

# Andrew Jackson and the Bankwar

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# Andrew Jackson and the Bankwar

## 1/12 Introduction

It has been called a war throughout history yet no blood was shed, lives lost nor weapons fired. There were, however, two strong, opposing sides that waged a



Andrew Jackson

bitter struggle for what each firmly believed. Although Congress made no formal declaration, the issue of the Second Bank of the United States can easily and appropriately be considered a war. The primary players included President Andrew Jackson who fought against the bank and Nicholas Biddle, president of the bank, who fought in loyal support of it. The war on the Bank was unique, perhaps unlike any of its kind, having little to no personal interaction between these two key figures nor was there any mention of the issue by Jackson in either of his inaugural addresses. In attempting to gain a better understanding of this war, it is necessary to become familiar with the key figures and events and then attempt to determine and discuss the reasons each side took their respective positions.

# Andrew Jackson and the Bankwar

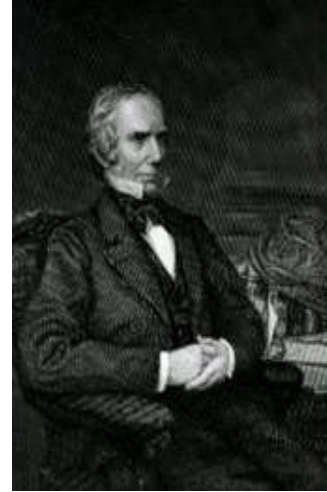
## 2/12 Old Hickory

By the time Andrew Jackson was inaugurated as the seventh president of the United States, he had already lived a tumultuous life marked by an unflattering reputation. "Old Hickory," as he was known, had a reputation as an uncivil and brutish individual. His beloved wife, Rachel, had died after suffering a heart



John Quincy Adams  
known to be guilty."

attack shortly before his first inauguration in March of 1829. Jackson blamed John Quincy Adams and Henry Clay for causing her death. He reasoned that they were responsible because of the intense, personal mud-slinging campaign the two sides fought. Adams and Clay contended that the Jacksons had lived in sin while awaiting Mrs Jackson's divorce from her estranged husband, Lewis Robards. Adams and Clay also brought accusations of Jackson's alleged corruption, having lavish expenditures and having committed "every crime, offense, and impropriety that man was ever



Henry Clay

His earlier career and life had not been any easier or more pleasant. Jackson had been involved in at least eight different duels, killing one man, Charles Dickinson, in one and being severely wounded in several others. Jackson's temper had become renowned at an early time in his life. In his youth, he had a proclivity to slobber or drool while speaking, a problem which became even worse when he grew ill-tempered or irate. Jackson took measures to improve his image by being elected to the Senate in 1823 but many still saw him in the same regard. His strategies in the Bank war were carefully planned with his close advisers, those who were members of his "Kitchen Cabinet," a term used to describe his circle of friends who were not necessarily members of his actual Cabinet. He reserved his views on the Bank for his annual address to Congress. Initially, he planned to mention them in his inaugural address but opted against doing so, believing such a subject was not suitable for such an occasion.

With a mixed reputation and an air of irritability from the death of his wife, Jackson departed for Washington to be inaugurated and would become engulfed in a battle unlike any he had ever encountered.

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3/12 Nicholas Biddle

Nicholas Biddle was born on January 8, 1786 in Philadelphia to Charles and Hannah Shepard Biddle. He described his own childhood by saying, "my boyhood was not I think happy." His reasoning in this statement came from his temperament which, as a young boy, was far more serious than one was expected to be at his age. Because of this, Biddle took it upon himself to become self educated by reading and studying rather than participating in games or recreation. Due to his intense studies, Biddle entered the University of Pennsylvania in 1796 at the age of ten. When he was a senior he withdrew from the University and enrolled in the sophomore class at Princeton.

When he was nineteen years old, Biddle was invited to work as an unpaid secretary in Paris by General John Armstrong. During his stay in France, Biddle developed an interest in international finance then after spending time with James Monroe in London, he returned to Philadelphia as a young lawyer who felt obligated to assist his father's friend, Aaron Burr who, after being exonerated in killing Alexander Hamilton in a duel years earlier, was then dealing with his creditors. Other work in the legal profession soon followed Biddle. An accomplished writer, he transcribed the journals of Lewis and Clark for publication and shortly after completing them, married Jane Craig on October 3, 1811.

