

The Battle over the Segregation of People and their Money

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George Washington's plan for national finance relied on the limitation of coined money to restrict Congress' otherwise unlimited powers to tax and borrow and, therefore, to spend. In vetoing the renewal of a central bank and requiring all taxes and purchases of federal land to be paid in specie, President Andrew Jackson had succeeded in his goal to re-establish Washington's constitutional system. All that remained, as Jackson left office, was to segregate the Treasury's money balances by having the funds held in regional sub-Treasury, independent depositories not linked to any private or state-chartered bank. What would get in the way would be the first presidential campaign argued on the question of race.



St. Gaudens Double Eagle Gold Coin

The raw historical data suggests that, of everyone serving in an administration, the vice president has the best chance of becoming the next president. Thirteen of the 45 U.S. presidents have been sitting vice presidents who directly succeeded their presidents. However, this 29% distorts the actual odds that a vice president will be a successful first-time presidential candidate. John Adams and Thomas Jefferson each won as vice presidents; but it was not the first time they ran for president. (Richard Nixon is the only other vice president to win the second time he ran.) Adams and Jefferson became vice presidents not by being on a party ticket, but by getting the second most electoral votes before the 12th Amendment created paired presidential and vice presidential candidates and enacted the American political party system. Of the remaining 11 vice presidents, nine became president not by winning an election but by constitutional appointment after the sitting president died in office or resigned. John Tyler, Millard Fillmore, Andrew Johnson, Chester Arthur, Theodore Roosevelt, Calvin Coolidge, Harry Truman, Lyndon Johnson and Gerald Ford did not become chief executive by running as independent candidates. Only two vice presidents – Martin Van Buren and George H.W. Bush – won the first time they ran on their own for president. Twice as many lost: Richard Nixon, Hubert Humphrey, Walter Mondale and Al Gore.

In nominating Martin Van Buren as its candidate for president, the Democratic Party was going against what had been a sure thing. Beginning with Thomas Jefferson, every party controlling the White House had nominated its Secretary of State as the favorite to succeed the president; and all three nominees – Madison, Monroe and John Quincy Adams – had won. Van Buren had been Jackson's Secretary of State; but he had been chosen in 1832 as vice president in order for him to preside over the Senate as its president. The break with tradition had been necessary because the tariff and money issues were going to be decided in the Senate now that Jackson had vetoed the renewal of the Second Bank of the United States' charter and John C. Calhoun had called for nullification of those tariffs.

Four years later, that maneuvering would seem like ancient history. The tariff issue had died or, rather, had been killed by the President Jackson's own eagerness to lower tax rates. When Calhoun resumed his ranting about the dreadful Tariff of Abominations, he was speaking to Martin Van Buren as president of the Senate and Andrew Jackson as president of the country about legislation that had been signed into law by President Adams in 1828. Even in South Carolina, supporters of the idea of nullification had a difficult time thinking that they could win a physical conflict over whether a customs agent would collect the federal toll. How could the Jackson-Van Buren administration be the fiscal anti-Christ when their Tariff Acts of 1832 and 1833 were reducing both tariff rates and the categories of goods receiving protection? Calhoun was able to save face when Congress passed the second reduction; but the country knew that the 1833 legislation was simply Jackson's keeping his election promise to restore tariff rates to what they had been in 1816.

By the 1836 election, money was no longer a national issue. Contrary to all predictions of disaster, the charter for the Second Bank of the United States had expired; the country had survived. Not only had the national debt had been discharged, but the Treasury held a specie surplus large enough for it to be loaned to the state governments. President Jackson's insistence that the federal government only use coin for payments and collection of its taxes had not caused specie to evaporate. The coin on deposit with the Second Bank of the United States had been moved to state-chartered banks, and there was so much of a

surplus above what the federal government needed to pay its bills that a Distribution Act has been passed. A portion of the federal funds on deposit with the state-chartered banks was being transferred to the states' own accounts in those banks. With public land sales now being paid in coin, not bank notes, a further surplus was anticipated for 1837; from that there would be a further distribution to the states. People had a hard time remembering what all the fuss about Mr. Biddle and his bank had been about. Other than holding the Treasury's money, what had made the Philadelphia bank so essential? Why had its bank notes been considered so much better than all the other issues of paper payments? Given the extraordinary boom the country was enjoying, these were sensible questions.

