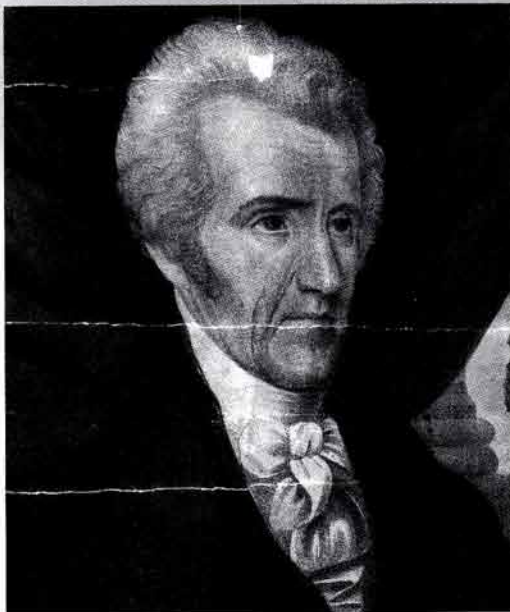


# Nicholas Biddle & Andrew Jackson

*in the Case of*

## the STRANGLER Bank

*By K.C. Tessendorf*



*Andrew Jackson and Nicholas Biddle*

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 dubiously 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 recharter appeal in 1811, financial turmoil during the War of 1812 led to the birth of the Second BUS in 1816,

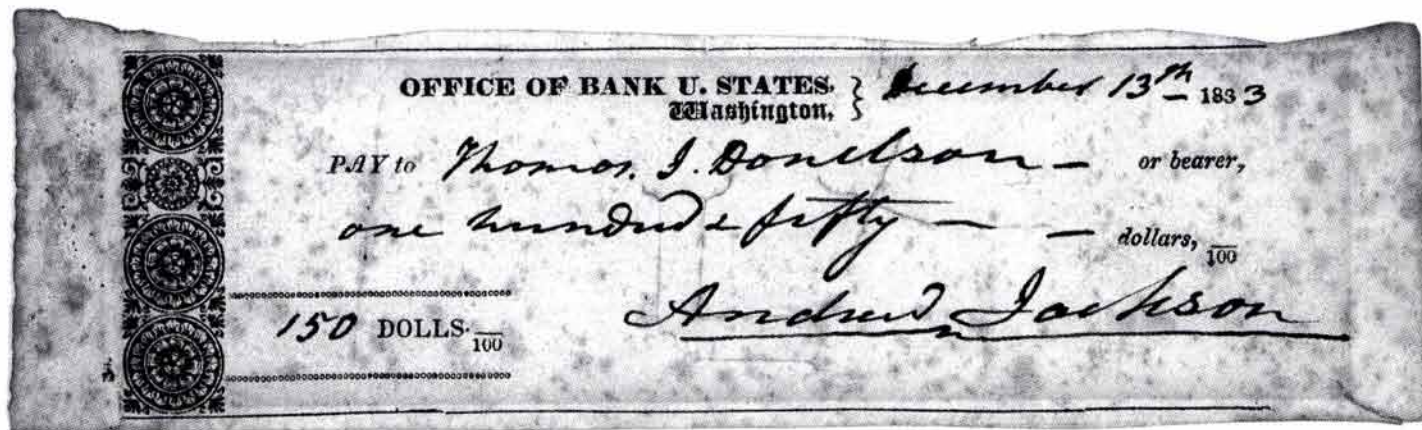
funded publicly with \$35 million. But its first president was weak and clumsy, allowing inflationary credit to soar in western lands, then overcorrecting with specie demand that caused western banking hardship. He was replaced in 1819.

Nicholas Biddle, 33, proud and showy scion of an important line of Philadelphia aristocrats became president, and Biddle's BUS smoothly succeeded in its admonitory and profit-making roles, flourishing through the Presidential election of 1828—which halted at six the progression of eastern patrician 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 disenfranchising moneyed aristocrats. The BUS was early in the gunsight of Jackson and, especially, his roughhewn advisors.

However, the Jacksonians did not strike, and eventually Nicholas Biddle went round to offer a justification and





Bank of the United States check signed by Andrew Jackson, 1833.

negotiate with the President. Possibly he appeared at the White House “in his blue coat with brass buttons, yellow nankeen pantaloons, canary-colored gloves and glossy beaver;” certainly he impressed as an aristocrat’s aristocrat.

Jackson adopted a cat-and-mouse pose. Magnanimously courteous, “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 Bubble.” Banking was also a state function—not a federal one. Certainly BUS should not be rechartered in 1836, but he did not breathe fire. Biddle went away wondering certain the present Congress would vote recharter; but after the next election?

Biddle talked with Henry Clay, who would oppose Jackson in 1832. It was decided, since BUS was popular with everyone but Jacksonians and “red-dog banks,” to recharter 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 vindictive response, but the Senate could not override. The President campaigned on dismembering “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, a besieged BUS prepared for war by liquidation of accounts. Because it was the biggest bank, tight credit and loan call-ins 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 disgorge 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 prized 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. **PH**

#### Bibliographical Notes

Robert V. Remini, *astute Jacksonian specialist, writes thoroughly about the BUS strangulation in Vol. III of Jackson biography Andrew Jackson and the Course of American Democracy 1833–45 (1984); and in his earlier Andrew Jackson & the Bank War (1967). Thorough and compassionate is Thomas P. Govan’s Nicholas Biddle, Nationalist and Public Banker (1959). Some of the most lucid writing on this subject is in Banks and Politics in America—Bray Hammond (1957).*

*The quote describing Mr. Biddle’s attire is from a contemporary fashion article; the other quotes are recorded in Remini and Govan.*