Chapter 9: Jackson and the Bank War
Objectives:

• We will examine Jackson’s Bank War and how it impacted the American Financial System.

• We will examine the Taney Court and decisions during this time in the Supreme Court worked to foster Jacksonian ideals and how it differed from the Marshall court.
1Ti_6:17  Charge them that are rich in this world, that they be not highminded, nor trust in uncertain riches, but in the living God, who giveth us richly all things to enjoy;
• Jackson was quite willing to use federal power against rebellious states and Indian tribes.
• He was the opposed in economic issues and the concentration of power of the Federal Government or in his view aristocratic institutions associated with it.
He vetoed a congressional measure to subsidy the proposed Maysville Road in Kentucky.

The bill was unconstitutional, Jackson argued, because the road in question lay entirely within Kentucky and was not considered interstate commerce.

Jackson thought it was extravagant expenditures.
Biddle’s Institution:

- The Bank of the U.S. in the 1830s was a mighty institution.
- By law the bank was the only place that the federal government could deposit its own funds; the government in turn owned one-fifth of the Bank’s stock.
- It provided credit to growing enterprises, it issued bank notes, which served as a dependable medium of exchange throughout the country; and it exercised a restraining effect on less well-managed state banks.
Biddle’s Institution:

- Nicholas Biddle who served as president of the Bank from 1823 on, had done much to put the institution on a sound and prosperous basis.
- Nevertheless, Jackson was determined to destroy it.
Biddle’s Institution:

- Opposition of the bank came from two very different groups. “soft-money” and “hard-money” factions.
- Advocates of soft money, were those who wanted more currency in circulation and believed that issuing bank notes unsupported by gold and silver was the best way to circulate more currency in circulation consisted largely of state bankers and their allies.
Biddle’s Institution:

- They objected to the Bank of the United States because it restrained the state banks from issuing notes freely.
- The hard-money people believed that gold and silver were the only basis for money.
- They condemned all banks that issued bank notes.
- The soft-money advocates were believers in rapid economic growth and speculation; the hard-money force embraced older ideas of “public virtue” and looked with suspicion, expression and speculation.
Biddle’s Institution:

- Jackson himself supported the hard money position.
- He was involved in land and commercial speculation involving paper credit but the Panic of 1797 caused him to fall deeply into debt and his business failed.
- He was suspicious of all banks and all paper currency.
But the president was sensitive to the complaints of many of the soft money supporters in the west and south.

Jackson made it clear that he was not in favor of renewing the charter of the Bank of the United States which was due to expire in 1836.
Biddle’s Institution:

- A Philadelphia aristocrat unaccustomed to politics, Biddle began granting financial favors to influential men who he thought might help him preserve the bank.
- In particular he turned to Daniel Webster who made him chief legal counsel and director of the Boston branch.
- They were also close personal friends.
- Webster was also a frequent heavy borrower from the bank also got the support of Henry Clay.
Biddle’s Institution:

- Clay, Webster, and other advisers persuaded Biddle to apply to congress four years before the charter expired in 1832 and force the vote then to become a major national election issue.
- Congress passed the re-charter bill and Jackson vetoed it.
- The banks supporters failed to override the veto.
- Clay made it a national election issue as he ran for president for the National Republican Party.
- However Clay lost handily to Jackson and the banks outcome was now doomed.
The Monster Destroyed:

- Jackson was determined to destroy the “monster” bank as quickly as possible.
- He could not legally abolish it before the charter expired but he tried to weaken it.
- He decided to remove the government’s deposits from the bank.
- Jackson fired two secretaries of treasury because they refused to do so until Jackson was able to appoint close friend and ally Roger B. Taney who served as Attorney General.
The Monster Destroyed:

- Deposits were now placed in a number of state banks (“Pet Banks”) instead of the Bank of the United States.
- Biddle called in loans and raised interest rates, explaining that without the government deposits, the Bank’s resources were stretched too thin.
- Biddle realized that his actions were likely to cause financial distress but he thought a short recession could persuade congress to re-charter the bank.
- The struggle now became more than policy but a personal battle between two proud men.
The Monster Destroyed:

