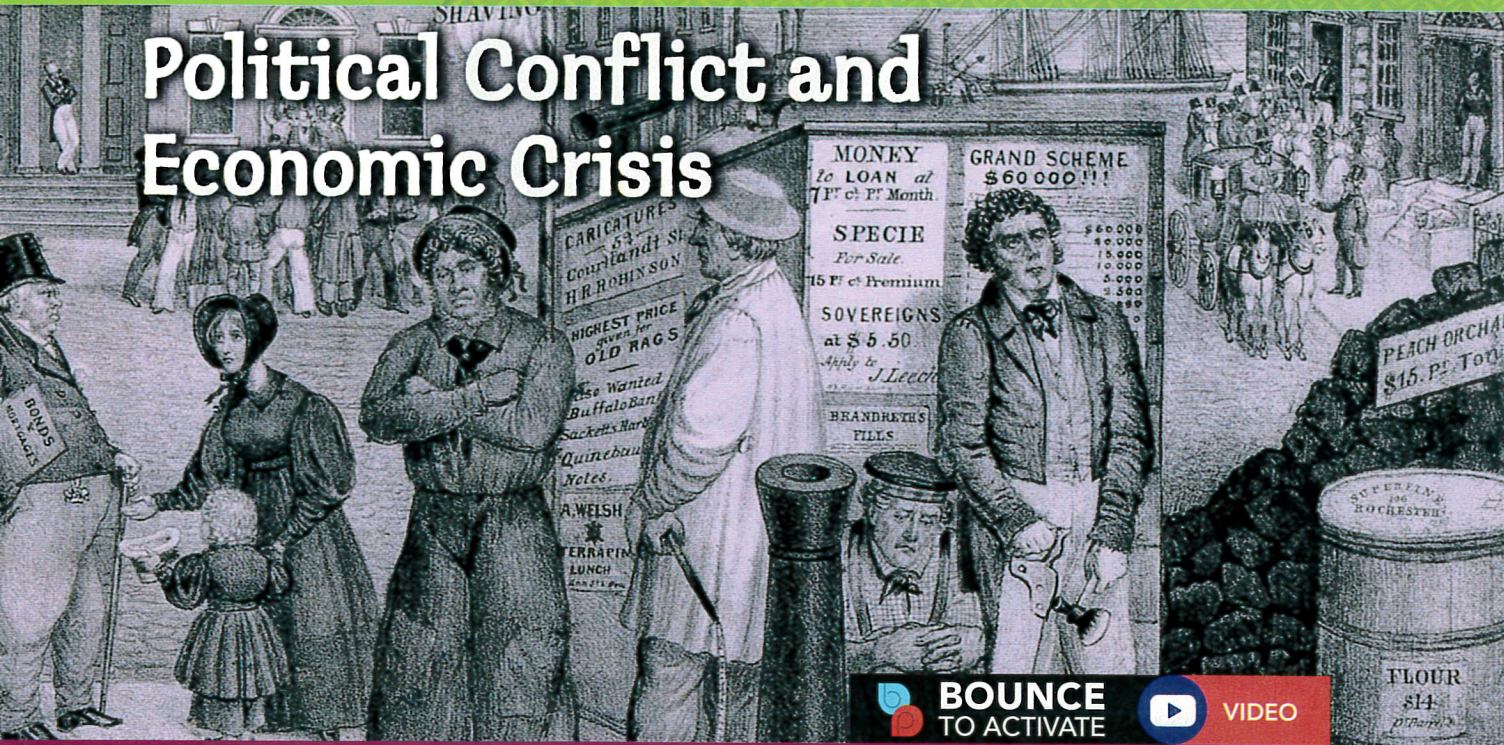


## LESSON 2

# Political Conflict and Economic Crisis



 **BOUNCE**  
TO ACTIVATE

 **VIDEO**

## GET READY TO READ

### START UP


This illustration shows people suffering from a nationwide economic downturn. How would you respond to an economic panic?

### GUIDING QUESTIONS


- How did Andrew Jackson change the country?
- How did Jackson and his opponents clash over the issues of nullification and states' rights?
- Why did Americans disagree about the banking system?
- How did economic issues impact the election of 1840?