The financial statistics were remarkable. In 1828, the total authorized capital stock of the 355 state banks was \$162,413,884; in 1836 there were 729 state banks with total authorized capital stock of \$471,526,482. As the number of banks had doubled, their capitalization had tripled. Bank notes in circulation in 1829 had been 26,614,719; in 1836, they were 144,929,432. By comparison, the Second Bank of the United States had been standing still. During its years under the Jackson-Van Buren administration (1829-1835), authorized capital stock had barely changed from \$15,782,865 to \$16,356,477. Its share of the total authorized capital stock for the country's banks had declined from 17.10% to 8.95%. It had increased the amount of its bank notes outstanding from \$35,502,562 to \$46,373,520; but, even as the central bank, it no longer controlled the country's supply of paper money. As a percentage of total bank notes outstanding, the second bank's note issues had gone from 37.23% to 10.14%. These were not numbers that any of Andrew Jackson's opponents had been eager to discuss. Running against the Nullifier, Anti-Masonic and Whig parties in the 1834 House elections, the Democratic Party was able to increase its majority to 54 seats; with James K. Polk as the leader, the "Jackson party" controlled 61% of the chamber.

For the Whigs to have any chance to defeat the Democrats in the 1836 presidential election, they would have to find a new issue to capture the attention of the voters. Slavery by itself would not work. In running against Henry Clay in 1832, Andrew Jackson had not once been required to justify his own slaveholding. In 1828, neither the Democratic nor the New Republican party had considered their candidates' positions on slavery important enough to bring them to the attention of the voters. Both Jackson and Van Buren had taken the same position on that issue that the U.S. Constitution had established. On questions of property, including the ownership of human beings, state law would be sovereign. Viewed from the 21st century, that position is completely outrageous – both morally and legally; but, from the point of view of the 1836 American electorate, to exclude questions of race from the law was to challenge the social consensus. Under the laws of each state, an adult male had the right to own property. If slavery was only about owning people, then Native Americans and people with black skin could own slaves – as, indeed, some of them did; and there was no logical reason why the rules of the ancient Roman Republic should not be followed. If adult males were free to own others as property, they were also free to buy themselves. A slave could, through simple commerce, emancipate himself and his family.

To take a financial view of slavery was to reject the very idea that race mattered. To see the question as Washington, Jackson and Van Buren did was to reject the belief that certain souls were ordained by God to accept bondage because of their race. Making slavery solely a question of property law challenged the very notion that people's rights and social status were determined by ancestry. Even for abolitionists, in the North and South in 1836 ancestry was an essential part of the question. The charitable hopes of the African Colonization Society were that slavery would be abolished in the United States by sending all black-skinned people to Africa. For Martin Van Buren to see slavery solely as a question for the law courts was to threaten every comfortable justification for making property in people a matter of color. If it were simply a question of recorded deeds for named individuals, then what was to keep white-skinned people from being owned?

That question offered the Whigs a political opportunity. If slavery was only a state-law question, then voters could change the law; they could even vote to abolish all legal distinctions based on race. White-skinned people had a social obligation to resist this blasphemous possibility. In the 1836 campaign, Willie P. Mangum from North Carolina and Hugh L. White from Tennessee would each challenge Martin Van Buren for his corrupt commercial views. Andrew Jackson was unimpeachable politically; but his vice president could be attacked for his failure to be sufficiently loyal to his president. If Van Buren shared President Jackson's support of states' rights, how could he allow his home state of New York to count the ballots of free blacks? Was Van Buren going to open commerce and enterprise to *all* male adults regardless of race?

What gave these attacks weight was the Democrats' choice of a vice presidential candidate. Richard Mentor Johnson was on the ticket as a counter to the appeal of the Whig's strongest candidate, General William Henry Harrison. Johnson was a war hero equal in fame to Harrison and even to Andrew Jackson. He had personally killed the Indian leader Tecumseh. The incident was so universally known and regarded that a memorial of it remains to this day for every national politician to ponder. The images of Johnson and Tecumseh are included in the frieze of the U.S. Capitol's rotunda.

