Chapter 12 Lesson 3

Jackson and the Bank

How do governments change?

Jackson’s War Against the Bank

What events occurred when President Jackson forced the National Bank to close?

Andrew Jackson disliked the Second Bank of the United States long before he became president. Congress had setup the bank in 1816 to hold the federal government’s money and to control the nation’s money supply. Private bankers rather than elected officials ran the bank. Its president, Nicholas Biddle, represented everything Jackson disliked. Jackson prided himself on being a self-made western pioneer who started with nothing. Biddle came from a wealthy Philadelphia family and had a good education and experience in financial matters.

The Bank’s assigned responsibilities made it a powerful institution. Many western settlers depended on being able to borrow money to run their farms. The Bank’s strict policies made such loans difficult to obtain. Like many other westerners, Jackson viewed the Bank as a monopoly that favored wealthy Easterners and limited western growth.

The Bank and the Election of 1832

Jackson’s opponents planned to use the Bank to defeat him in the 1832 presidential campaign. Senators Henry Biddle and Daniel Webster were friends of Biddle. They persuaded Biddle to apply early for a new charter—a government permit to run the Bank—even though the Bank's charter did not expire until 1836. They thought this would force Jackson to take action against the bank.

Clay and Webster believed the Bank had the support of the American people. They thought that if Jackson tried to **veto**, or reject, the renewal of the Bank's charter, he would lose support. Henry Clay wanted to run for president. He and Webster believed that Jackson's veto would help Clay defeat the president in the 1832 election.

Jackson was sick in bed when the bill to renew the Bank's charter came to him to sign. He told Secretary of State Martin Van Buren, "The bank is trying to kill me. But I will kill it." Jackson vetoed the bill. He argued that the Bank was unconstitutional despite the Supreme Court's decision to the contrary in McCulloch v. Maryland (1819).

Webster and Clay were right about one thing. The Bank did play a large part in the election of 1832. Instead of gaining support for Clay as president, however, their plan backfired. Most people supported Jackson's veto, and Jackson was reelected. Jackson then decided to "kill" the Bank even before its current charter ended. He ordered all government deposits withdrawn from the Bank and placed in smaller state banks. In 1836 he refused to sign a new charter for the Bank, and it closed.

The Panic of 1837

Jackson decided not to run for a third term in 1836. The Democrats chose Van Buren, Jackson's vice president during his second term. The Whigs, a new party that included former National Republicans and other anti-Jackson forces, were the opposition. The Whigs nominated three candidates. Each had support in a different part of the nation. The Whigs hoped this tactic would keep Van Buren from getting a majority of the electoral votes. Then the election would be decided by the House of Representatives, which the Whigs controlled. The Whigs' plan failed. Jackson's popularity and support helped Van Buren win both the popular and the electoral vote.

Van Buren had barely taken office when a financial panic hit the nation. The panic was in part an effect of Jackson's victory over the Bank of the United States. When the Bank ceased operations in 1836, control over state banks vanished. Some of these banks began issuing huge amounts of banknotes. Concerned that these notes had little value, the government stopped accepting them as payment for purchasing public land. People began to question the value of their banknotes, leading to economic panic.

The Panic of 1837 led to a depression, a severe economic downturn. Land values dropped and banks failed. Thousands of businesses closed. Many workers lost their jobs, and farmers lost their land. In cities across the nation, many people could not afford food or rent.

President Van Buren did little to ease the crisis. He believed in the principle of laissez-faire—that government should interfere as little as possible in the nation's economy. However, Van Buren did persuade Congress to create an independent federal treasury in 1840. This meant that the government no longer had to deposit its money in private banks as it had been doing. It would keep its money in the federal treasury instead. This new system prevented state and private banks from using government money to back their banknotes. It helped prevent further bank crises.

Calling it a "second declaration of independence," Van Buren and his supporters hailed the passing of the federal treasury law. Still, members of Van Buren's own Democratic Party joined the Whigs in criticizing the act. The split in the Democratic Party gave the Whigs a chance to win the presidency in 1840.

The Whigs in Power

What events occurred during the 1840s that led to the weakening of the Whig party?

When Van Buren ran for reelection in 1840, Democrats had held the White House for 12 years. Now, with the country still in the depths of depression, the Whigs thought they had a chance to win the presidency.

The Log Cabin Campaign

To run against Van Buren, the Whigs united behind one of their 1836 candidates, William Henry Harrison. Like Andrew Jackson, Harrison was a hero of the War of 1812. John Tyler, a planter from Virginia, was Harrison's running mate. Harrison had first gained fame with his victory over Tecumseh's followers in the Battle of Tippecanoe in 1811. The Whigs made reference to this event in the campaign slogan: "Tippecanoe and Tyler Too."

Harrison needed the support of the workers and farmers who had voted for Jackson in order to win the election. The Whigs portrayed Harrison, who in reality was a wealthy Ohioan, as a simple frontiersman like Jackson. The Democrats attacked this image. They said that all Harrison was good for was sitting in front of a log cabin and collecting his military pension. These attacks played right into the hands of the Whigs, who adopted the log cabin as the symbol of their campaign.

While presenting Harrison as a "man of the people," the Whigs portrayed Van Buren as a wealthy snob with perfume- scented whiskers. They blamed him for the depression and accused him of spending the people's money on expensive furniture for the White House. The Whigs' tactics and the effects of the depression seemed to work. A record number of voters turned out to elect Harrison by a wide margin, making him the first Whig president.

Inauguration day, 1841, was bitterly cold. Harrison insisted on delivering his long speech without a hat or coat. He died of pneumonia 32 days later. He served the shortest term of any president, and John Tyler became the first vice president to gain the presidency because of the death of a president. At age 50, Tyler was also the nation's youngest president up to that time.

John Tyler's Presidency

John Tyler won the vice presidential election as a Whig. However, he had once been a Democrat and had opposed many Whig policies. Whig party leaders had put him on the election ballot with Harrison mainly to attract Southern voters. Whig Party leaders Daniel Webster and Henry Clay had believed they could control Harrison and run the country behind the scenes. Harrison's death ruined that plan.

President Tyler vetoed several bills sponsored by Whigs in Congress. His lack of party loyalty outraged many Whigs. When he twice vetoed a bill to renew the charter of the Bank of the United States, all but one of his cabinet members resigned. Only Daniel Webster remained as secretary of state. Whig leaders actually expelled Tyler from the Whig Party.

The biggest success of the Tyler presidency came in the area of foreign relations. In 1842 the United States and Great Britain signed the Webster-Ashburton Treaty. This agreement settled a long dispute over the border between Maine and Canada and set a firm U.S.- Canadian boundary from Maine to Minnesota.

Except for opposing Tyler, the Whigs could not agree on their party's goals. Increasingly, they voted by region—North, South, and West—not party. This division may explain why the Whig candidate, Henry Clay, lost the election of 1844 to Democratic candidate James Polk. After only four years, the Whigs were out of power.

The Whigs elected just one more president, Zachary Taylor, in 1848. Taylor also died in office. By then, the Whig Party had become badly divided over the issue of slavery. By the early 1850s the party had nearly disappeared. Many Northern Whigs left the party and helped to form a new political party—the Republican Party that we have today.