### TAKE NOTES

#### Literacy Skills: Compare and Contrast

Use the Graphic Organizer in your  Active Journal to take notes as you read the lesson.

### PRACTICE VOCABULARY

Use the Vocabulary Builder activity  Active Journal in your Journal to practice the vocabulary words.

#### Vocabulary

states' rights      caucus  
Nullification Act      nominating  
depression      convention

#### Academic Vocabulary

implicit  
speculation

During Jackson's two terms as President, conflicts and crises shook the nation. Some were thrust upon Jackson by the grinding of sectional rivalries. Others were events of his own making. The effects of his responses to these crises were felt throughout the nation for decades to come.

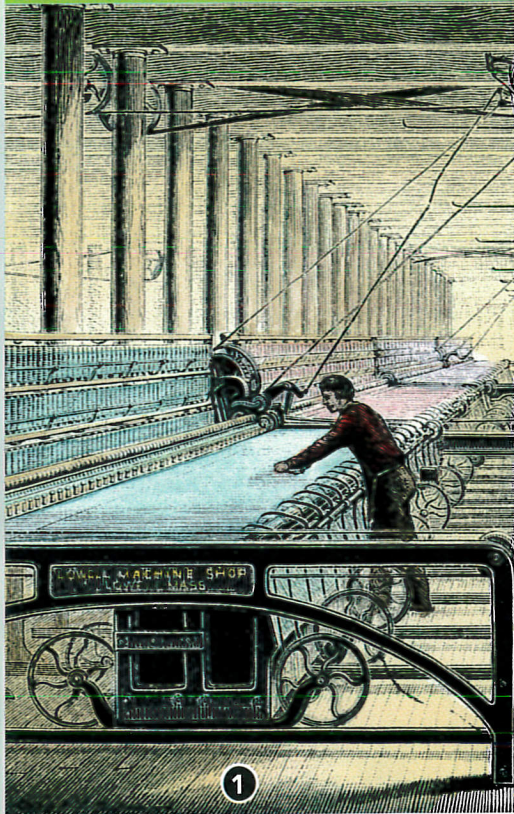
### A Conflict Over States' Rights

The first crisis Jackson faced arose almost immediately after he entered office. It was an intense quarrel over **states' rights**, or the rights of states to exercise power independent of the federal government.

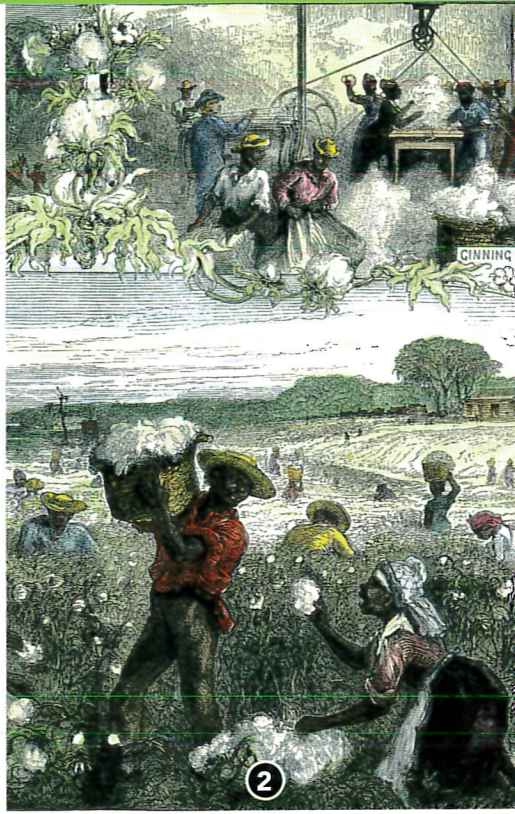
### Regional Differences on the States' Rights Issue

The conflict over states' rights divided the country along regional lines. The United States at the time was made up of three regions.

The North included the New England and Middle Atlantic states. Manufacturing and trade were very important to the economy of the North.



1



2



3

### Analyze Images

The 1 North, 2 South, and 3 West had economies based in different kinds of work and businesses.

