

# 4 Prosperity and Panic

## TERMS & NAMES

inflation  
 Martin Van Buren  
 Panic of 1837  
 depression  
 Whig Party  
 William Henry  
 Harrison  
 John Tyler

### MAIN IDEA

Jackson's policies caused the economy to collapse after he left office and affected the next election.

### WHY IT MATTERS NOW

The condition of the economy continues to affect the outcomes of presidential elections.

## ONE AMERICAN'S STORY

Nicholas Biddle was the kind of person that Andrew Jackson neither liked nor trusted. Biddle was wealthy, well educated, and came from a socially prominent Philadelphia family. He was also the influential president of the powerful Second Bank of the United States—the bank that Jackson believed to be a monster of corruption. Jackson declared war on Biddle and the bank during his 1832 reelection campaign. But Biddle felt sure of his political power.

### A VOICE FROM THE PAST

I have always deplored making the Bank a [political] question, but since the President will have it so, he must pay the penalty of his own rashness. . . . [m]y hope is that it will contribute to relieve the country of the domination of these miserable [Jackson] people.

Nicholas Biddle, from a letter to Henry Clay dated August 1, 1832

For his part, Jackson vowed to “kill” the bank. In this section, you will read about his war on the bank and its effect on the economy.

## Mr. Biddle's Bank

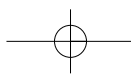
The Second Bank of the United States was the most powerful bank in the country. It held government funds and issued money. As its president, Nicholas Biddle set policies that controlled the nation's money supply.

Although the bank was run efficiently, