Chapter 12
Jackson’s War on the Bank

When Congress voted to renew the charter, Jackson vetoed the renewal. Although the Supreme Court had ruled that the bank was constitutional, Jackson argued that it was not. He said it was a monopoly that favored the few at the expense of the many.

The bank became the main issue in the presidential campaign of 1832. The National Republican candidate, Henry Clay, called Jackson a tyrant. The Democrats portrayed Jackson as a defender of the people. When he won reelection, Jackson took it as a sign of approval for his war on the bank.

Jackson set out to destroy the bank before its charter ended. He had government funds deposited in state banks. Biddle fought back by making it harder for people to borrow money. He hoped the resulting economic troubles would force Jackson to return government deposits to his bank.

Instead, the people supported Jackson. Eventually the bank went out of business. Jackson had won the war, but the economy would suffer for it.

CRITICAL THINKING

Draw Conclusions
In what ways can the amount people spend affect businesses?

THE BUSINESS CYCLE

The pattern of ups and downs in the economy is called the business cycle.

Peak Consumer spending, employment, and business production are at a high.

Expansion Businesses increase production and hire more workers. Consumers spend more.

Recession Consumers spend less. Businesses lay off workers and cut spending. Profits decline. A severe and extended recession is called a depression.

Low Point Consumer spending, employment, and business production are at a low.

CONNECT to Language Arts

Create a Cause-and-Effect Chain
As a class, review the "Connecting Economics & History" feature on p. 410. Answer any questions students might have about the business cycle. Then have students create a cause-and-effect chain on the board. Have volunteers take turns drawing boxes with arrows in between them. Within the boxes, students should paraphrase each step of the business cycle. Finally, have students quiz each other by asking questions about the business cycle.

More About . . .

The 1832 Presidential Election

Jackson won reelection in 1832 with 55 percent of the popular vote while his leading opponent, Henry Clay, received just 42.4 percent. However, with the electoral voting system in place, Jackson’s victory was even more dramatic. Jackson received 219 electoral votes to just 49 votes in favor of Clay. As in the 1828 election, Jackson’s enormous popularity won over citizens in New York, Pennsylvania, and nearly every Southern state.

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**Prosperity to Panic** Because Jackson's state banks made it easier to borrow money, many people took out loans. The economy boomed. But the banks issued too much paper money, and the rise in the money supply made each dollar worth less. Inflation, or an increase in prices and a decrease in the value of money, was the outcome. To fight inflation, Jackson issued an order that required people to pay in gold or silver for public lands.

Jackson left office proud of the nation's prosperity. But it was puffed-up prosperity. Like a balloon, it had little substance. Jackson's popularity helped Van Buren win the presidency in 1836. A few months after Van Buren took office, a panic, or widespread fear about the state of the economy, spread throughout the country. It became known as the Panic of 1837.

People began exchanging paper money for gold and silver. Banks quickly ran out of gold and silver. A depression, or severe economic slump, followed. Almost all factories in the East closed. Jobless workers had no way to buy food or pay rent. People went hungry and became homeless.

**Summarize** Explain how Jackson destroyed the national bank.

*Answer: by vetoing its charter and having government funds deposited in state banks*

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**Connect to the Essential Question**

**What impact did Andrew Jackson's presidency have on the nation?**

<table>
<thead>
<tr>
<th>Event</th>
<th>Impact</th>
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<tbody>
<tr>
<td>Election of 1828</td>
<td>Voting rights expand; Jackson's win hailed as victory for the common people</td>
</tr>
<tr>
<td>Tariff of Abominations</td>
<td>Sectional tensions grow over tariffs and states' rights; Jackson opposes nullification; South Carolina nullifies tariffs and threatens to secede</td>
</tr>
<tr>
<td>Indian Removal Act of 1830</td>
<td>Thousands of Native Americans are removed from their homeland; Cherokees suffer on the Trail of Tears</td>
</tr>
<tr>
<td>Bank War</td>
<td>Jackson drives the Second Bank out of business; inflation rises</td>
</tr>
<tr>
<td>Election of 1836</td>
<td>Jackson's popularity and the nation's prosperity help Vice-President Van Buren win the presidency</td>
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</tbody>
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**Critical Thinking**

1. **Form and Support Opinions** What do you think was the most important issue in Jackson's presidency? Why?
2. **Evaluate** In what ways did Jackson continue to affect politics after his presidency had ended?