### Identify Supporting Details

How did the different regional economies depend on each other?



### INTERACTIVE

Tariffs and Trade

The West was the region we now know as the Midwest. Its economy was based mainly on raising of livestock and farming food crops.

Finally, the South consisted of today's Southeast and South Central states. The South's people relied heavily on farming cash crops for export, such as cotton and tobacco.

Politically, northerners generally favored a strong federal government, which they saw as necessary to promote manufacturing and trade. Southerners feared the domination of the North and national policies that could hurt southern interests. Consequently, southerners tended to support stronger states' rights. These differences often made it hard for people from the North and South to agree on political issues.

Westerners sometimes sided with the North and sometimes with the South. For example, westerners wanted internal improvements for transportation, which most northerners supported. Westerners also wanted to be free to move into new territories, which southerners also wanted. Some westerners supported slavery, while others did not. In general, westerners agreed with northerners about tariffs.

**Anger Over Tariffs** In 1828, before Jackson took office, Congress passed the highest tariff in the history of the nation. Manufacturers, most of whom lived in the North, were helped by the tariff. It protected them from foreign competition.

Southern planters, however, called it the Tariff of Abominations. An abomination is something that is wrong and evil. Southerners sold much of their cotton to Britain and bought British manufactured goods in return. A high tariff would mean that southerners had to pay more for those British goods. Worse still, they feared that if the United States

imposed a tariff on British manufactures, Britain would respond by imposing a tariff on American cotton. Many southerners thought the tariff was unconstitutional.

**Debate Over Nullification** A leader in the South's fight against the tariff was Vice President John Calhoun of South Carolina. He claimed that a state had the right to nullify, or cancel, a federal law that the state considered to be unconstitutional. This idea is called nullification. Calhoun believed that the states could nullify federal laws, because the states had joined together to form the federal government based on their understanding of the Constitution.

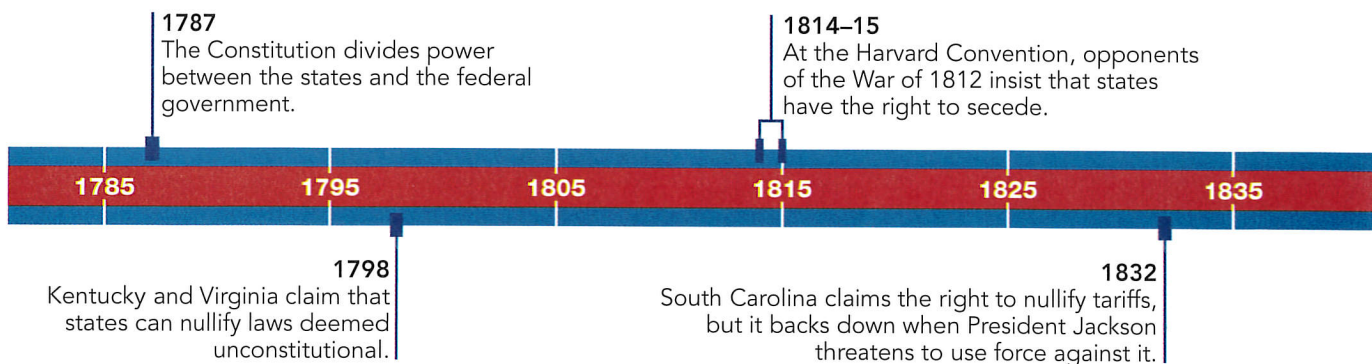
Daniel Webster, a senator from Massachusetts, disagreed. He made a speech in 1830 to the Senate attacking the idea of nullification. The Constitution, he said, united the American people, not just the states, as a nation. If states had the right to nullify federal laws, the nation would fall apart. The U.S. Supreme Court had also ruled against earlier attempts at nullification. The justices said that the provisions of Article III of the U.S. Constitution gave federal courts, not states, the right to decide on the constitutionality of federal laws. President Jackson agreed with the views of Webster and the Supreme Court. Because Calhoun strongly disagreed with Jackson, he resigned from the office of vice president. He was then elected senator from South Carolina. The debate over nullification would continue for years.

