

Knodell, Jane Ellen. *The Second Bank of the United States: "Central" Banker in an Era of Nation Building, 1816-1836*. Routledge, 2017. 160 Pp.

The Second Bank of the United States (SBUS) existed between 1816 and 1836. It was, and remains, controversial, sometimes cast as the most influential engine of early American economic growth, or as a tragic example of aggregated economic power gone rogue. While the SBUS is frequently referred to in early American histories, it is often as an ancillary part of the story. A common example of this pattern is the great bank war involving Andrew Jackson and Henry Clay during the election of 1832.

Jane Knodell, of the University of Vermont, makes a major contribution to our understanding of the inner operational workings of the SBUS. This sharply contrasts with the bulk of recent literature, which frequently focus on the politics surrounding the SBUS. The book's title of *"Central" Banker in the Era of Nation Building* captures the essence of Knodell's research effort. In her own words, "this book seeks to understand the Second Bank's role in the national economy and its business model in the context of early nineteenth-century US political economy." A great strength of the book is her extensive use of primary source materials, and in particular the Nicholas Biddle papers, the John Campbell White papers, and the records of the SBUS Baltimore branch, where John Campbell White was the cashier for fifteen years.

The book's objective speaks to a fundamental point of contention among the historians who have researched the internal workings of the SBUS over the past century. Authors such as Howard Bedenhorn, Michael Bordo, Ralph Catterall, Davis Dewey, Bray Hammond and Peter Temin have reached differing conclusions about whether the SBUS operated as a central bank or a commercial bank. This is an important question, as any answer involves the degree to which central banking and/or private sector banking can contribute to a nation's economic growth. The American economy experienced relatively strong and steady growth between 1816 and 1836, which begs the questions: to what degree did the SBUS contribute to this, and, if significant, what was the manner in which it made its contribution?

Knodell concludes that the SBUS was clearly not a central bank in the 21st century meaning of the term. However, the SBUS clearly had a direct role in supporting the growth of the national economy during its existence. She paints a picture of a unique hybrid financial institution that engaged in some quasi-central bank functions, while at the same time operating as a private sector business clearly focused on maximizing profits for its owners.

The SBUS clearly performed functions beneficial to the United States. It collected revenues for the national government and facilitated both the distribution and redemption of United States banknotes. The SBUS also located an inordinate number of its branches in the south and west to facilitate national land sales and to provide financial services to underserved regions.

In other ways, the SBUS only marginally performed as a central bank. It was willing to advance funds to private-sector state banks in times of financial trouble, but only on a select basis. The SBUS financially benefitted from a stable economy, so it was willing to assist other institutions in order to promote stable financial markets, but only if the recipients represented an acceptable risk to repay the SBUS advance.

In still other ways, the SBUS clearly acted as a private business enterprise. It sought out profit opportunities, particularly in areas where its federal charter provided it with unique advantages. In particular, the national reach of the SBUS provided opportunities to profit from money pricing spreads both in terms of geography and seasonality. Its ability to support the financial needs of trade to the Far East represented another example of a profitable sector.

Knodell also renders an excellent portrayal of Nicholas Biddle. The SBUS president, much maligned by Jacksonian sympathizers, comes across as a diligent and highly capable business person. It is easy to understand how the bank's performance improved from the time he assumed leadership. Biddle ran the SBUS to maximize stockholder return, but never lost sight of the need to provide sufficient "value add" service to the federal government. That course ensured that the institution remained in good graces with Washington politicians and protected the benefits deriving from its federal charter.

Book Reviews

While this book significantly contributes to the literature of a largely overlooked topic, it is presented in a highly technical manner. Although most financial professionals and business historians can fairly easily comprehend the content, it is written in a manner that is less accessible to lay readers. The work could have benefitted from some added appendices to explain the basics of nineteenth-century banking on a more basic level.

The book provides significant information on the SBUS from the ten-year period between the early 1820s and 1830s, which roughly correspond to the years that both Biddle and White were active in the bank's operations. Although the book's title indicates that it considers the entire lifetime of the SBUS starting in 1816, it is quite silent in its assessment of the bank's performance between 1816 and 1821, which accompanied the boom and bust periods that bookend the Panic of 1819. There is strong evidence in the literature that the bank's performance under Nicholas Biddle was vastly superior to its experience with his predecessors. The book could have been enhanced with some increased acknowledgement of the bank's policies during its first few years, which arguably factored into the nation's economic distress between 1819 and 1821.

The above comments do not diminish the valuable contributions that Knodell offers in this book. It is well researched and casts very credible and insightful interpretations on an important but understudied area of our nation's economic history. This book is essential reading for any serious student of American economic or business history during the Early National Period.

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