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Andrew Jackson and the Bank - I

Lead: In 1832 President Andrew Jackson vetoed the bill renewing the charter of the Second Bank of the United States. His act was driven by principle and by pride.

Intro.: *A Moment in Time* with Dan Roberts.

Content: One of the great dividing issues in United States history has been the proper role of the federal government in national financial affairs. It is difficult to imagine in the twenty-first century, when the Federal Reserve System is considered

such a natural and essential part of the economic life of America, that there was a time when central banks, such as the Reserve, were the subject of violent opposition.

In the early 1800s a bitter dispute arose over the First and Second Banks of the United States which to a certain degree acted as central banks, much like the modern Federal Reserve. These were institutions independent of the government, but into which U.S. Treasury funds were deposited. Using these government deposits, the banks then loaned out money, in the form of bank notes or paper money, to state banks, corporations, and individuals. These loans were designed to expand

business and build national infrastructure such roads, canals, port facilities, and the like. The purpose was to use federal money to promote national prosperity and to create stability in the financial markets.

Thomas Jefferson, Andrew Jackson and their followers were opposed to these banks for a variety of reasons. First, they thought central banks were an unconstitutional federal intrusion into the free market, taking money from some taxpayers and giving it to others. Secondly, the banks issued paper money, which many in that time still considered “funny money,” subject to rapid and destructive depreciation. Finally,

there was an emotional opposition to banks in general, especially those dominated by wealthy aristocratic Easterners. Banks were considered elitist with too much power concentrated in the hands of a privileged few. Next time: pride, principle and the clash of the titans. At the University of Richmond, this is Dan Roberts.

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