank permits itself to be frightened or coaxed into any relaxation of its present measures," he said, "it will inevitably be prostrated."<sup>8</sup> In pursuing his goal of gaining the BUS recharter, he never relaxed. He even went so far as to attempt to force Congress to recharter the bank by asking for the support of state banks across the nation.

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<sup>5</sup> Sharp, James Roger. The Jacksonians vs. the Banks: Politics in the States after the Panic of 1837. New York: Columbia University Press, 1970, p. 5.

<sup>6</sup> Ward, John William. Andrew Jackson: Symbol for an Age. New York: Oxford University Press, 1955, p. 94.

<sup>7</sup> Cole, p. 57.

<sup>8</sup> Cole, p. 199.

He asked for each state bank to petition Congress in support of the BUS recharter. His nationwide failure in this attempt is consistent with statistics gathered in the South: only nine of 37 state banks submitted such a petition to Congress. Mississippi and North Carolina showed the most support, with Louisiana, Alabama, and Virginia supplying five banks' worth of support. These five states contained within them 13 banks. Georgia, with 15 banks, and South Carolina, with six, submitted no petitions to Congress<sup>9</sup>.

Biddle's main downfall lay in at least one clearly illegal action and nearly constant suspicion that he was using the BUS as a political tool. Acting as an agent of the Bank, Biddle was involved in a deal with Hope and Company, a Dutch speculating outfit. In direct violation of the BUS charter, which prohibited either direct or indirect involvement of bank officials in stock sales, he sold BUS bonds to Hope & Co. on credit and at below-market prices. He was never charged with any wrongdoing in this incident, yet it tarnished his reputation as an honorable man.

→ Jackson reason to oppose?

Suspicion directed at the Bank came largely because of Biddle's policies. He was accused on numerous occasions of using the BUS as a means to further ends outside of the charter. He was also accused of making preferential loans, i.e., loaning money to friends of the Bank and refusing loans to its enemies<sup>10</sup>. Jackson also accused Biddle of using the Bank's money to adversely influence both the 1828 and 1832 presidential

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<sup>9</sup> McPaul, pp. 17-19.

<sup>10</sup> Remini, Robert V. Andrew Jackson and the Bank War: A Study in the Growth of Presidential Power. New York: W. W. Norton & Co., Inc., 1967, p. 35.

elections. This sense of apparent impropriety was borne out in full when Biddle petitioned Congress to renew the Bank's charter four full years before it expired--right before the 1832 election. Whether Biddle did this as a direct or implied threat is not clearly known.

use earlier

The Bank War boiled down to the wills of Andrew Jackson and Nicholas Biddle. Jackson, victorious as always, had on his side the power of Congress. Biddle's allies were few and far between, as most of the time's "lukewarm" politicians<sup>11</sup> could not bring themselves to cross Old Hickory. In the end, Jackson reduced the Second Bank of the United States to the level of a common state bank in Pennsylvania. Biddle, after he retired from the bank business in 1839, was arrested for "high crimes and vulgar misdemeanors"<sup>12</sup>. Even though he was later acquitted, he never regained the status he held for the 14 years he ran the Bank. He died in 1844, a sick and bitter man.

Andrew Jackson retired from politics in 1837 and relinquished control of the government to his friend and trusted adviser Martin Van Buren. In his two terms as president, Jackson fought Congress tooth and nail and expanded the power inherited by successive presidents. He fulfilled his 1832 campaign promise to end the stranglehold the Bank held on American finances, but in doing so he managed to foster a decade of economic depression and rough financial rows to hoe.

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<sup>11</sup> Ward, p. 93.

<sup>12</sup> Remini, p. 175.

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Good



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— Good paper —

— concentrate more on

Parkson's reasons -

— trace history of

Parkson's opposition

— use chronological

organization -

— firing <sup>E</sup> treasurer

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I've enjoyed having you  
in class -