

The **Second Bank of the United States** was chartered in 1816, five years after the First Bank of the United States lost its own charter. The Second Bank of the United States was initially headquartered in Carpenters' Hall, Philadelphia, the same as the First Bank, and had branches throughout the nation.

The Second Bank was chartered by many of the same congressmen who in 1811 had refused to renew the charter of the original Bank of the United States. The predominant reason that the Second Bank of the United States was chartered was that in the War of 1812, the U.S. experienced severe inflation and had difficulty in financing military operations. Subsequently, the credit and borrowing status of the United States were at their lowest levels since its founding.

Like the First Bank, the Second Bank was also chartered for 20 years, and also failed to have its charter renewed. It existed for 5 more years as an ordinary bank before going bankrupt in 1841.

Charter renewal

The charter of the Second Bank of the United States (B.U.S.) was for 20 years and therefore up for renewal in 1836. The B.U.S. was in no sense a national bank but rather a privately held banking corporation. The bank had a unique relationship with the federal government that gave it access to substantial profits. Its role as the depository of the federal government's revenues made it a political target of banks chartered by the individual states which either objected to, or envied, the B.U.S.'s relationship with the central government. Partisan politics came heavily into play in the debate over the renewal of the charter. "The classic statement by Arthur Schlesinger was that the partisan politics during the Jacksonian period was grounded in class conflict. Viewed through the lens of party elite discourse, Schlesinger saw inter-party conflict as a clash between wealthy Whigs and working class Democrats" (Grynaviski). President Andrew Jackson strongly opposed the renewal of its charter, and built his platform for the election of 1832 around doing away with the Second Bank of the United States. Jackson's political target was Nicholas Biddle, financier, politician, and president of the Bank of the United States. Apart from a general hostility to banking and the belief that specie (gold and/or silver) was the only true money, Jackson's reasons for opposing the renewal of the charter revolved around his belief that bestowing power and responsibility upon a single bank was the cause of inflation and other perceived evils.

During September 1833, President Jackson issued an executive order that ended the deposit of government funds into the Bank of the United States. After September 1833, these deposits were placed in the state chartered banks. While six of the seven initial depositories were controlled by Jacksonian Democrats, the later depositories, such as the ones in North Carolina, South Carolina and Michigan, were run by managers who opposed Jacksonian politics.

Background

The Second Bank of the United States was patterned after the First Bank of the United States. The legality of the Bank was upheld in the U.S. Supreme Court case *McCulloch v. Maryland* 17 U.S. 316 (1819) that also declared null and void any state law contrary to a federal law made in pursuance of the Constitution. The Bank's last president was Nicholas Biddle (1786–1845).

Controversy

A promissory note issued by the Second Bank of the United States, December 15, 1840, for the amount of \$1,000.

The Second Bank of the United States provided a way for the government to handle its financial affairs. The bank was created when James Madison and Albert Gallatin found the government unable to finance the country in the aftermath of the War of 1812. The War of 1812 had put the United States in significant debt,[2] and the First Bank of the United States had closed in 1811. The debt of the nation led to an increase in banknotes among the new private banks, and as a result, inflation increased greatly.[2] As a result, Madison and Congress agreed to form the Second Bank of the United States.

After the war, despite the debt, the United States also experienced an economic boom, due to the devastation of the Napoleonic Wars. In particular, because of the damage to Europe's agricultural sector, the U.S. agricultural sector underwent an expansion. The Bank aided this boom through its lending, which encouraged speculation in land. This lending allowed almost anyone to borrow money and speculate in land, sometimes doubling or even tripling the prices of land. The land sales for 1819, alone, totaled some 55 million acres (220,000 km²). With such a boom, hardly anyone noticed the widespread fraud occurring at the Bank as well as the economic bubble that had been created.[3]

An 1824 draft on the Bank written and signed by Daniel Webster, its attorney and director of the Boston branch.