Biddle served one term in the Pennsylvania House of Representatives before James Monroe appointed him as one of the directors of the Second Bank of the United States in 1819. In 1822, when he was only 37 years of age, he became president of the Bank where he would lead a program to stabilize the currency. What happened following this ascension in the ranks of the Bank would be what put the name Nicholas Biddle into the history books and as a young man, untested in any sort of battle, thrust him into a war with a seasoned veteran of the military and a man who was soundly opposed to banks.

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### **4/12 The Second Bank of the United States**

The Second Bank of the United States, located in Philadelphia, held a misleading title. In actuality, it was under private control but was granted a charter by the federal government which enabled the two separate entities to share in financial ventures which would have proven to be mutually prosperous. The Bank was comprised of twenty five directors, five of which were appointed by the government. Stocks were held by private investors, both foreign and domestic. Aside from the directors, the Bank also had a president.

Because of the unique relationship between it and the government, the Bank was awarded special privileges, among these were its being a storehouse for public funds. The Bank could then use these funds for its own purposes without paying interest. It could issue bank notes and was not required to pay state taxes. It was also understood that Congress was not to charter any comparable financial institution. In return, the Bank was to pay a bonus of one and a half million dollars, public funds were transferred and payments made with no charge and the government was to appoint five of the Bank directors.

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### **5/12 Partisan or Not?**

Jackson's opposition to the Bank was resolute. Having been granted special privileges, the Bank possessed a very powerful influence upon national affairs however it had no higher entity to answer to, neither the people nor the government. Such power would have enabled the Bank to also wield a great deal of political power. Jackson was immediately suspicious. In a letter from Colonel James A. Hamilton, son of former Treasury Secretary under George Washington, Alexander Hamilton, which was dated December 9, 1833, Hamilton informed Jackson that Biddle had submitted a bank report explaining that the Bank held a position of being required to carry out "other duties than those to the country."

Furthermore, Hamilton stated that the Bank's directors had held a meeting in Washington where they announced that the Bank belonged to no political party nor would it be involved in politics. Hamilton told Jackson that he believed this to be entirely false and that no such meeting ever took place. Biddle, however, held firm his belief that the Bank should hold no political agenda. In a letter to William B. Lewis dated October 21, 1829, Biddle expressed such a notion when he said that it is the feeling among the directors that they not yield to partisan politics.

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### **6/12 The Investigation**



John Quincy Adams

After having defeated John Quincy Adams in the election of 1828, Jackson, along with Senator Richard M. Johnson, began an investigation of the Second Bank of the United States. It was believed that both the Lexington and Louisville branches had advocated the re-election of Adams by purposely refusing loans to members of the democratic party. Johnson asked the postmaster general, John McClean to approach Biddle on the issue. The message McClean gave to Biddle was a clear warning to the Bank and its directors. McClean informed him, personally, that being an advocate of the Bank himself, he would suggest the Bank appoint directors for the Kentucky branch from both parties in order to avoid a political crusade, a course of action that some, he warned, were already prepared to engage. Biddle, for whatever reason, failed to take heed of this warning, an action that is often credited as his first mistake in the Bank war.

Later reports from New Hampshire dealt with the same accusations as Kentucky yet Biddle still responded to the charges in a negative fashion. He firmly denied all allegations to the effect and, in a letter dated January 9, 1829, he told McClean that he agreed with the fact that the Bank should remain free of any political involvement but he proceeded to deny that the Bank or any of its members had done so. To Jackson however, the issue of whether or not the Bank held or intended to hold political influence was secondary. The fact remained that the Bank held too much power and not even its advocates were able to deny this.

Biddle's refusal to actively investigate the allegations against the Bank were beginning to be self inflicted wounds. After the questioning of the Portsmouth, New Hampshire branch, Biddle conducted a personal inquiry which was little more than pure window dressing. His visit to 'investigate' the president of the Portsmouth branch, Jeremiah Mason was Biddle's way of both attempting to silence opponents who questioned whether or not he wanted to get to the truth, and also belittling them by calling them "small bankrupts and [even] smaller demagogues." The 'small bankrupts,' however, countered Biddle with a bold and effective move when Secretary of War, John Eaton announced to Mason that the pension fund would no longer be handled at Portsmouth but in Concord instead. With Biddle's instructions to Mason to refuse Eaton's request to transfer the funds, an intense, head to head struggle began between Biddle, who believed that the administration wanted him to please them, and Jackson who felt that the Bank war was about the common man fighting the aristocracy.