**The Nullification Act Leads to Crisis** Anger against the tariff increased in the South. Congress passed a new law in 1832 that lowered the tariff slightly. South Carolina was not satisfied. It passed the **Nullification Act**, declaring the new tariff illegal. It also threatened to secede, or withdraw, from the Union if challenged. Jackson was furious. He knew that nullification could lead to civil war.



▲ John Caldwell Calhoun of South Carolina served as representative, senator, secretary of war, secretary of state, and vice president twice.

## Milestones in the States' Rights Debate



**Analyze Timelines** As the timeline shows, the states' rights conflict began early in the nation's history. **Identify** an instance on the timeline of tension between a specific state and the federal government. How might sectionalism have contributed to this tension?

To defuse the crisis, Henry Clay, now a senator from Kentucky, proposed a lower, compromise tariff, which President Jackson supported. Jackson also asked Congress to pass the Force bill, which would allow the President to use the army, if necessary, to enforce the tariff. Daniel Webster sided with Jackson on the Force bill but opposed Clay's compromise tariff. However, Congress passed both the compromise tariff and the Force bill.

Faced with Jackson's firm stand, no other state chose to support South Carolina. When Calhoun supported the compromise tariff, South Carolina repealed its Nullification Act, and the Nullification Crisis passed. National identity had proven stronger than a state's claim to sovereignty.

While Jackson's actions kept South Carolina in the union and reinforced federal authority, they did not bring the quarrel to a close. In the years ahead, tensions between the North and South would lead to increased sectionalism.

 **READING CHECK Summarize** Why did Webster and Jackson oppose nullification?

### Analyze Images

Senator Daniel Webster defended the interests of his home state of Massachusetts by arguing that states could not nullify the Tariff of 1828.

#### Explain an Argument

Why is it important for representatives to support their positions with good reasons?

## The Bank War

In another political battle that had a long-term effect on the country, Jackson waged war against the Second Bank of the United States. Like many westerners, Jackson thought that the Bank was too powerful and needed to be eliminated. Jackson's Democratic Party opposed the Bank. The Whig Party, however, supported the Bank. Whigs believed that the Bank was needed to regulate lending by state banks to arrest the growth of debts that could not be repaid.



# FUNCTIONS OF THE SECOND BANK OF THE UNITED STATES

## BANK OF THE FEDERAL GOVERNMENT

- Holds the government's money
- Pays the government's bills



## MONEY CREATOR

Issues paper money that people can use throughout the United States, unlike state money



## REGULATOR

- Issues or redeems national money to keep economy stable
- Monitors amount of money from state banks



## COMMERCIAL BANK

- Accepts deposits and makes loans
- Provides access to businesses and individuals at branches across the country



**A Controversial Bank** The Second Bank of the United States had been a subject of dispute since its early days. The Bank had great power because it controlled loans made by state banks. When the Bank's directors thought that state banks were owed too much money, they limited the amount these banks could lend. The cutbacks angered farmers and merchants, who often needed to borrow money to buy land or finance new businesses.

President Jackson and other leading Democrats saw the Bank as undemocratic. Although Congress created the Bank, it was run by private bankers. Jackson condemned these men as agents of "special privilege" who grew rich with public funds. He especially disliked Nicholas Biddle, president of the Bank since 1823.

With Biddle running the Bank, the U.S. economy had experienced stability and prosperity. However, Biddle was known to make loans to friends while turning down loans to people who opposed the Bank. Among these were many of Jackson's strongest supporters. Jackson felt that Biddle used the Bank to benefit the rich. He also resented Biddle's influence over certain members of Congress.

**The Bank Applies for Renewal** Biddle and other Whigs worried that the President might try to destroy the Bank. Two Whig senators, Henry Clay and Daniel Webster, thought of a way they might save the Bank and defeat Jackson in the upcoming election at the same time.

The Bank's charter was not due for renewal by Congress until 1836. However, Clay and Webster wanted to make the Bank an issue in the 1832 election. They persuaded Biddle to apply for renewal early. The Whigs believed that most Americans appreciated the role of the Bank in the nation's prosperity. If Jackson vetoed the bill to renew the charter, they felt sure that he would anger voters and lose the election.

