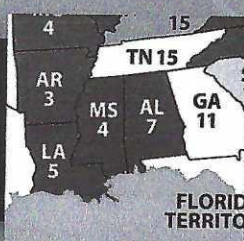


- ✓ **GRAPHIC ORGANIZER**
The Bank War
- ✓ **MAP** Elections of 1836 and 1840
- ✓ **PRIMARY SOURCE**
 - Jackson Political Cartoon
 - Harrison Campaign Poster



Lesson 3

Jackson and the Bank

ESSENTIAL QUESTION How do governments change?

IT MATTERS BECAUSE

The ongoing struggle over the Bank of the United States represented the ongoing struggle over the role of the federal government.

Jackson's War Against the Bank

GUIDING QUESTION 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 set up 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 had started with nothing. Biddle came from a wealthy Philadelphia family and had a good education and experience in financial matters.

In addition, the Bank's assigned duties 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 Clay and Daniel Webster were friends of Biddle. They persuaded Biddle to apply

Reading **HELPDESK** CCSS

Taking Notes: Identifying

Use a chart like this one to identify the actions taken by President Jackson that put the Bank of the United States out of business.

Bank of United States Closes

Content Vocabulary

- veto

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.

BORN TO COMMAND.



KING ANDREW THE FIRST.

Jackson’s opponents compared him to a bad king—a tyrant with too much power.

► CRITICAL THINKING

Analyzing Primary Sources What is the meaning of the documents that appear at Jackson’s feet?

veto to reject a bill and prevent it from becoming law

Academic Vocabulary

institution an organization that has an important purpose in society

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.

☒ PROGRESS CHECK

Explaining What was the purpose of the new treasury system?



This cartoon blames President Van Buren's policies for the Panic of 1837. Van Buren is standing, second from the right.

Reading HELPDESK



Build Vocabulary: Word Origins

The French term *laissez-faire* is a combination of a form of the verb *laisser*, which means “to let or allow,” and the verb *faire*, meaning “to do.” In translation, the phrase literally means “let them do.” As a policy, it has been translated as “let them do as they please,” referring to the people. In practice, it refers to giving the government the smallest role possible.