Like Jackson and all the Whig candidates for president except Daniel Webster, Richard Mentor Johnson was an unapologetic slave-owner; but he was also untroubled by race. Daniel Webster could safely join his fellow Whigs in denouncing Johnson and demanded that he be disqualified from being a candidate because

Johnson had committed the sin of violating racial purity. Johnson was guilty of having Julia Chinn, who had black-skinned ancestors, as his common-law wife. He could not marry Chinn, with whom he had two daughters, because she was a slave he owned; and Kentucky law prohibited marriage with slaves. But he could have Julia manage his property while he was away from home, and he could leave his estate to his daughters. When challenged, Johnson's answer was that, "(u)nlike Jefferson, Clay, Poindexter and others I married my wife under the eyes of God, and apparently He has found no objections." In Johnson's view people could be both "kin and property."

The attacks against Van Buren and Johnson by the Whigs for being insufficiently committed to white privilege had some success. Virginia, which voted for Van Buren, had its electors refuse to vote for Johnson; and that withholding of its 23 electoral votes was enough to deprive Johnson of a majority. The House of Representatives would have to confirm Johnson's election by its own vote by the state delegations. Van Buren nearly suffered the same fate. Had he won 2,112 fewer votes in Pennsylvania (roughly one percent of the 178,692 total), Harrison would have won the state and deprived Van Buren of his majority. Andrew Jackson would have seen his vice president, winner of the popular vote by over two hundred thousand, sent to the House of Representatives to have his fate decided by a ballot in which all states were equal.

For Jackson this was the final personal insult. On his last day in office as president, at the ceremony inaugurating Van Buren as his successor, Jackson said that he had only two regrets for his eight years as president: he "had been unable to shoot Henry Clay or to hang John C. Calhoun." In Jackson's view both men had indulged in the fantasy that the national government would be a piggy bank for rescuing those sectional interests who were worried about their profit margins. The problem for southern planters was not the tariff but the fact that their prime customers - the British - were finding a secondary source for cotton from their colony in India. Henry Clay and John Quincy Adams (who was back in Washington as a Congressman) could argue for higher tariffs and a central bank in the name of American independence; but they simply wanted to have the money to spend on "improvements" that they would control. For Martin Van Buren, his successor, Jackson had only praise. Of the man who had been be his Secretary of State, Vice President and chosen successor as President, Jackson would say, "I am no politician: but if I were a politician, I would be a New York politician." In praising Van Buren's ability as a politician, Jackson was acknowledging how much he had come to agree with Van Buren about George Washington's national rule for money. The purpose of a gold (and silver) standard was to squeeze Congress, not the people. The tax revolts of the colonies and the Shays and Whiskey rebellions had all come from the British Crown and federal government trying to collect taxes in the money that they had not paid out - the international money of gold and silver coin. By limiting the national government to dealing in specie, a proper obedience to the Constitution ensured that taxes, including the hated tariff, would be kept within the means of the people and the national debt would be secure from default.

The last part of the Jackson-Van Buren program was to complete the detachment of the U.S. Treasury from the credit markets. Under the independent Treasury plan, the accounts of the U.S. Treasury would be removed from all banks and established in sub-Treasury entities that would receive coin in payment of taxes and issue coin in payment of expenses and any future interest on debt. To allow the government's funds to be consolidated into the reserves of private banks was to undermine the separation of powers between the federal government and the states. Competition was always successful in limiting people's ability to promise more than they could pay; even the most successful business would find times when it had to restrain its expectations for the future. Allowing state banks to hold direct control over the funds of the Treasury would be to duplicate the difficulties that occurred with the Second Bank of the United States.

It would take Van Buren four years; but on July 4, 1840 he would finally sign into law the Independent Treasury Act, establishing federal sub-treasury entities in New York, Boston, Philadelphia, Charleston, New Orleans, St. Louis and Washington, D.C. A year later the Whigs would take power and revoke the law. In 1846 James K. Polk would re-establish the system; and it would remain in effect until merged with the Federal Reserve in 1920.

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