

Andrew Jackson and the Bank War

by Roberta McCutcheon

INTRODUCTION

When Alexander Hamilton called for a Bank of the United States in his *Report on a National Bank*, he envisioned a central bank that would sustain a developing national economy. The bank would, through the creation of bank “notes,” replace some of the gold and silver money in circulation. This would allow for the growth in business activity without the need to rely solely on exports to increase money supply. Additionally, Hamilton argued that the bank would strengthen the national government by lending money to its treasury. As it turned out, the First Bank of the United States brought more stability to the nation’s currency and expansion to the economy than was probably expected even by its strongest promoters. Still, there continued to be considerable opposition to it as an institution. Many congressmen argued that the bank was unconstitutional, possessed a monopoly on money, and favored the commercial North over the agricultural South. In 1811 these opponents refused to renew the charter of the First Bank of the United States.

Facing financial woes and inflation accompanying the War of 1812, Congress sought to revive the central bank. As the charter for the Second Bank of the United States was patterned after the first, it faced the same strenuous scrutiny and a long and difficult fight. Finally, in 1816, economic instability facilitated its recharter for twenty years. Over time the role of the Second Bank in the economy increased. Perhaps most importantly, it became the *de facto* bank regulator and lender to state banks.

Andrew Jackson’s disaffection with the powerful central bank and its “paper money” can be traced as far back as the First Bank of the US. Jackson lost everything during the time when the market expansion and the availability of western lands should have offered safe opportunities for economic improvement to more and more individuals. Jackson blamed the banking system for his personal financial misfortunes (all involving land speculation and worthless bank notes). With overwhelming support of the masses, Jackson was elected president in 1828 and given power to seek change. In 1829, he warned Congress in his first annual address that “both the constitution and the expediency of the law creating this are well questioned by a large portion of our fellow citizens.” With this statement President Jackson declared war on the Second Bank of the United States.

SOURCES

Hofstadter, Richard. *The American Political Tradition*. New York: Random House, Vintage Books Edition, 1989.

Rockoff, Hugh, and Gary M. Walton. *History of the American Economy*. Ohio: Thomson South Western, 2005.

Task:

View the film clip at the link below and then answer the following questions:

1. Why did Jackson distrust the Second Bank of the United States (BUS)?
2. What was Henry Clay’s aim in 1832 when he sponsored an early rechartering of the BUS?
3. Summarize Jackson’s steps in the War on the Bank. What was the eventual outcome?

LINK:

<http://www.history.com/topics/us-presidents/andrew-jackson/videos/jackson-censured-in-bank-war>