

# The Bank War and the Rise of the Second Party System

by Sophia



## WHAT'S COVERED

In this tutorial we'll examine ways in which, alongside the tariff, the national bank was an important platform of the American System advocated by John Quincy Adams and Henry Clay. Like the tariff, the national bank generated frustration and anger toward the elite privilege. This frustration and anger contributed to Andrew Jackson's rise to the White House. The controversy over whether to renew the charter of the national bank was another source of tension and conflict during the Jackson administration, the fallout of which solidified a new two-party system that influenced American politics until the eve of the Civil War.

Our discussion will break down like this:

## 1. The Bank of the United States

The Bank of the United States was a key pillar of the Federalist financial and manufacturing program outlined by Alexander Hamilton. In 1791, Congress established the Bank of the United States, but its 20-year charter expired in 1811. Swayed by Democratic-Republicans' hostility toward the bank as an institution that catered only to the wealthy elite, Congress chose not to renew the bank's charter at that time. However, in 1816, Congress approved a new national bank—the Second Bank of the United States—and its 20-year charter was set to expire in 1836.

Congress established the Second Bank of the United States in an attempt to stabilize the national banking system. More than 200 banks existed in the United States in 1816, and almost all of them issued paper money, with no guarantee that such money was backed by specie, or gold and silver. In other words, prior to the establishment of the Second Bank of the United States, citizens were faced with a bewildering amount of paper money that held no standard value.



### DID YOU KNOW

The overwhelming amount of paper money in the United States contributed to a financial depression known as the Panic of 1819.

Despite Congress's approval of the Second Bank of the United States, the bank's actions during the Panic of 1819 caused a great many people to view it as a tool for wealthy elites who profited off the failures of others. The Panic began when an overproduction in southern cotton caused banks in London to refuse an extension

of additional credit to the United States.

In response to England's actions, the Bank of the United States called in the loans it had made to various state banks. In turn, state banks called in their loans in order to pay their debts to the national bank, including loans they had extended to farmers and other ordinary citizens. Unable to pay their debts, a number of farmers lost their mortgaged properties. As the demand for goods and services declined, a number of producers laid off workers and went out of business. The Panic of 1819, which is better understood as the first significant economic depression in American history, persisted into the early 1820s. A number of Americans blamed the actions of the national bank to explain their own plight.

Andrew Jackson was among the harshest critics of the national bank, and frustration toward the bank among farmers and other common White Americans certainly contributed to the political atmosphere that prompted Jackson's rise as a national political figure. Jackson was particularly concerned about the over-issue of paper money and he believed that "hard currency," meaning gold or silver, was a better alternative. The president also personally disliked the bank's director, Nicholas Biddle of Pennsylvania.

Nicholas Biddle became director of the Bank of the United States in 1823. Much like Jackson, Biddle was a strong-willed individual unwilling to back down from any fight.

➔ **EXAMPLE** While testifying before a congressional committee in 1832, Biddle went so far as to claim that the Bank of the United States had the power to "destroy" any state bank.

Such statements by Biddle, combined with his personality, led Jackson and others to question whether the Bank of the United States possessed too much power. Some even called it a "**monster bank**."



#### TERM TO KNOW

##### **Monster Bank**

The term Democratic opponents used to denounce the Second Bank of the United States; to opponents, the bank represented an institution that used its political influence for the sole benefit of elite merchants, businessmen, and speculators.

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## 2. The Bank War

The future of the Bank of the United States came to a head in 1832, which was a presidential election year.

Andrew Jackson's political opponents, who included Nicholas Biddle as well as Henry Clay in Congress, hoped to use their support of the bank to their advantage in the upcoming election. In December 1831, a political coalition nominated Henry Clay to run against Jackson for the presidency. In January 1832, Clay and his supporters introduced legislation to recharter the Bank of the United States, even though the original charter was not scheduled to expire until 1836.

In the end, personal rivalries and politics lay at the heart of what came to be known as the Bank War. Biddle, Clay, and his supporters were convinced that the bank was popular among the voters and they assumed that Jackson would not dare veto the bill. Jackson, meanwhile, considered the bill a personal attack. He knew that the Bank of the United States could use its resources to support his political opponents if he chose to veto the bill.

When the bill for rechartering the Bank of the United States passed Congress and arrived on President Jackson's desk, he used his executive authority to **veto** the measure.

## Veto

The power of the President to reject legislation passed by Congress.

Jackson's veto message demonstrated his ability to focus on a specific issue—in this case, the national bank—to arouse the democratic majority. Jackson understood people's anger and distrust toward the bank, which stood as an emblem of special privilege and big government. He skillfully used that perception to his advantage, presenting the bank issue as a struggle of ordinary people, or "the humble members of society—the farmers, mechanics, and laborers"—as Jackson put it, against a rapacious elite class who cared nothing for the public and pursued only their own selfish ends. As Jackson portrayed it, his was a battle for small government and ordinary Americans. He argued that the Constitution did not authorize the concentration of political power and economic influence in an entity such as the Bank of the United States.

After Jackson's veto, the rechartering bill returned to the Senate. However, supporters of the bill were unable to gain the necessary two-thirds majority vote to override the veto, which ensured the death of the Bank of the United States.

Jackson's stand against the "monster bank" proved incredibly popular, and the Democratic presses lionized him for it. For instance, examine the political cartoon below:



In *General Jackson Slaying the Many Headed Monster* (1836), the artist, Henry R. Robinson, depicts President Jackson using a cane marked “Veto” to battle a many-headed snake. The snake’s many heads represented the state banks, which supported the Bank of the United States, while the largest head in the middle of the image is that of Nicholas Biddle. Jackson battles alongside Martin Van Buren (who replaced John C. Calhoun as Jackson’s vice-president after the 1832 election) and Jack Downing (a representation of the common man). Jackson addresses Biddle: “Biddle thou Monster Avaunt [go away]!! . . .”



#### THINK ABOUT IT

How did this cartoon reinforce the negative perception toward banks held by many of Jackson's supporters?



#### DID YOU KNOW

Jackson went on to defeat Henry Clay in the 1832 election, receiving 53 percent of the popular vote and 219 electoral votes, compared to 49 for Clay.

Jackson's veto of the rechartering bill was only one part of his war against the Bank of the United States. In 1833, he authorized the removal of federal deposits from the national bank and their placement in state banks. To no surprise, personal and political connections often influenced the location of these deposits into "pet banks," as Jackson's critics called them. Jackson also relied on key allies to carry out his war.

When two secretaries of the treasury refused to carry out Jackson's order—believing they could not remove federal funds without explicit directions from Congress—Jackson removed the secretaries from office and appointed Roger B. Taney, a loyal Democrat from Maryland who was currently the Attorney General, to the post. Not only did Taney carry out Jackson's order, Jackson later appointed Taney chief justice of the Supreme Court, upon the death of John Marshall in 1835.



#### BRAINSTORM

Compare Jackson's conduct during the Bank War with his actions during the Nullification Crisis. What explains his motivations during each controversy?

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## 3. The Aftermath of the Bank War and the Panic of 1837

Without its federal deposits, the Bank of the United States was unable to regulate the activities of the state banks. In turn, the state banks continued to print, distribute, and accept more paper money. In 1836, the federal government sold 20 million acres of western land to settlers and speculators, much of which was paid for in paper money that was not backed by specie (gold or silver). In response, Jackson issued the **Specie Circular**.



#### TERM TO KNOW

##### **Specie Circular**

Issued by Andrew Jackson in 1836, it required that western land sales be conducted using gold or silver only.

Unfortunately, Jackson's response was part of a series of events that contributed to another economic crisis similar to the Panic of 1819:

- Suspicious toward the value of the money that state banks were issuing, the Bank of England (the source of much of the specie borrowed by American investors) cut back on its loans to the United States. The Bank of England also demanded that American investors pay back pre-existing loans in specie only.
- In order to pay back their loans to the Bank of England, American investors drained the gold and silver from their own banks, which made specie scarce in the United States.
- An economic depression in England limited demand for American cotton, causing a decline in cotton



prices and exports.

Altogether, these forces contributed to a financial crisis known as the Panic of 1837, and the United States would experience an economic depression until 1843. Thousands of workers lost their jobs and a number of farmers lost their land because they were unable to pay their debts.



#### DID YOU KNOW

By 1842, nine states had defaulted on their debts.

## 4. Whigs

Jackson's Bank War and his Specie Circular, combined with his conduct during the Nullification Crisis, helped galvanize his political opposition into a new party called **Whigs**.



#### TERM TO KNOW

### Whigs

A political party that emerged during the 1830s in opposition to Andrew Jackson's policies, especially those that suggested an abuse of executive powers.

The name of this new party was significant. Opponents of Jackson saw him as exercising tyrannical power. So they chose the name Whig to describe their coalition, which was a reference to the English political tradition and the American Revolution. During the Glorious Revolution of 1688-1689, English Whigs rebelled against the absolute monarchy of King James II. Likewise, during the American Revolution, a number of revolutionaries applied the same term to describe their resistance to King George III. The term "Whig," then, signified one's opposition to too much power concentrated in the hands of one person.

One popular political cartoon from 1833, which dubbed the president "King Andrew the First" and displayed Jackson standing on the Constitution, reinforced Whig sentiments.