In the summer of 1818, the national bank managers realized the bank's massive over-extension, and instituted a policy of contraction and the calling in of loans. This recalling of loans simultaneously curtailed land sales and slowed the U.S. production boom due to the recovery of Europe. The result was the Panic of 1819 and the situation leading up to *McCulloch v. Maryland* 17 U.S. 316 (1819).[4]

Maryland adopted a policy to restrict banks, by placing a tax on any bank that was not chartered by the state legislature. This tax was either 2% of all assets or a flat rate of \$30,000. That meant that the Baltimore Branch would have to pay this hefty tax. The State, through John James, an informer intent on receiving half of the fine to be levied against the offending bank, pursuant to the restricted state statute recently adopted, filed suit against McCulloch, as the representative of the bank, in a county court. The case made its way through the courts, all the way up to the United States Supreme Court, where the tax by the state of Maryland was ultimately struck down. Daniel Webster, the Bank's attorney as well as director of its Boston branch, successfully argued the case before the Supreme Court.

Democratic cartoon from 1833 showing Jackson destroying the bank, to the approval of the Uncle Sam like figure to the right, and annoyance of the bank's President, shown as the Devil himself.

Bank's decline

Main article: Bank War

By the early 1830s, President Jackson had come to thoroughly dislike the Second Bank of the United States because of its fraud and corruption. Jackson then had an

investigation done on the Bank which he said established "beyond question that this great and powerful institution had been actively engaged in attempting to influence the elections of the public officers by means of its money." Although its charter was bound to run out in 1836, Jackson wanted to "kill" the Second Bank of the United States even earlier. Jackson is considered primarily responsible for its demise, seeing it as an instrument of political corruption and a threat to American liberties. The head of the Second Bank during Jackson's presidency, Nicholas Biddle, had decided to seek an extension of the bank's charter four years early, in 1832. Henry Clay helped to steer the re-chartering bill through Congress, but Jackson then vetoed it.

In his message regarding his veto, Jackson used language which appeared to resonate mostly with common citizens while attacking the predominantly rich and in many cases foreign stockholders of the current bank. The veto message "broke with all previous tradition, spelling out for the first time a sitting president's legislative preferences."

Biddle dismissed the veto message as a "manifesto of anarchy." Senator Daniel Webster of Massachusetts, who was on retainer as the bank's legal counsel and was also Director of its Boston branch, suggested that the message was a political ploy to support Jackson's re-election campaign against Henry Clay. Clay himself described the message as "hardly reconcilable with the genius of representative government." In any case, Jackson defeated Clay in November.

The Second Bank of the United States thrived from the tax revenue that the federal government regularly deposited. Jackson struck at this vital source of funds in 1833 by instructing his Secretary of the Treasury to deposit federal tax revenues in state banks, soon nicknamed "pet banks" because of their loyalty to Jackson's party.



Jackson slays the many-headed monster of the Second Bank of the United States (1836)
In September 1833, Secretary of the Treasury Roger B. Taney transferred the government's Pennsylvania deposits in the Second Bank of the United States to the Bank of Girard in Philadelphia. This was

the successor bank to the Bank of Stephen Girard. Stephen Girard had purchased the assets of the First Bank of the United States when its charter was not renewed in 1811. He then named his new bank the Bank of Stephen Girard. He became a major financier of the War of 1812, including most of the war loan of 1813. He was the original organizer and a major shareholder of the Second Bank. He died in 1841.

The Second Bank of the United States soon began to lose money. Nicholas Biddle, desperate to save his bank, called in all of his loans and closed the bank to new loans. This angered many of the bank's clients, causing them to pressure Biddle to re-adopt its previous loan policy. This then triggered Biddle's Panic.

Some anti-Jacksonians converted their outrage into political action. Under guidance from Webster and Clay, in 1833 they formed the Whig Party. If the Whigs and anti-Jackson National Republicans could gain enough votes in Congress in the 1836 election to override a second Jackson veto, they could extend the bank's charter. They did not get enough new members to override a veto. Because of this and the numerous economic Panics during the preceding years, Congress did not send another bank charter extension bill to Jackson.

The Second Bank of the United States was left with little money and, in 1836, its charter expired and it turned into an ordinary bank. Five years later, the former Second Bank of the United States went bankrupt.

Current building use

Since the Bank's closing in 1841, the edifice has performed a variety of functions. As of 2006, it is included as one of the main structures in Independence National Historical Park in downtown Philadelphia, alongside many other important early American structures such as Independence Hall and the Philadelphia Merchants' Exchange.

The structure is open daily free of charge and serves as an art gallery, housing a large and famous collection of portraits of prominent early Americans painted by Charles Willson Peale and many others.