

Lost Opportunities for Compromise in the Bank War: A Reassessment of Jackson's Veto Message

(abstract)

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Most historical accounts of the battle between Andrew Jackson and supporters of the Second Bank of the United States, most notably its president Nicholas Biddle, have focused on the rhetorical aspects of the presidential veto message -- those passages in which the bank was attacked as a Monster and an enemy of ordinary citizens. My approach here concentrates, in contrast, on other passages in the text which historians have generally overlooked or ignored. The veto message was a fairly lengthy document, and it included substance as well as invective. Jackson raised seven specific objections to the policies of the bank and its structure, and he (and his collaborators) presented a series of arguments to explain their reservations about the Bank of the United States and the recharter bill.

In approaching this issue, I posed several questions. What changes were required in the recharter bill to satisfy most of the objections raised in the veto message? What would have been the likely effect of these changes on the operations of the bank? My

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analysis led to the conclusion that a national bank so altered would not have been significantly different from the existing institution. Therefore, the failure of the pro-bank faction to take seriously Jackson's publicly stated reservations was a tactical error of major proportions. Grounds for compromise -- including virtual capitulation to Jackson on most issues -- did exist, and they were printed for everyone to read and consider in the published veto message.

The main objections to the recharter bill related to (1) the continuation of the bank's monopoly status (the only institution with a federal charter and interstate branching), (2) the payment of a sizable bonus for the charter privilege (alleged to be a bribe), (3) the existence of foreign stockholders (24 percent of the total in 1832), (4) the preferential treatment extended to other banks over private citizens in the acceptance of currency issued by distant branches, (5) the exemption of the Second Bank of the United States from state and local taxes (an issue ruled by the Supreme Court in *McCulloch vs. Maryland* in 1819), (6) the allegedly excessive size of the bank's capital at \$35 million; and (7) the constitutionality of a nationally chartered financial institution. All of these objections, except the last, were potentially compromisable.

First, the Second Bank did not require monopoly status to assure its profitability. It could have competed with other federally chartered banks if any had been subsequently created. Indeed, since no other prominent politician in either party was calling for multiple bank charters at the federal level, monopoly status was unnecessary. Correspondingly, the bank had no incentive for paying a \$3 million bonus to obtain this superfluous privilege. The bank did not need to retain its foreign stockholders to continue normal operations. Its stock had paid dividends steadily since 1823 and was considered a gilt-edge investment. American investors could have been found to take over the \$8 million worth of stock held by foreigners with little difficulty, especially since there would have been a four-year transition period from 1832 to 1836.

The issue related to how the Bank of the United States accepted currency under different rules from other banks than from individuals and firms could have been easily altered to create a uniform policy for all customers; it was not a matter of any great consequence. The pro-bank supporters could have also volunteered to make the Second Bank's branches subject to non-discriminatory state and local taxation, leaving the issue of state/federal relations to be ruled upon once again by the Supreme Court at some future date. Regarding the debate about the size of the capital, there was nothing sacred about the figure of \$35 million. A sensible proposal would have been to cut back the capital by one-fourth, paying back in the process those foreign investors who held \$8 million in stock, and thereby killing two birds with one stone.

Only on the constitutionality issue was there little room for maneuver. Although even here, Jackson had mentioned on several occasions the possibility of organizing some type of national bank based on different principles and policies than the existing Second Bank of the United States.

Bank supporters never gave a compromise solution as outlined above, or any other compromise, serious consideration. They were as righteous as the Jacksonians. Cocksure, they set out to meet every one of the president's arguments head on. They risked all or nothing -- and ended up with the latter. Blame for the failure of the Second Bank of the United States to gain recharter and continue as a positive force in the American economy must be laid at least equally, and perhaps more so, on the shoulders of Biddle and his associates. Many of the complaints raised by Jackson in the veto message were exaggerated, but a bank modified slightly to meet six of his specific objections would have undoubtedly remained a viable financial institution. Whether an attempt at compromise would have been successful can, of course, never be determined, yet we can ascertain that the failure of bank supporters to pursue such a reasonable course was shortsighted and self-defeating.

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