Underneath Jackson's feet, the U.S. Constitution has been torn to shreds. Pennsylvania's coat of arms (where the Bank of the United States was located) also lies tattered beneath his feet. He holds a veto in his left hand and a scepter in his right while dressed in royal regalia.



#### BRAINSTORM

Compare this cartoon with the previous image depicting Jackson in battle against the "monster bank." In

## 5. Rise of the Second Party System

Thus, by the end of Andrew Jackson's administration, a new two-party system had emerged in American politics: the **Second Party System**.



### TERM TO KNOW

#### Second Party System

The system in which the Democratic and Whig Parties were the two main political parties.

The Democratic and Whig parties effectively replaced the older Federalist and Democratic-Republican parties. For the next three decades, both parties jockeyed for election victories and commanded the steady loyalty of political partisans. The growth of these political coalitions was a reflection of broader democratizing impulses in American society, most notably the expansion of the franchise among White males. Large-scale presidential campaign rallies and emotional propaganda became the order of the day, and voter turnout for local, state, and national elections increased dramatically. Moreover, for a time at least, the Second Party System allowed American politics to transcend sectional tensions, as both parties featured members throughout the United States.

The differences between the parties were ideological and economic in nature, rather than sectional. See the table below for details about the beliefs of each party.

	Whigs	Democrats
Ideas about the federal government:	<ul style="list-style-type: none"> <li>--Advocated accelerated economic growth and endorsed federal support of internal improvements.</li> <li>--Espoused a "spirit of improvement" that embraced new inventions as well as various social and moral causes.</li> </ul>	<ul style="list-style-type: none"> <li>--Did not view the federal government as an engine for economic growth.</li> <li>--Advocated a smaller role for the national government.</li> <li>--Government was supposed to promote personal liberty, free and fair competition, and opportunity for all White men.</li> </ul>
Catered to:	<ul style="list-style-type: none"> <li>--The wealthy and middle classes (i.e. bankers, businessmen, merchants).</li> <li>--Commercial farmers and artisans.</li> <li>--Reformers of various causes (i.e. temperance, abolition).</li> </ul>	<ul style="list-style-type: none"> <li>--The so-called "common man," or White males in rural areas or White urban workers, all of whom remained suspicious toward corporate interests and federal power.</li> </ul>
Member Characteristics:	<ul style="list-style-type: none"> <li>--Prominent planters in the South and wealthy and middle-class urban northerners who embraced capitalism in the United States.</li> </ul>	<ul style="list-style-type: none"> <li>--Presented themselves as the defenders of the "common man."</li> <li>--Considered themselves the heirs of Thomas Jefferson and the ideals associated with his "empire of liberty."</li> </ul>

--Reformers who sought to improve the lives of those victimized by capitalism through initiatives such as the temperance movement.

--Looked to a man like Andrew Jackson, who implemented policies on behalf of the common man, as the ideal leader.



## SUMMARY

Andrew Jackson's presidency exemplified the rise of American democracy and the creation of a new political coalition: the Democratic Party. Jackson understood the views of the majority, the so-called "common man," and, as seen during the Bank War, he skillfully used the popular will to his advantage. However, his actions also encouraged political opponents to create a party of their own, the Whigs. By the time Andrew Jackson left the presidency in 1836, the Second Party System was emerging. With bases of support situated throughout the United States, the Whigs and Democrats jockeyed over political control for the next three decades and, for a time at least, avoided the sectional tensions that had once threatened to paralyze the nation.

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## TERMS TO KNOW

### Monster Bank

The term Democratic opponents used to denounce the Second Bank of the United States; to opponents, the bank represented an institution that used its political influence for the sole benefit of elite merchants, businessmen, and speculators.

### Second Party System

The system in which the Democratic and Whig Parties were the two main political parties.

### Specie Circular

Issued by Andrew Jackson in 1836, it required that western land sales be conducted using gold or silver only.

### Veto

The power of the President to reject legislation passed by Congress.

### Whigs

A political party that emerged during the 1830s in opposition to Andrew Jackson's policies, especially

those that suggested an abuse of executive powers.



## DATES TO KNOW

**1791**

Congress establishes the Bank of the United States.

**1811**

The Bank of the United States is disbanded.

**1816**

Congress establishes the Second Bank of the United States for another 20 years.

**1819**

The Panic of 1819 is the first significant economic depression in American history.

**1828**

Andrew Jackson is elected president.

**1832**

Henry Clay introduces legislation to recharter the Bank of the United States, 4 years before its expiration.

**1832**

Andrew Jackson vetoes Henry Clay's Bank bill; Andrew Jackson is elected to a second term as president.

**1833**

Andrew Jackson authorizes the removal of federal deposits from the national bank.

**1836**

Andrew Jackson issues the Specie Circular; the Second Bank of the United States expires; the Second Party System emerges.

**1837**

The Panic of 1837 lasts until 1843.