

# **Tracing the History of the Bank War**

## **Part 1**

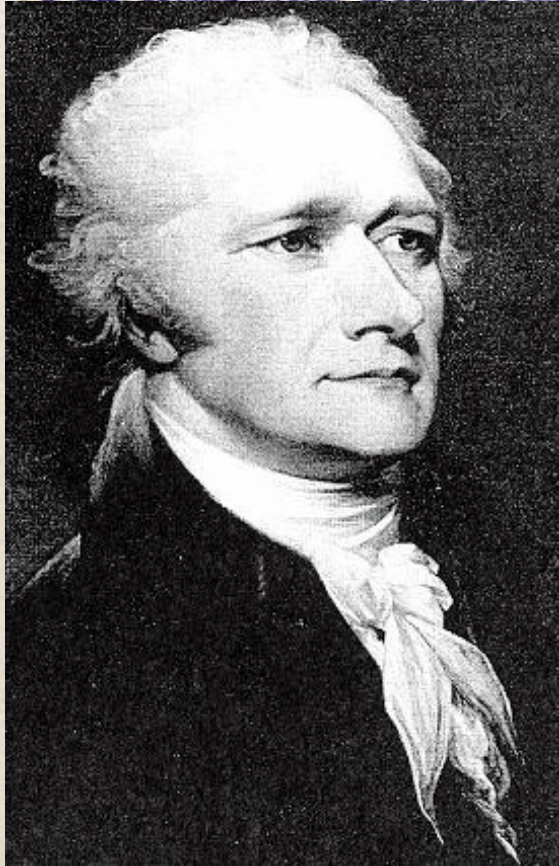
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# First Bank of the United States (BUS)

- It is 1790. George Washington is President.
- Alexander Hamilton is Secretary of the Treasury.
- Hamilton proposes that the United States government create a new bank.
- The federal government would put in 1/5 of the money, and have 1/5 control. Private investors would put in 4/5 and have 4/5 control.

# What would the Bank of the United States do for the government?



- Collect taxes.
- Provide a safe place to deposit cash.
- Lend the government money when needed.

# What else would the B.U.S. do?

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- Issue bank notes, or paper currency, to increase the money supply.  
(specie = gold and silver coinage)
- Bank notes could then be used to pay taxes and import duties (tariffs). And debts?
- Loan money to help businesses grow.
- Keep capital (money) flowing, thus promoting commerce.

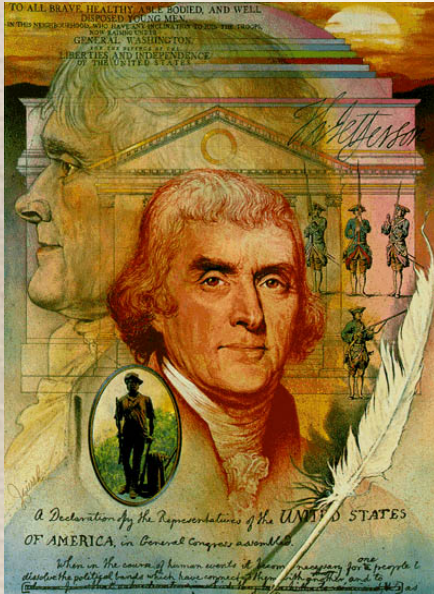
# Who opposed the Bank of the United States?

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- Thomas Jefferson!
- James Madison, too
- They argued (to President Washington) that since the *Constitution* did not specifically give Congress the power to create a national bank, it was not allowed.

**“strict construction”**

# Why else did Jefferson, specifically, oppose the B.U.S.?



- Jefferson believed in the agrarian ideal.
- He did not like the idea of an industrial/commercial America.
- He felt that the B.U.S. would favor industry and merchants over farmers.



# What was Hamilton's defense?

- Hamilton argued that the “necessary and proper clause” of the *Constitution* granted broad powers to Congress to pass laws in order to carry out its assigned duties, including the power to borrow money and the power to regulate currency.

**“loose construction”**

# The federal government created the First Bank of the United States in 1791.





# Congress allowed its charter to expire in 1811.

- James Madison was President.
- Remember, he had opposed the bank.
- The Republicans had gained influence, and the B.U.S. had lost favor.

