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Nicholas Biddle and Andrew Jackson in the Case of the Strangled Bank

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Mr. Hartmann added *italic definition*

In 1791, Congress overrode states' rights guardians by chartering for 20 years a king-size Bank of the United States (BUS), at Philadelphia, to be funded by a \$10 million public stock offering. President Washington *with great doubt* signed on at Treasury Secretary Alexander Hamilton's insistence; and as a quasi-federal overseer of American banking, the BUS was effective and profitable throughout its term.

Though the state bank lobby and anti-federalists defeated the bank's re-charter appeal in 1811, financial *difficulty* during the War of 1812 led to the birth of the Second BUS in 1816, funded publicly with \$35 million. But its first president was weak and clumsy, allowing inflationary [*when the value of money decreases—ex. \$1 used to buy 4 candy bars, but now only buys one candy bar*] credit to soar in western lands, then overcorrecting with specie demand that caused western banking hardship. He was replaced in 1819.

Nicholas Biddle, 33, proud and showy *child* of an *enormously wealthy family* [from] Philadelphia became president, and Biddle's BUS smoothly succeeded in its *advisory* and profit-making roles, flourishing throughout the Presidential election of 1828—which halted at six the progression of eastern *wealthy* Presidents.

Out of the West rode Andrew Jackson, 62, original born-in-a-log-cabin, man-of-the-people President who, reinforced by popularity, would

force levers of executive power as no other had done. "Old Hickory" did not know national finance, but he held severe views anyway. He distrusted all banks, disliked folding money, and favored *excluding* moneyed aristocrats [from participating in the government]. The BUS was early in the gun-sight of Jackson and, especially, his *friends and* advisors.

However, the Jacksonians did not strike, and eventually Nicholas Biddle went round to offer a justification and negotiate with the President. Possibly he appeared at the White House "in his blue coat with brass buttons, yellow nankeen pants, canary-colored gloves;" certainly he impressed as an aristocrat's aristocrat.

Jackson adopted a cat-and-mouse pose. *Generously polite*, "Old Hickory" admitted to a general aversion to banks (though he did his personal banking at BUS,) "since I read a book about the South Sea Bubble¹." Banking was also a state function—not a federal one. Certainly BUS should not be re-chartered in 1836, but he did not breathe fire. Biddle went away wondering certain the present Congress would vote re-charter; but after the next election?

Biddle talked with Henry Clay, who would oppose Jackson in 1832. It was decided, since BUS

¹ Private Company started with tax-money in Great Britain that was supposed to help raise money for Britain but failed and cost a great deal of money in the 1720s.

was popular with everyone but Jacksonians and “red-dog banks,”² to re-charter in the election year (four years before necessity). Perhaps a veto would not be dared; and if vetoed, Clay had a fresh campaign issue. This was a mistake.

Jackson vetoed and wrote a *vengeful* response, but the senate could not override. The President campaigned on *destroying* “the monster bank” with its 25 branches, and Clay’s candidacy was crushed. “Old Hickory” was not going to await the natural expiration of BUS in 1836.

“I loathe corruption of human nature, and long for retirement and repose at The Hermitage. But until I can strangle this hydra of corruption, I will not shrink from my duty,” Jackson said.

Jackson sliced off one “hydra” tentacle by halting government deposits, and easily found seven (politically supportive) state banks willing to take government money. These “pet banks” eventually reached 100. “Old Hickory” did not flinch at the next obvious step—to withdraw funds. That would really sock it to them!

But was it constitutional? Treasury Secretary McLane refused and was kicked upstairs to State. Mr. Duane changed his mind after replacing McLane, refused and was fired. The Third appointee did it. The Senate issued its first censure—against “Old Hickory.” But the sky didn’t fall, and Jackson paid off the balance of the national debt with BUS funds. The federal surplus went into the pets.

At Biddle’s direction, *the under attack* BUS prepared for war by *closing* of accounts. Because it

was the biggest bank, tight credit [*making few loans*] and loan call-ins [*quickly repaid loans—less interest*] rocked the national economy and aroused anti-BUS bitterness. Though the tough policy was loosened, by that time, Jackson was rocking the national financial vessel. The President’s aversion to paper burst out in a “Specie Circular.” All payments due to the U.S. government must be in hard money! And then, when Jackson decided to distribute the government surplus to states for internal improvements, he ordered the pets to *pay out* in specie. Howls! For few had enough! “Old Hickory” and Biddle’s defensive BUS didn’t cause the Panic of ’37, but they were contributors.

When the Second Bank of the United States expired in 1836, Biddle and numerous stockholders reappeared, phoenix-like, in the huge (state) Bank of the United States of Pennsylvania. But in the unsettled panic & after atmosphere, Biddle erred gravely in a cotton corner. The price went down, down.

The Pennsylvania Bank failed in 1841. Biddle, who resigned in ’39, died at his priced estate, Andalusia On The Delaware, in 1844 while he was dependent on his wife’s family’s income.

It’s an ill wind that blows a financier against a vindictive President.

² false banks that took deposits, but were gone before the customer could get money back