- As financial conditions worsened in the winter of 1833 and 1834 supporters of the Bank blamed Jackson’s policies for the recession.
- But Jacksonians blamed the recession on Biddle.
- And when complaints were addressed to the president, Jacksonians responded by saying that they should go to Biddle.
- Finally Biddle contracted credit too far, even for his own allies in the business community who began to fear that in his effort to save his own bank he was threatening their interests.
- A group of New York and Boston merchants protested.
The Monster Destroyed:

- To appease the business community, Biddle at last reversed himself and began to grant credit in abundance and on reasonable terms.
- His vacillation and unpopular tactics ended his chances of winning a re-chartered bank.
- Jackson won and the Bank died in 1836, but the financial situation was left with a fragmented and chronically unstable banking system that would plague the economy for more than a century.
The Taney Court:

- With the Bank War over, Jackson moved against the most powerful institution of economic nationalism of all, the Supreme Court.

- In 1835, John Marshall died, the president appointed the new chief justice his trusted ally Roger B. Taney.
The Taney Court:

- Taney did not bring a sharp break in constitutional interpretation, but he gradually helped modify Marshall’s vigorous nationalism.

- In *Charles River Bridge v. Warren Bridge* of 1837, the case involved two Massachusetts companies over the right to build a bridge over the Charles River between Boston and Cambridge.
The Taney Court:

- One company had a long-standing charter from the state to operate a toll bridge and claimed that this charter guaranteed it a monopoly of the bridge traffic.
- Another company had applied to the legislature for authorization to construct a second, competing bridge that was toll free greatly reducing the value of the first company’s charter.
The first company contended that in granting the second charter the legislature was engaging in a breach of contract and noted that the Marshall Court in the *Dartmouth College* case and other decisions had ruled that states had no right to abrogate contracts.

Taney speaking for the Democratic majority on the court supported the right of Massachusetts to award the second charter.
The Taney Court:

- Holding that the object of government was to promote the general happiness, an object that took precedence over the rights of contract and property.

- A state therefore had the right to amend or abrogate a contract if such action was necessary to advance the well-being of the community.
The Taney Court:

- In this case, such abrogation was necessary because the original bridge company by exercising a monopoly was benefitting for unjustifiable privilege.

- While the first company were largely Boston aristocrats closely associated with Harvard, the challenging company was largely newer aspiring entrepreneurs whom Jackson and his allies identified with.
The Taney Court:

- The decision reflected a cornerstone of Jackson’s ideal:
- That the key to democracy was an expansion of economic opportunity which would not occur if older corporations could maintain monopolies and choke off competition from newer companies.
Chapter 9: Changing face of American Politics
Objectives:

- We will study the differences in party philosophy between the Democrats and the Whigs, the reasons for the Whig victory in 1840, and the effect of the election on political campaigning.
- We will study the causes of the Panic of 1837, and the effect of the panic on the presidency of Van Buren.
- We will examine the negotiations that led to the Webster-Ashburton Treaty, and the importance of the treaty in Anglo-American relations.
• Psa_118:9  It is better to trust in the LORD than to put confidence in princes.
Introduction:

- Jackson’s forceful tactics on first the nullification movement and then the national bank helped galvanize a political opposition.
- They called themselves Whigs after the party in England that had traditionally worked to limit the power of the king.
Democrats and Whigs:

- The two parties were different in their philosophies, constituencies, and in the character of the leaders.
- But they became increasing alike in the way they approached the process of electing their followers to office.
Democrats and Whigs:

- Democrats in the 1830s envisioned a future of steadily expanding economic and political opportunities for white males.
- The role of government should be limited.
- They should remove obstacles of opportunity and to avoid creating new ones.
- It meant defending the Union which Jacksonians believed was essential to the dynamic economic growth they favored.
Democrats and Whigs:

- It also meant attacking centers of corrupt privilege.
- Jackson himself in his farewell address stated that all classes should have their success depend on their own industry and economy.
Democrats and Whigs:

- Radical faction called the Locofoocos, mainly working small businessmen and professionals in the Northeast, sentiment was strong for vigorous even violent assault on monopoly and privilege far beyond Jackson.

- The Political philosophy called Whiggery was far different.
Democrats and Whigs:

- It favored the expanding the power of the federal government, encouraging industrial and commercial development, and knitting the country together into a consolidated economic system.
- Whigs embraced material progress and unlike Democrats were cautious of western expansion.
- Fearful that rapid territorial expansion would produce instability.
Democrats and Whigs:

- Their vision of America was of a nation embracing the industrial future and rising to world greatness as a commercial and manufacturing power.