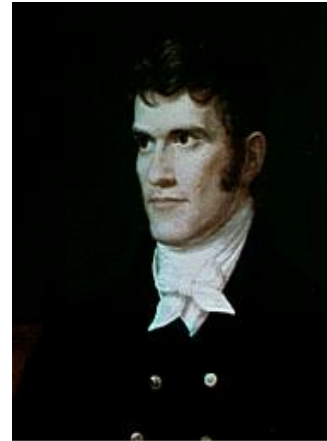
Jackson set his intentions on presenting the matter before Congress in December of 1829 but Biddle still had one fact on his side and that was that Jackson was in no real position to meddle with the current system of currency or credit as he had no alternative to offer. Jackson's message to Congress on December 7 was short but it implored the legislature to recognize the unconstitutionality of the present Bank and if such an institution were deemed vital, to set a reform program into motion. This presentation made Jackson's position clear and a matter of public record.

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### **7/12 The Shakeup**

The subsequent ruling by Congress declared that the Bank was a constitutional institution. Jackson continued to lobby support for his efforts despite this. Biddle saw an opportunity with the ruling and had copies of the congressional reports printed and distributed throughout the country. This shifted some weight back towards Biddle's side. At this point he possessed the means with which he could apply for the Bank's recharter. Jackson seemed to be falling behind in the war and a disruption was occurring in his Cabinet. The scandal over Peggy Eaton, the wife of Secretary of War, John Eaton, had divided the Cabinet members and their spouses. Jackson's own Vice President,

John C. Calhoun, was opposed to the Eatons as well and many of the Cabinet members' wives who had snubbed Mrs. Eaton publicly. The Eaton affair had similarities to the scorn Jackson and his wife, Rachel, had endured years before. Jackson may have embraced the two because he identified so well with their situation. Before the inauguration, Jackson lobbied hard for the acceptance of Mrs. Eaton but after all of the Cabinet members were sworn in, she was immediately ostracized.



John C. Calhoun

It was becoming clear that changes needed to be made within. Martin Van Buren resigned as Secretary of State and became Minister to Great Britain. He, along with Eaton resigned purposely, however, in order to make it easier to remove the Calhoun supporters from the Cabinet. The idea was that, by asking two of Jackson's supporters to step down in the interests of reorganization, it would be easier to ask Calhoun supporters to do the same. New Cabinet members were appointed such as Edward Livingston as Secretary of State, Lewis Cass as Secretary of War, Louis McLane as Secretary of the Treasury and Levi Woodbury as Secretary of the Navy. What was surprising about the new appointees to the cabinet was that they all tended to support the Bank, especially Livingston. This, however, was not all good news to Biddle as one of the new members would turn out to be one of his most determined opponents, Roger B. Taney who became Jackson's Attorney General.

## **Andrew Jackson and the Bankwar**

### **8/12 The Veto**

Jackson used Secretary of State Livingston to his advantage when Livingston and Biddle had a meeting and Livingston urged him to take caution. He informed him that Jackson had even more hostility towards any proposal for recharter. He warned that because Jackson would be seeking re-election, any attempt to recharter would be regarded as political interference. Afterwards, he stated, Jackson would be willing to allow the Bank to apply for recharter and allow the Congress to decide. Jackson did cease his active hindrance towards recharter but only as a shrewd political maneuver. Rather than use the opportunity to go along with Jackson and work on a timetable for proposing recharter after the election Biddle went forward with his request to Congress and applied for recharter in 1832, four years early. This seemingly spiteful act on the eve of peace ensured that the war would continue and, according to one source, "forever doomed his [Biddle's] institution."

The repercussions of this move on Biddle's part were felt almost immediately. On July 10, 1832, Jackson placed a veto on the recharter proposal. In his veto message, he stated that the Bank was "subversive of the rights of the states." Jackson used this important and historic veto to inform the American public of the evils of the Bank, calling it a monopoly where most of the stock was held by foreigners.

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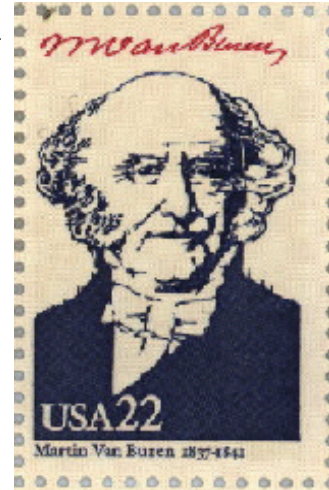
### **9/12 The election of 1832**

The election of 1832 was a unique one by the standards of the time. It was the first time that the respected parties would hold nominating conventions. It also included, for the first time, the introduction of a third party, the Anti-Masons. The three nominees were the incumbent, Jackson on the democratic ticket, Henry Clay for the republicans and William Wirt for the Anti-Masons. The presence of the Anti-Masons was a great help to Jackson's campaign as it pulled favor from the republicans, a trait which has been historically proven to happen with the introduction of a third party. The most interesting aspect of the election was, however, the Bank issue.

