

Why the Empire Destroyed The Second National Bank

by Nancy Spannaus

June 18—There is a deliciously biting irony in the current world financial/economic breakdown crisis. For while it can be correctly argued that the current planet-threatening calamity is in large part the result of a global banking dictatorship run amok, the solution lies not in eliminating strong national banks in favor of “free competition”—as the populists scream—but in establishing new sovereign banking institutions, devoted to creating *credit* for an industrial revival.

The reality, as it will again be imposed through re-establishment of FDR’s Glass-Steagall law, is that there are two kinds of banks, and banking systems. One kind can legitimately be called speculative, or monetarist, as defined by the British imperial dominance of the world financial system during most of the period since the British Empire’s establishment in 1763. The second kind was defined most deftly by the first Treasury Secretary of the United States, Alexander Hamilton, when he called for a National Bank that would be a “nursery for national wealth.” In the first kind, the standard for the bank’s success is the acquisition of *money*, or precious metals, land, and the like; in the second, the standard is the promotion of the productive powers of the nation, from its labor force to its scientific and technological platform for further development of mankind.

The first, urgently required step for getting out of

the current crisis is to *stop the bailouts* of the monetarist banking system, by imposing an exact replica of Glass-Steagall. Momentum has been growing internationally behind such a demand, as it becomes increasingly clear that the trillions of dollars in derivatives and other gambling debts are strangling mankind’s ability to survive, and must be deprived of any government support. By this measure, commercial banking—as related to real productive activity—will be supported by government institutions, and gamblers in the investment banking system will be allowed to “go hang.”

But at that point, the second requirement comes into play, as Lyndon LaRouche has repeatedly outlined: A new credit system, based on national banking, must be established, to meet the needs of the gigantic development projects needed for a real recovery, starting with the North American Water and Power Alliance ([NAWAPA XXI](#)). For an historical analogy to this requirement, we again look to the history of the United States, specifically the activities of the two Banks of the United States.

Banks for Progress

Only when the United States was governed by a national banking system devoted to providing credit for vast nation-building programs, has this country thrived. Alexander Hamilton’s Bank of the United States (1791)

was devoted to putting into economic practice the sovereignty which was otherwise enshrined in the U.S. Constitution, of which he was also a prime shaper. While Hamilton's intention, of using the bank to implement his program of manufactures, was never fulfilled, it provided some protection from the British Empire's economic attempts to destroy the new nation.

By the narrowest of margins, the British enemies of the United States were able to sabotage the renewal of the Bank of the United States charter in 1811, thus dramatically weakening the nation on the eve of the War of 1812. The experience of that war created conditions for reversal of the attitude of many who had previously opposed the Bank, and, after some false starts, the Second Bank of the United States (1816-36) created the credit system for one of the greatest booms this nation, or the world, had ever experienced.

Despite efforts by many patriots, no new National Bank has been able to be established, but the period of massive industrial leaps and expansion in the United States have all occurred under national government policies which emulated its functioning. First, there was the Abraham Lincoln Greenback policy, forced upon him by the British banking cabal that de facto supported the Confederacy, but leading to dramatic economic growth. Then, there was Franklin Delano Roosevelt's New Deal policy, which utilized numerous government institutions, especially the Reconstruction Finance Corporation, to launch great projects, like the Tennessee Valley Authority (TVA), which made the United States the industrial giant of the world.

Without such sovereign control over credit, and the dedication to use that sovereign control for increasing the productive power of man over nature, the United States—and other nations—were sitting ducks for the British imperial financiers. Now, that Empire's death throes threaten to take us all down with it—unless we throw off its yoke, and take up national banking again.

The Record of the Second National Bank

In the article that follows, *EIR* History Editor Anton Chaitkin takes up the particular case of how the Second National Bank of the United States developed the nation industrially, especially under the 1825-1829 Presidency of John Quincy Adams; he also shows who was out to destroy it. In an upcoming issue, we will home in on how the bank operated, in partnership with industrialist patriots throughout the country, to carry out this economic transformation.

Those populist dupes who, even today, scream about the idea of a National Bank, should take careful note. Under the Second National Bank's operations, the United States was becoming an economic powerhouse, and challenging British financial imperialism. Thus it was the *British Empire*, working through Wall Street and its spokesmen, who orchestrated the political fervor against the Second Bank. And one of those leading tools was none other than President Andrew Jackson.

Among the U.S. population at the time, there was never an outcry against the program of canal-building, road-building, and industrial support that the Bank facilitated. Memorials poured into Congress *in favor* of continuing the Bank's charter, when Bank president Nicholas Biddle sought to renew it in 1832; the other side was practically mum, but for the bankers' manipulations behind the scenes. The opponents of the Bank effectively wanted to put the power back in London's hands, by returning to a "hard money" policy based on gold and silver—eliminating credit for expanding physical productivity.

Yet, the American people stupidly did re-elect an Andrew Jackson who had threatened to eliminate the Bank in the elections of 1832. By doing so, they eliminated the source of stability for U.S. currency, and the source of credit for uniting the nation through inland waterways, railroads, and the like. Had the Biddle bank program continued, it is fair to say that one of the major bases for manipulating the South into the Rebellion would have been eliminated.

The elimination of the Second National Bank of the United States was an act of treason, which at first caused a crash of the economy in 1837, which led to depression and *starvation* throughout the United States. The longer-term effect was to create the conditions for the most bloody war Americans have ever suffered through, the war which the British hoped would destroy us forever, the Civil War.

In the pages that follow, you will learn of an industrial revolution you have never heard of, which absolutely depended upon the administration of National Credit through a National Bank. This was the true exercise of freedom, the freedom to develop mankind's capabilities to create a better future for all mankind. When you hear a populist say otherwise, either look for his Wall Street or London sponsor, or just give it to him straight: National Banking is progress; the Empire's monetarism is death. Which does he choose?