**Analyze Charts** The Second Bank of the United States was founded to help the federal government manage its income and expenses.

**Classify and Categorize** How was the Bank involved in the nation's economy?



## INTERACTIVE

Disagreements Over the Bank



**Analyze Images** In this cartoon, President Jackson fights a snake representing the Bank and its branches. The largest head is Nicholas Biddle's. **Analyze Cartoons** How is Jackson trying to destroy the Bank?

Clay was able to push the charter renewal bill through Congress in 1832. Jackson was sick in bed when he heard that Congress had renewed the Bank's charter. "The Bank . . . is trying to kill me," Jackson fumed, "but I will kill it!"

**Jackson Cuts Off the Bank** In an angry message to Congress, Jackson vetoed the Bank bill. He gave two reasons for his veto. For one, he believed that the Bank helped aristocrats at the expense of the common people. He warned:

### Primary Source

"When the laws undertake . . . to make the rich richer and the potent more powerful, the humble members of the society—the farmers, mechanics, and laborers—who have neither the time nor the means of [getting] like favors for themselves . . . have a right to complain of the injustices of their government."

—Andrew Jackson, Veto Message, July 10, 1832

Jackson's other reason for vetoing the bank bill was his belief that the Bank was unconstitutional. Like other Democrats, Jackson believed that the federal government could not charter a bank because the Constitution did not explicitly give it the power to do so.

Jackson had already lost this argument. In *McCulloch v. Maryland*, the Supreme Court had ruled that the "necessary and proper clause" of the

Constitution **implicitly** gave the federal government the right to create a bank. This clause states that the federal government has the power “To make all Laws which shall be necessary and proper for carrying into Execution the . . . Powers [already described], and all other Powers vested by this Constitution.” However, Jackson did not accept the court’s ruling. He continued to believe that only states had the right to charter banks.

As they had planned, the Whigs made the Bank a major issue in the election of 1832. They chose Henry Clay as their candidate to run against Andrew Jackson.

When the votes were counted, however, Jackson had won a stunning election victory. The common people had surprised the Whigs by supporting Jackson and rejecting the Bank of the United States.

**The Bank Loses Its National Role** Without a new charter, the Bank would have to close in 1836. Jackson refused to wait. He ordered Secretary of the Treasury Roger Taney to stop putting government money in the Bank. Instead, Taney deposited federal money in state banks. They became known as pet banks because Taney and his friends controlled many of them.

The loss of its federal deposits crippled the Second Bank of the United States. Its elimination as a national bank was another effect of Jackson’s presidency—one that would have lasting impact. The end of the Bank contributed to an economic crisis that would have to be faced by the next President of the United States.

Without a national bank, responsibility for regulating banks fell to individual states. The period from the late 1830s until the 1860s is known as the state banking era. During this time, each state set its own rules for banks. Lax state regulations allowed banks to take risks.

**READING CHECK** **Identify Supporting Details** What did Jackson do with the government’s money after he ordered that it should no longer be deposited in the Second National Bank?

### Academic Vocabulary

**implicit** • *adv.*, not expressed directly but able to be understood or inferred

**Analyze Images** During the state banking era, Americans relied on currency issued by state or private banks like that shown. Money from banks with poor reputations might not be accepted by other banks or merchants. **Infer** How might a person judge whether a bank’s currency is trustworthy?



### Academic Vocabulary

**speculation** • *n.*, risky buying in hope of a large profit

**Analyze Images** A debtor negotiates with a merchant (left), a customer wonders how he can pay his bill (center), and a man warms himself at a stove (right).

**Draw Conclusions** How did the Panic of 1837 affect people differently?

## Economic Crisis and Political Changes

Following tradition, Andrew Jackson left office after two terms. Americans elected Martin Van Buren to succeed him as President. Although Van Buren did not have Jackson's popularity, he was clever and intelligent. As President, however, Van Buren needed more than sharp political instincts.

**The Panic of 1837** Before leaving office, Jackson had been alarmed at wild **speculation**, or risky investment, in land. Since the Bank of the United States had closed, state banks were printing and lending money without limit. Speculators were borrowing more and more money to buy land and driving land prices up.