- Thus, while democrats were inclined to oppose legislation establishing banks, corporations, and other modernizing institutions, Whigs generally favored such measures.
Democrats and Whigs:

- Whigs were strongest among the more substantial merchants and manufacturers of the Northeast.
- The wealthier planters of the South (they favored commercial development and strengthening ties with the North)
- And the ambitious farmers and rising commercial class of the West usually migrants from the Northeast who advocated internal improvements, expanding trade, and rapid economic progress.
Democrats and Whigs:

- The Democrats drew more support from smaller merchants and the workingmen of the Northeast:
- From southern planters suspicious of industrial growth; and from westerners usually with southerner roots who favored a predominately agrarian economy and opposed the development of powerful economic institutions in their region.
- Whigs tended to be wealthier than Democrats, to have more aristocratic backgrounds, and to be more commercially ambitious.
Democrats and Whigs:

- But Whig and Democrat politicians were more interested in winning elections than maintaining philosophical purity.
- Whigs worked to develop a popular following by making a connection to a movement known as Anti-Masonary.
- It emerged from a growing resentment of the Society of Freemasons, a secret society.
- Whigs seized on the Anti-Mason frenzy after an incident where William Morgan mysteriously disappeared before his tell all book on Free-Masonary would be published.
Democrats and Whigs:

- Whigs seized on the Anti-Mason frenzy to launch harsh attacks on Jackson and Van Buren.
- Van Burn and Jackson were both Freemasons implying that Democrats were part of the antidemocratic conspiracy.
- In the process, the Whigs presented themselves as opponents of aristocracy and exclusivity.
- They were attacking the Democrats on their own issues.
- Religious and ethnic divisions also played an important role in determining the constituencies of both parties.
Democrats and Whigs:

- Recent immigrant groups such as the German Catholics and Irish, who were the largest recent group of immigrants tended to support the Democrats.
- Immigrants supported Democrats because of their shared aversion to commercial development and entrepreneurial progress and who seemed to respect community-centered values and habits.
- Evangelical Protestants gravitated toward the Whigs because they associated the part with constant development and improvement, goals their own faith embraced.
Democrats and Whigs:

- The Whig Party was more successful at defining its positions and attracting a constituency than it was in uniting behind a national leader.
- No single person was ever able to command the loyalties of the party in the way the democrats did for Andrew Jackson.
- The Whigs divided their loyalty to three figures called the Great Triumvirate: Henry Clay, Daniel Webster, and John Calhoun.
Democrats and Whigs:

- Clay won support from many for those who favored his program for internal improvements and economic development in what he called “the American System.”
- But his image as a devious operator and his identification with the West proved to be a hindrance to be elected.
- He ran for president three times but never won.
Democrats and Whigs:

- Daniel Webster who was the greatest orator of his era won broad support with his passionate speeches in defense of the Constitution and the Union;
- But Webster’s close connection with the Bank of the United States, protective tariff, his reliance on rich men for financial support, and his fondness for brandy prevented him from having national support for him to be elected.
Democrats and Whigs:

- John C. Calhoun never considered himself a true Whig.
- He was disqualified from national leadership in any case.
- But he had tremendous strength in the South, supported a national bank, and shared with Clay and Webster a strong animosity toward Andrew Jackson.
Election of 1836:

- Democrats were united behind Andrew Jackson’s personal choice for president, Martin Van Buren.
- The Whigs could not agree on a single candidate.
- They ran several hoping to profit from its regional strength of each and hoped that the three candidates would draw enough votes for Van Buren not to get a majority and throw the election to the House of Representatives.
- Where the Whigs might be able to elect one of their own leaders.
Election of 1836:

- In the end, Van Buren won easily with 170 electoral votes to 124 for all his opponents combined.
Van Buren and the Panic of 1837

- Van Buren never reached Jackson’s popularity and his administration encountered economic difficulties that devastated the Democrats and helped the Whigs.
- Van Buren’s success was a result in part of a nationwide economic boom that reached its height in that year.
- Canal and Railroad builders were at peak activity.
Van Buren and the Panic of 1837

- Prices were rising, money was plentiful, and credit was easy as banks increased their loans and notes with little regard to their reserve of cash.
- The land business in particular was booming.
- Between 1835 to 1837 the government sold nearly 40 million acres of public land nearly three-fourths of it to speculators who purchased large tracts in hopes of reselling them at a profit.
Van Buren and the Panic of 1837

- These land sales, along with revenues the government received from the tariff of 1833 created a series of substantial federal budget surpluses and made possible a steady reduction of the national debt (Something Jackson had always advocated).