The election served more of a purpose than just electing the president, it also served as a referendum for the Bank issue. After listening to two of his close advisers, Amos Kendall and William B. Lewis, Jackson put off announcing whom he would endorse as the candidate for Vice President (at the time the position was not as a running mate but a separate nomination). This was done to ease Vice President John C. Calhoun out of office. Calhoun had fallen out of Jackson's favor following many disagreements on such issues as the Bank and, most notably, the Peggy Eaton affair.

Jackson wanted Van Buren in the position and chose him to be his successor.

Van Buren's path for nomination, however, was anything but easy. Van Buren deliberately resigned as Secretary of State and became Minister to Great Britain in order to purge the president's cabinet of Calhoun's supporters and influence. While Van Buren was in England, Jackson began to favor the idea of John McLane as Vice President, feeling that Van Buren did not really want the position. Van Buren received word of this and wrote to Jackson in an effort to thwart the president's change of preference, arguing that McLane was in favor of the Bank. The letter worked and on January 25, 1832, the Senate voted on Van Buren's nomination and the outcome was split right down party lines, twenty-three in favor and twenty-three opposed.



Martin Van Buren

Although, technically a tie, no one was holding their breath because, in the event of a tie, the Vice President casts the deciding vote in the Senate and, in this case, the vote went to John C. Calhoun. Van Buren's allies made sure he would be nominated by putting into effect a two-thirds rule for nomination of the Vice President. None of the other candidates who were proposed would have been successful in obtaining a two-thirds vote and Van Buren won.

Once the controversy of whether or not Van Buren would be nominated was over, the Bank issue took center stage once again. Biddle threatened to make Jackson "pay the penalty for making the Bank a party question". He spent \$100,000 on the election and sent out 30,000 copies of the veto message in the hope that Jackson's own words would be his undoing. The Jacksonians did the same thing but their aim was to compare the veto message to the Declaration of Independence by calling the institution a "gambler's Bank." Biddle's involvement however, gave Jacksonians the ammunition they had needed. He was using the resources of the United States Bank to channel funds into Clay's campaign, an obvious contradiction to his earlier stance that the bank should remain apolitical.

Jackson and his advisers recognized that the Bank issue could bury their chances of re-election, so they decided to win the election by hiding the issue behind Old Hickory, himself. By allowing Clay and his supporters to campaign with brochures and in the newspapers, Jackson, literally, took to the streets. The idea was that fireworks, barbecues and parades would have had more of an influence than newspapers and brochures. The idea worked and with Jackson's re-election, despite the efforts of Biddle and his supporters, he gained back an edge in the Bank war.

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## **10/12 Removal of Deposits**

Shortly after the election, the war escalated. In September of 1833, Attorney General Taney wrote to Jackson and expressed his complete agreement with him to remove the government deposits from the Bank and place them in state banks. Although this letter was written a year after the election, it has been suggested that Jackson had every intention to remove the deposits immediately after the election, a suggestion that this letter would seem to support. The escalation of the war was underlined by several motives on Jackson's part.

First, in doing so, he changed the status of the Bank, altogether as it would no longer have a financial association with the government. Second, the lack of funds crippled the chances of the Bank to reverse the decision made in the election, reducing the power of the Bank altogether which was, of course, Jackson's hopes and intentions all along. Third, Jackson could reinforce his position as President and control the direction of the government. Despite the opposition of his entire Cabinet, with the exception of Taney, Jackson held firm on his decision to remove the deposits. He told Francis P. Blair that his mind was made up and that Biddle would not be allowed to continue using public money to break down the public administration.

In March of 1833, Jackson assembled his cabinet for a meeting and announced that he had an alternative to the Bank of the United States should it be dismantled. He proposed that a central bank be placed in Washington with branches in each of the states. He proposed that the government have more oversight and control of the Bank by appointing, not only the president, but also as many of the directors as it saw fit. The proposed bank, however, would not have been put into place until after Jackson's notion of the government first conducting a "full and fair experiment" of the financial affairs without the use of any sort of national bank was met. In the interim period, Jackson proposed that public funds be distributed into state banks.

It was clear that Jackson would receive little support from any of his cabinet members other than Taney. In a letter dated March 24, 1833 but addressed to no one in particular, Jackson questioned his own proposal. He said that he truly believed that the financial concerns of the government could be carried out in state banks but remained unsure of a deposit system for government funds. This letter displays the President's dilemma but it also reinforces his intentions to remove the deposits and, ultimately, destroy the Bank. He completed the letter by restating his opposition to the Bank and made clear his intentions to render the Bank harmless to the government and disabling those who prospered from it with the intentions of corrupting Congress.

