Jefferson expressed a dislike and distrust for banks and bankers, and opposed borrowing believing it created long-term debt, monopolies, invited dangerous speculation, as opposed to productive labor, all to Republicanism. He once argued that each generation should pay back its debt within 19 years, and not impose a long-term debt on subsequent generations.

In 1791, President Washington asked Jefferson, who at the time was Secretary of State and Alexander Hamilton, the Secretary of the Treasury, if the Congress had the authority to create a national bank. While Hamilton believed Congress had the authority, Jefferson believed that a national bank in its capacity would ignore the needs of individuals and small farmers, would assume powers not granted to the federal government by the States, and therefore would violate the Tenth Amendment and the laws of Mortmain, Alienage, Forfeiture, Distribution, and Monopolies. But Jefferson was not dogmatic on these issues, even during Washington's administration. He knew funding Revolutionary debt was important, and agreed to Hamilton's nationalization plan in return for relocating the capital to Washington, DC. In his letter to Washington opposing Hamilton's proposal for a United States Bank, Jefferson suggested that if Washington were of a divided mind, he should follow the recommendation of the majorities in Congress supporting establishment of a national bank which had voted three to one in favor.

Nevertheless, Jefferson used the agrarian opposition to banks and speculators to become the first defining principle in organizing an opposition party, recruiting candidates for congress on the issue as early as 1792. In retirement, Jefferson wrote John Taylor in 1816 that he and Taylor had ever hated the banks which could destroy the state constitutions, already suffering from speculators who "sweep away the fortunes and morals of our citizens". Banks were more dangerous than standing armies, as funding by posterity is but "swindling futurity on a large scale"
POLITICAL DISAGREEMENT WITH HAMILTON

Members of the opposition Republican Party, led by Thomas Jefferson and James Madison, disagreed with Hamilton's philosophy. They thought that chartering a Bank exceeded Congress's constitutional authority and would lead to the unhealthy dominance of a wealthy upper class—exactly what Hamilton desired. The national Bank, they feared, would create a privileged group of non-producers, people who got rich by handling paper money rather than through hard work. It might encourage corruption, as businessmen cultivated unsavory partnerships with the government. Finally, the Bank flew in the face of the founding republican ideology of the American Revolution, which led Jeffersonians to suspect powerful conspiracies against their liberties.

As president, Jefferson nevertheless allowed the Bank to run its course until Hamilton's charter expired in 1811. Following the War of 1812, a new generation of Jeffersonian Republicans, led by Congressman Henry Clay, rechartered the Bank for another twenty years. As was true in 1791, the Second Bank's charter of 1816 (3 Stat. 266) became part of a grand design for economic growth, now called the "American System." Clay's proposal, like Hamilton's, supplemented the Bank with protective tariffs that raised prices on imported goods in order to benefit native manufacturers. And it authorized federal funding for internal improvement projects such as canals and turnpikes.

In this postwar period the Bank fed an investment boom funded by paper currency, only to see it collapse abruptly in 1819. During that year the Bank called in its loans and contracted the currency, leading to widespread economic depression, joblessness, and bankruptcy. Many victims of these tough economic times—among them future President Andrew Jackson—blamed the Bank for their misfortunes. The resentments nursed by this "Panic of 1819" had much to do with the anti-Bank fervor of succeeding years.