

# Agents of Chaos: Trump, the Federal Reserve and Andrew Jackson

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*“It is to be regretted that the rich and powerful too often bend the acts of government to their selfish purposes.” — President Andrew Jackson, Washington, July 10, 1832*

They are three players, all problematic in their own way. They are the creatures of inconvenient chaos. Donald Trump was born into the role, a misfit of misrule who found his baffling way to the White House on a grievance. Wall Street, with its various agglomerations of vice and ambition constitute the spear of global instability while the US Federal Reserve, long seen as a gentlemanly symbol of stability, has done its fair share to avoid its remit to right unstable ships, a power in its own right.

The Federal Reserve, despite assuming the role of Apollonian stabiliser, remained blind and indifferent through the Clinton era under the stewardship of Alan Greenspan. The creatures of Dionysus played, and Greenspan was happy to watch. While he is credited with having contained the shock of the 1987 stock-market crash, he proceeded to push a period of manically low interest rates and minimal financial regulation through the hot growth of the 1990s and early 2000s. Rather than condemning “Ninja loans” and other such bank exotica, he celebrated them as creations of speculative genius.

The mood at the Fed these days might seem chastened. They are the monkish wowers and party poopers, those who lock down the bar and tell the merrily sauced to head home. The sense there is that the market, boosted and inflated, needs correction after years of keeping interest rates at floor levels. Unemployment levels are at 3.7 percent; inflation levels are close to 2 percent.

“If the strong growth in income and jobs continues,” [reasoned](#) Federal Reserve chairman Jerome H. Powell in August, “further gradual increases in the target range for the federal funds rate will likely be appropriate.”

Cooling through an increase in interest rates was deemed necessary in light of a consumer binge induced by Trump’s tax cuts, and no one knows when it will stop. “What’s not yet clear,” [observes](#) Timothy Moore, “is how far rates will have to rise to reach a level that the Fed considers neutral – where rates neither bolster nor restrain the pace of growth – because rates already have risen so much.”

To three rises in the federal-funds rate that have already taken place could be [added](#) another in December and in 2019.

Powell is now facing attacks by President Trump, a [self-described](#) “low interest rate person,” in a manner not unlike the assault on the Second Bank of the United States by President

Andrew Jackson. Trump's adolescent indignation is akin to the person whose balloons have been pinched. In July, he was ["not thrilled"](#) with that round of rate hikes and said as much. "Because we go up and every time you go up they want to raise rates again." Markets, playing their side of the disruptive bargain, reacted, with the dollar, stocks and treasury yields falling.

This month, the same story repeated itself. When the markets go up, Trump, invariably, sees his hand in it; when they go down, someone else foots the blame. Now, [according](#) to the president, the Federal Reserve has "gone crazy" and "wild" in various measures. "I'd like our Fed not to be so aggressive, because I think they're making a big mistake." To Fox News's Shannon Bream, Trump insisted that, "The Fed is going loco and there's no reason for them to do it." White House chief economic advisor Larry Kudlow found himself [defending](#) his boss "as a successful businessman and investor" informed about such matters.

The history between the Fed and the White House has been punctuated by occasional bouts of surliness. Paul Volcker's time as chairman saw an irate, desperate James Baker, when President Ronald Reagan's chief of staff, attempt to gain an assurance that interest rates would not rise. He failed. By and by, however, the Fed has remained something of a holy cow, a point Trump cares little about.

But it was Jackson's loathing of banks that proved not only effectual but the stuff of legend. He found much suspicion in the whole notion of credit. He had also previously suffered at the hands of a land transaction involving the use of valueless paper notes. Only specie - silver and gold - deserved his commanding trust.

The very idea of a central bank running rough shod over state rights presented the hero of the Battle of New Orleans with a perfect target. His vision of frontiersman expansionism was being foiled. Such acrimony, according to Arthur Schlesinger Jr.'s *The Age of Jackson*, was a case of socio-economic falling out. Elites were attempting to monopolise financial power; Jackson, if in somewhat exaggerated fashion (though less so than Trump) spoke of common-man values against big business.

John M. McFaul, on the other hand, [sees it](#) somewhat differently. "Jacksonian banking policy was the result of neither an ideological timetable of entrepreneurial design nor radical hard-money purposes." Political expedience came first. The truth lies tantalisingly in between: the ideologue and the opportunist sharing the same body of a man.

From 1823 to 1836, Nicholas Biddle served as president of the Second Bank. While he was deemed within pro-banking advocates competent and assured, his values were those of a system that had entitled him. He dispensed favours to his friends with aristocratic grace; he resisted regulatory efforts. His move to limit credit and insist on calling in loans was intended to corner Jackson, forcing his hand to add more government funds to the bank deposits.

Jackson called his bluff, and his 1832 veto not to renew the bank's charter remained, an effective freeze on supplying federal funds. "Is there," he rhetorically [posed](#) to the Senate in his veto message, "no danger to our liberty and independence in a bank that in its nature has so little to bind it to our country?" Eventually, Congress was won over, leaving the Second Bank defunct on the expiry of its charter in 1836. Jackson did his own bit of chaotic undermining by draining the bank coffers in a way that would subsequently be deemed an

abuse of executive power.

The stock gurus and economic wizards are waving wands and gazing at crystal balls, but the markets are simply engaging in the usual frenetic activity that accompanies remarks made by figures of power. Behind the scenes, the speculators get busy and anticipate the next flurry. Creative - or perhaps not so creative destruction - is currently unfolding, much of it an illusion. Trump's America remains, much like Jackson's discredited paper notes, of questionable value. But unlike the Second Bank, the Federal Reserve is very much intact in the face of institutional mocking. Thankfully for its board and Powell, its charter is not coming up for renewal, nor is Powell going to prove to be another Biddle.

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