To slow this process, Jackson had ordered that anyone buying public land had to pay for it with gold or silver. This sent speculators and others rushing to state banks to exchange their paper money for gold and silver. However, many banks had loaned too much money. If a bank did not have enough gold and silver to buy back the notes it had issued, it could go broke and be forced to close.





When Van Buren took office, the situation had only worsened. As more and more banks failed, the nation fell into a deep economic **depression**, a period when the economy shrinks and many people lose their jobs. This depression, known as The Panic of 1837, was the worst economic crisis the nation had yet known. It lasted five years. During the worst period, 90 percent of the nation's factories were closed. Unemployment was widespread. Hundreds of thousands of people were out of work.

Although many Americans blamed Van Buren and his policies for the economic depression, the roots of the problem lay in Jackson's administration. His closure of the Bank and his efforts to rein in land speculation both contributed to the crisis. Van Buren was not without fault, however. He believed in *laissez-faire* economics—the idea that government should play as small a role as possible in the economy. As the depression wore on, Van Buren became increasingly unpopular. His opponents called him “Martin Van Ruin.”

**Party Caucuses and Conventions** By the time of the next presidential election in 1840, Whigs and Democrats had developed more democratic ways to choose candidates for President. In the past, powerful members of each party had held a **caucus**, or private meeting, to choose their candidate. Critics called the caucus system undemocratic because only a few powerful people were able to take part in it.

In the 1830s, each party began to hold a national **nominating convention**, where delegates from all the states met to choose the party's candidate for President. Party leaders might still dominate a particular convention, but the people could now have some influence in the nominating process. Also, state nominating conventions encouraged citizen participation in elections. Once citizens learned about the events of the convention, they would work for their party's choices. Today, the major political parties still hold state and national conventions.

**Democrats Lose the Election of 1840** Although Van Buren had lost support, the Democrats chose him to run for reelection in 1840. The Whigs chose William Henry Harrison of Ohio as their presidential candidate and John Tyler of Virginia as their vice presidential candidate. Their policies included creating a new Bank of the United States, improving roads and canals, and demanding a high tariff.



▲ A national nominating convention



#### INTERACTIVE

Choosing a  
Presidential  
Candidate



Harrison was known as the hero of the Battle of Tippecanoe, which was fought between the American military and a Shawnee-led alliance in 1811. To appeal to voters, the Whigs focused on Harrison's war record. "Tippecanoe and Tyler too" became their campaign slogan. The Whigs created an image of Harrison as a "man of the people" from the western frontier. They presented him as a humble farmer and boasted that he had been born in a log cabin. In fact, Harrison was a wealthy, educated man who, at the time of the campaign, lived in a large mansion.

Harrison won the election. However, Whig hopes were dashed when, soon after taking office, President Harrison died of pneumonia. John Tyler then became President. President Tyler failed to live up to Whig expectations and opposed many Whig policies. In response, the Whigs threw Tyler out of their party just months after he took office.

**READING CHECK** **Identify Supporting Details** How did President Jackson attempt to slow the land speculation that led to the Panic of 1837?

**Analyze Images** In 1840, just as in the present time, political parties distributed campaign buttons, posters, flags, and other items to promote their party's candidate. **Synthesize Visual Evidence** What ideas from Harrison's campaign did these buttons represent?

## Lesson Check

### Practice Vocabulary

1. How was the **Nullification Act** justified by those who believed in **states' rights**?
2. How does an economic **depression** affect employment?
3. How is a **caucus** different from a **nominating convention**?

### Critical Thinking and Writing

4. **Infer** Why do you suppose Andrew Jackson supported Henry Clay's proposed compromise over nullification even though they had been enemies previously?
5. **Understand Effects** Why was it such a disaster for the nation when Andrew Jackson crippled the Second National Bank?
6. **Writing Workshop: Establish Setting** Write three or four sentences in your Active Journal describing what you see, hear, feel, and smell on a journey west during this time period. You will use these details in the narrative you will write at the end of the Topic. These details will make your narrative vivid and real for your readers.