

Bank Wars of the 1830s

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Introduction

The bank war refers to the era of President Andrew Jackson, during which a political war was started between different parties over the issue of the banking system, and the “Second Bank of United States” ultimately vanished. This war basically involved the president of the United States and the president of the Second Bank. This campaign was started by Andrew Jackson when he realized that his stance on opposing the bank played a very important role in his reelection campaign.

Discussion

The 1830s are the most important and interesting years in the history of America. This decade witnessed the democratic rule of President Andrew Jackson and the fight between two big guns of the United States at that time, i.e., the President of the United States and the president of the most powerful bank at that time in the United States (Jalil, 2015). The Presidency of Jackson and the collapse of the “Second Bank of United States” are two of the most important events in this decade and are considered to be interconnected. The most important acts of Jackson’s rule is the veto and destruction of the “Second Bank of United States”.

In the Presidential elections, the Second Bank of the United States served as the basic issue to keep the public mobilized by Jackson’s democrats. Jacksonians became successful in delivering their anti-bank stance to the public and successfully kept out of site their incompetence of hard money in their campaign, as a result of which Jackson won the presidential election against Henry Clay.

All the government funding was kept in the “Second Bank of United States” as it was the largest bank at that time. This bank was not controlled nor regulated by the officials of the US government; instead, it was in the control of the BODs that were chosen by the big investors of the bank. Jackson thought that this bank was not legal as it did not follow the rules and regulations of the United States, and it only benefitted a very small cluster of rich people at the cost of the whole nation, who were also controlling the bank system.

After a few months in office, in 1829, Jackson put the bank and his president in his sight, and he was on his way to vanish the bank over the three years while the Pro-bank and the president of the Second Bank were fighting their best to save the bank. The President of Second Bank, Nicholas Biddle, was very upset that the bank’s charter wouldn’t be revitalized in 1836 after its expiry. As many anti-banks were working at that time at the said bank, he contacted the pro-bank group for support in the revitalization of the bank’s charter. Although many republicans were supporting the new bank, i.e.,

Second Bank, few of them were against it because they blamed the bank for the panic held in 1819. According to them, making a bank so powerful will ultimately go against the state.

In 1832, while the existing charter was in work, they successfully managed to take an extension for the next 20 years. At this time, Jackson was running his presidential campaign, and in his speeches, he was openly talking about the bank (Banks, 1995). As soon as he was elected, he used his veto power, and an extension in the charter of the Second Bank was prevented. In his veto message, Jackson said that the Second Bank was illegal and unconstitutional, did not operate under the regulations of the United States, and did not follow the utilitarian rule but positively affected only the rich.

There were still three years left before the expiry of the existing charter. Congress had enough time to place another bill for the extension of the Second Bank charter. However, President Jackson had already made up his mind, and there was only one option left, which was to “destroy the bank.” He ordered the withdrawal of all the government funds that were placed in the said bank and said that in the future, no government funds would be placed in this bank (Gorton, 1991). All the funds that had already been deposited in the bank were used to pay off all government bills, but no other deposit was made. All future deposits were made in 89 pet banks.

The bank faced defeat in this war, which had implications for the US monetary policy. A major intervention was that the monetary system was not made again until the Civil War. After Jackson’s defeat to the bank, the policymakers did not make any banking system for the US till 1913. Hence, one major implication of the destruction of banks is leading to the most severe recession in mankind’s history.

Conclusions

Although this war was a political war then, it had some major implications for the future of the United States. Hammond and Catterall said they blamed Jackson’s Actions for the recession that took place over the period of 1834-1837. Due to this recession, there was a boom in the money supply, which broke the banking system of the United States post-1834. Due to this recession a downturn took place as a result of which there was very little reverse ratio, the banking sector was very unstable and saw very dangerous turns and ultimately it collapsed. Another interpretation says the recession in the United States was not due to Jackson’s decisions but was due to the extensive inflow of silver in the United States.

References

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