- From 1835-1837 the government for the first and only time in history was out of debt with a substantial surplus.
Van Buren and the Panic of 1837

- In 1836, Congress passed a “distribution” act requiring the Federal Government to pay its surplus funds to the states each year in four quarterly installments interest free, unsecured loans.

- No one expected the “loans” to be repaid.

- The states spent the money quickly, mainly to encourage construction of highways, railroads, and canals.

- The distribution of the surplus gave further stimulus for an economic boom.
Van Buren and the Panic of 1837

- Jackson was suspicious of paper currency and unhappy that government was selling good land and receiving various bank notes worth no more than the credit of the issuing bank.
- In 1836 before leaving office, he issued a presidential order called the “specie circular” where payment of public lands would be only accepted by gold or silver or certificates backed by gold or silver.
Van Buren and the Panic of 1837

- The payment of gold and silver certificates backfired and produced a financial panic where hundreds of banks and businesses failed when Van Buren took office.
- Unemployment grew.
- Bread riots broke out in large cities.
- Prices fell especially of land.
- Railroad and canal projects failed.
- Some of the debt burdened state governments cease to pay interest on their bonds and few repudiated their debts at least temporarily.
Van Buren and the Panic of 1837

- It was the worst depression in American history.
- It lasted for five years.
- It was a political catastrophe for Van Buren and the Democrats.
Van Buren and the Panic of 1837

- Both parties bore responsibility for the panic.
- But the depression was only partly the result of American policies.
- England and Western Europe were facing panics of their own, which caused Europe and especially English investors to withdraw funds from America, putting an added strain on American banks.
- A succession of crop failures on American farms reduced the purchasing power of farmers and required increased imports of food which sent more money out of the country.
Van Buren and the Panic of 1837

- The Van Buren Administration strongly opposed government intervention in the economy and did little to fight the depression.
- Some steps including borrowing money to pay government debts and accepting only specie for payment of taxes may have made things worse.
- Van Buren did succeed in establishing a ten-hour work day on all federal projects, by presidential order, but he had only a few legislative achievements.
Van Buren and the Panic of 1837

- The most important and controversial of them was the creation of a new financial system to replace the Bank of United States.
- Under Van Buren’s plan known as the “independent treasury.”
- The government would place its funds in an independent treasury at Washington and in sub-treasuries in other cities.
- No private banks would have the government’s money or name to use as a basis for speculation; the government and the banks would be “divorced.”
Van Buren and the Panic of 1837

- Van Buren called a special session of Congress in 1837 to consider the proposal which failed in the House.

- In 1840, the last year of Van Buren’s presidency the administration finally succeeded in driving the measure through both houses of Congress.
The Log Cabin Campaign:

- As the election of 1840 approached, the Whigs realized they would need to nominate one candidate for president if they had any hope for winning.

- They held their first national convention in Harrisburg, Pennsylvania in December 1839 and nominated William Henry Harrison and for Vice President, John Tyler.
The Log Cabin Campaign:

- The 1840 campaign was the first in which the new popular “penny press” carried news of the candidates to a larger audience of workers and tradespeople.
- It also illustrated how fully the concept of party competition, the subordinate of ideology to immediate political needs had established itself in America.
The Log Cabin Campaign:

- The Whigs represented the more affluent elements of the population, and they favored government policies that would aid business.
- But they presented themselves in 1840 as a party of the common people.
- So did the Democrats.
- Both parties used the same techniques of mass voter appeal, the same evocation of simple, rustic values.
- What mattered now was not philosophical purity of the party but its ability to win votes.
The Log Cabin Campaign:

- The Whigs were particularly effective in portraying William Henry Harrison a wealthy member of the frontier elite with a considerable estate, as a simple man of the people who loved log cabins and hard cider.

- They accused Van Buren as an aloof aristocrat drinking champagne and eating from gold plates.

- Democrats could not defend against the combination of these campaign techniques and the effects of the depression.

