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Trump's battle echoes Andrew Jackson's war with the Second Bank of the United States.



GLOBAL VIEW

Fed Bashing's Populist Roots

Jackson Hole, Wyo.

The world's attention turned toward one of America's natural wonders last week as Federal Reserve officials and others gathered for their annual symposium in Grand Teton National Park. With President Trump's agenda sending diplomatic and economic shock waves around the world, investors and policymakers want to understand how the Fed will respond to the unconventional policies and unprecedented pressures from the most activist administration in many years.

Central bankers aren't supposed to have an easy job. One role of an independent central bank is to be a punching bag for politicians eager to deflect blame for anything in the economy that voters don't like. Even by those standards, 2025 has been a tough year for the Fed. Not since Andrew Jackson's war against Nicholas Biddle and the Second Bank of the United States has a presidential administration attacked a central bank and its leader like Team Trump has this year.

Trump administration officials have taken Fed bashing beyond the usual demands for lower interest rates. Mr. Trump has called Fed Chairman Jerome Powell a "moron." The president posted a graphic on Truth Social labeled "Lisa Cook, The Fraudster" and demanded that Ms. Cook, a Fed governor, resign over allegations of mortgage fraud. Russell Vought, director of the Office of Management and Budget, is investigating alleged mismanagement of expensive renovations at the Fed's Washington headquarters.

Attacks on its leadership aren't the only challenges the Fed faces in the second Trump term. The consequences of Mr. Trump's tariffs and the political and legal uncertainty over their future, the rollout of artificial intelligence into the real economy, and major changes to immigration policy that are transforming conditions in the labor market complicate the lives of central bankers. It is hard to make monetary policy in this volatile environment.

Mr. Trump's attack on the Fed resonates with his political base. American populism has always been suspicious of the banking establishment. Jackson's presidency was largely shaped by his bank war. The Second Bank of the U.S. enforced standards that made life difficult for the cashhungry speculators and entrepreneurs on the far side of the Appalachians eager to develop the Western frontier.

Then as now, the populist agenda combined three distinct elements. One was the demand for cheap money and abundant credit. Farmers, businesses and state and local governments far from the Eastern Seaboard needed credit to buy and develop land.

At the same time many populists demanded easy credit and often raged, paradoxically, against the creation of fiat money. Banks could issue bank notes greater than the amount of gold they held in reserve. That made credit more widely available, but it also concentrated power in the hands of the financial elite.

Biddle and his colleagues were more willing to lend money to well-connected Easterners than to rough-hewn Western farmers.

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The third demand was for what today we might call an America-first approach to monetary policy. Well into the 20th century the gold standard was seen as an expression of British financial power over the U.S. Populists wanted American monetary policy set for entirely domestic purposes without regard to the health of an international financial system that, as they saw it, served global elites more than hardworking Americans.

Note
All three of these perceptions help drive MAGA populism today. Mr. Trump's urgent calls for interest-rate cuts reflect the demand for soft money. The cryptocurrency movement embodies the suspicion of fiat money and the desire to take credit creation out of the hands of the financial establishment. Complaints about the cost to American producers of the strong dollar associated with the greenback's role as the global reserve currency, and demands for high tariffs regardless of their international consequences, reflect the continuing appeal of an Americafirst economic policy.

Jackson won his war against the Second Bank of the U.S. The immediate consequence was a boom in the underdeveloped and underbanked regions of the West and the South. That boom, like so many, ended in tears. The Panic of 1837 set off the most severe depression Americans had ever experienced, and had serious international repercussions as American private and public entities defaulted on their debt. Pennsylvania's repudiation of its debt hit British investors particularly hard and was memorialized by William Wordsworth in a bitter sonnet: "For state-dishonour black as ever came / To upper air from Mammon's loathsome den."

Despite the turbulence it brought, Jackson's populism ultimately strengthened American capitalism by decentralizing the banking system and accelerating frontier development. Whether that history repeats itself remains to be seen, but Mr. Trump's campaign against the Fed could be as consequential as anything Jackson ever did.

William McGurn is away.

By Walter Russell Mead

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