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**Differeniatiating Instruction: Tiered Activities**

**Objective** Write a letter to the editor that discusses the bank crisis and the depression that followed. The letter should be from the viewpoint of someone who lived at the time.

**Basic**

Using information from Section 3, students create an annotated time line of at least four events that led to the depression that followed the Panic of 1837. Students incorporate that information into a letter to the editor written by someone living either in the South, North, or West.

**On Level**

Using information from the chapter, have students write a letter to the editor that discusses the major events and personalities that led to the depression following the Panic of 1837. The writer should give examples of how the depression has affected his or her life.

**Challenge**

Using information from the chapter, reference books, and the Internet, students write a letter to the editor that gives more details on the battle between Jackson and Biddle over the bank. The writer should give his or her opinion on who, if anyone, is to blame for the depression that followed.

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**Critical Thinking Answer**

1. **Form and Support Opinions** Possible Answer: expanding voting rights, because that issue affected all future elections.

2. **Evaluate** Jackson's policies had long-term effects on the economy, Native American life, and political parties, and the American concept of democracy.
The Birth of the Whigs

**KEY QUESTION** In what ways did the Whig Party differ from the Democrats?

Van Buren faced a new political party in his campaign for reelection in 1840. The **Whig Party** had been formed by Henry Clay, Daniel Webster, and other Jackson opponents. It was named after a British party that opposed royal power. The Whigs opposed the concentration of power in the chief executive—whom they mockingly called “King Andrew” Jackson.

**Political Beliefs** The Whigs believed that Congress, not the president, represented the will of the people. They also blamed Van Buren for not doing more to help the economy during the panic. In 1840 the Whigs chose Van Buren won the 1836 election because of Jackson’s popularity, not for his own political beliefs; Van Buren lost the 1840 election because Jackson had lost popularity.

**The Election of 1840** The Whigs nominated Harrison, the hero of Tippecanoe and the War of 1812, because of his military record and his lack of strong political views. During the campaign, the Whigs emphasized personalities rather than political issues. They portrayed Harrison as a Western farmer against the wealthy Van Buren. Harrison won the election but he died shortly after his inauguration, and John Tyler became president. The election of 1840 showed the importance of the West in American politics.

**The Birth of the Whigs**

- **Why was Jackson nicknamed “King Andrew”?** (Whigs felt he wanted too much power.)
- **Sequence Events** List these presidents in the order they served: William Henry Harrison, Andrew Jackson, John Tyler, Martin Van Buren. (Jackson, Van Buren, Harrison, Tyler)
- ** TERMS & NAMES**
  1. Whig Party
  2. Panic of 1837
  3. depression
  4. William Henry Harrison
  5. John Tyler
- **USING YOUR READING NOTES**
  1. Explain the significance of
     - Whig Party
     - Martin Van Buren
     - Panic of 1837
     - William Henry Harrison
     - John Tyler
  2. Sequence Events Complete the diagram to show the major events of this section.
     - 1832 Jackson vetoes bank’s charter.
     - 1837 Panic of 1837.
     - 1840 Harrison wins the 1840 election.

**Critical Thinking**

5. Van Buren won the 1836 election because of Jackson’s popularity, not for his own political beliefs; Van Buren lost the 1840 election because Jackson had lost popularity.

6. Candidates may have to think up ways to motivate voters to come out; candidates may have to emphasize their personalities to attract voters; candidates may have to appeal to special interest groups who are already likely to vote.

7. Posters should be creative, attractive, persuasive; should incorporate campaign claims of the Whig Party or Democrats.

**SECTION 3 ASSESSMENT ANSWERS**

<table>
<thead>
<tr>
<th>TERMS &amp; NAMES</th>
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<tbody>
<tr>
<td>1. Martin Van Buren, p. 409; Panic of 1837, p. 411; depression, p. 411; Whig Party, p. 412; William Henry Harrison, p. 412; John Tyler, p. 412</td>
</tr>
</tbody>
</table>

**Using Your Reading Notes**

2. Events—Bank goes out of business, causing inflation; Panic of 1837 leads to an economic depression; depression, p. 411; Whig Party forms; Harrison wins the 1840 election.

**Key Ideas**

3. He felt it was a monopoly that favored the few (the wealthy) at the expense of the many.

4. As bank president, he made it harder for people to borrow money.

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