- Harrison won.
The Frustration of the Whigs:

- Unfortunately, William Henry Harrison died of pneumonia one month after taking office.
- Vice President Tyler succeeded him.
- Tyler had relatively weak ties to the Whig leadership.
- Tyler was a former Democrat who left the party in reaction to what he considered Jackson’s excessive egalitarian program and imperious methods.
The Frustration of the Whigs:

- Tyler did abolish Van Buren’s independent treasury system and raising tariff rates.
- But he refused to support Clay’s attempt to re-charter a bank of the United States and he vetoed several internal improvement bills that Clay and other congressional Whigs sponsored.
The Frustration of the Whigs:

- Ultimately all the Whig members of his cabinet resigned.
- Tyler appointed Calhoun to be part of his cabinet when Daniel Webster resigned.
- Calhoun had rejoined the Democratic party.
The Frustration of the Whigs:

- A new political alignment was emerging.
- Tyler and a small band of conservative southern Whigs were preparing to rejoin the Democrats.
- Joining the “common man’s party” of Jackson and Van Buren was a faction
- With decidedly aristocratic political ideals.
- Who thought that government had an obligation to protect and even expand the institution of slavery and who believed in state’s rights with almost fanatical devotion.
Whig Diplomacy:

- Series of incidents between the U.S. and Great Britain in the 1830s once again brought them to the brink of war.
- Residents of the Eastern provinces of Canada launched a rebellion against the British colonial government in 1837, and some of the rebels chartered an American steamship *The Caroline* to ship supplies across the Niagara River to them from New York.
Whig Diplomacy:

- British authorities in Canada seized the ship and burned it.
- Killing one American in the process.
- The British government refused either to disavow the attack or to provide compensation for it, and resentment in the U.S. ran high.
- British also were upset when a Canadian named Alexander McCleod was charged with the murder of the American who died in the incident.
Whig Diplomacy:

- The British government expressed rage and demanded his release because he was acting under official orders.
- Webster as secretary of state did not think McLeod was worth a war but he was powerless to release him.
- The prisoner was under New York jurisdiction and had to be tried in the state courts, a peculiarity of American jurisprudence that the British did not seem to understand.
Whig Diplomacy:

- A New York jury did what Webster could not, it defused the crisis by acquitting McLeod.
- Tensions also flared between the boundary between Canada and Maine which had been in dispute since the Treaty of 1783.
- In 1838, groups of Americans and Canadians, mostly lumberjacks began moving into the Aroostook River region that led to a violent brawl and became known as the “Aroostook War.”
Whig Diplomacy:

- Several years later there were yet another Anglo-American problem.
- In 1841, an American Ship the Creole sailed from Virginia from New Orleans with more than 100 slaves aboard.
- In route, the slaves mutinied, took possession of the ship and took it to the Bahamas.
- British officials there declared the slaves free, and the English government refused to overrule them.
- Many Americans especially Southerners were furious.
Whig Diplomacy:

- Great Britain with a new government coming in that wanted to reduce tension with the U.S. sent Lord Ashburton, an admirer of America to negotiate an agreement on the Maine boundary and other matters.
Whig Diplomacy:

- The result of his negotiations with Secretary of State Webster and representatives from Maine and Massachusetts was the Webster-Ashburton Treaty of 1842.
- It established a firm northern boundary between the U.S. and Canada along the Maine-New Brunswick border that survives to this day; the new border gave the U.S. a bit more than half of the previously disputed territory.
Whig Diplomacy:

- Other smaller provisions placated Maine and Massachusetts and protected critical trade routes in both the Northern United States and southern Canada.

- In a separate exchange of notes, Ashburton eased the memory of the *Caroline* and *Creole*, by expressing regret and promising no future interference with American ships.
Whig Diplomacy:

- Tyler’s administration saw the first diplomatic relations with China.
- In 1842 Britain forced China to open certain ports to foreign trade.
- Tyler and Congress were persuaded by American mercantile interests and Commissioner Caleb Cushing was sent to negotiate with China for trade.
Whig Diplomacy:

- Cushing secured most-favored nation provisions giving Americans the same privileges as the English.
- He also won for Americans right for extraterritoriality the right of Americans accused of crimes in China to be tried by American, not Chinese officials.
- In the next ten years, American trade with China steadily increased.
- Whigs were able to have some diplomatic successes but would lose the White House in 1844 and would win only one more national election in their history.