The time had come for action. Treasury Secretary William J. Duane was instructed by Jackson to remove the deposits after the President had made a formal announcement. Months earlier, Duane had agreed to resign if he did not follow the President's directions and, because of this, Duane replied to Jackson's instructions by asking for more time to think about removing the deposits. Jackson refused to be

patient since his mind was already made up on the decision and, recognizing that Duane was stalling, went forth with his announcement on September 20, 1833. Duane then refused to resign for two reasons, the first was because he knew Jackson would have a more difficult time dealing with a second shakeup of his cabinet and the second reason was, most likely, due to the deference Jackson had shown him. Jackson never considered Duane's appointment to be important and ended up neglecting to give Duane a chance by not allowing him to decide whether or not he would remove the deposits.

Jackson was left without options and was forced to inform Duane that his services were no longer required. Roger B. Taney was then appointed as Treasury Secretary and instructed to oversee the removal of deposits. The end had come for the Bank of the United States. Taney enlisted the aid of Amos Kendall and Levi Woodbury. Together, they issued the order of September 25, 1833 which announced that on October 1, 1833, the government would shift from national banking to deposit banking via state banks.

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### **11/12 Specie Circular**

Jackson's "experiment" was underway. Deposits were beginning to be placed in state banks known as "pet banks." The federal government began to see an annual surplus of about \$10 million and, for the first time in the history of the United States, no federal debt existed. The Bank, however, still held control over state banks with the ability to ease or tighten credit and Biddle himself, still had an ace in his deck and, most likely knowing it was his last card, he played it. He had the Bank contract its loans which caused a national panic. Taney saw this as evidence that it was right to remove the deposits from the Bank, calling the institution a "monster." Biddle merely saw the action as the Bank fighting for its survival. On October 7, he held a meeting with the board of directors where he gained their approval to cease loans throughout the entire banking system.

It is, however, important to note that not all of the directors approved of this course of action. The resulting financial panic was Biddle's way of trying to twist Jackson's arm and get him to restore the deposits to the Bank. This turned out to be fruitless as Jackson realized that in creating the panic, Biddle had alienated most of his supporters. The financial stranglehold that Biddle set came at a bad time because business was beginning to expand which meant that credit was needed. The Bank had insisted that state banks make payments in specie, or gold and silver bank notes, and the state banks soon began to overextend their credit by issuing specie which exceeded its worth in gold and silver that the banks had in their vaults.

This resulted in massive inflation and the treasury was filled with worthless bank notes which made it clear that Jackson was not in control of his "pet banks." The

flood of paper money was growing out of control and land speculation in particular was a major concern as fraud was increasing in land sales. Jackson quickly responded by issuing his "Specie Circular" in July of 1836. The "Specie Circular" was a decree that only gold and silver could be accepted in purchasing public lands. Many in Jackson's Cabinet objected because they saw a danger in it. The danger was that Congress may have seen it as a further abuse of executive power by Jackson and may have tried to supersede it. Jackson went forth with the "Specie Circular" and on July 11, 1836, Taney issued the decree. Objections by opponents such as Henry Clay were silenced because many believed that such criticisms were merely an attempt to create another panic. Soon, the minting of a new dollar was announced and the democrats cried out that it was Andrew Jackson who had restored "real money" to the nation.

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### **12/12 Aftermath**

The Bank was dead. Its power was gone and not much could be done. Biddle had spoken of a possible recharter but branches of the Bank had already been sold and Biddle was forced into accepting defeat. Biddle sought to have the main branch in Philadelphia chartered by Pennsylvania and in 1836, the state legislature issued such a charter but it wound up costing the Bank much more than anticipated. Biddle, continued to believe that the Bank was a reputable and respectable institution which was needlessly killed by Jackson, a matter that has since been left for history to decide. In the second of two letters addressed to John Quincy Adams dated November 10, 1836, Biddle said that until the government disturbed the banking system, it was just as good as any other commercial country. Furthermore, according to Biddle, for every American bank that failed fifteen years prior to the Bank of the United States, at least ten English banks had met their demise.

Jackson's failing health precluded him from seeking a third term. After his term expired in 1837, his chosen successor, Martin Van Buren became President. Jackson retired to his home in Tennessee, the Hermitage. He left office just as he had entered it, a veteran of war. The soldier within him never died, it simply took on a different form. Shortly after Van Buren took office, Jackson recalled his only two missed opportunities as not being able to "shoot Henry Clay or hang John C. Calhoun."

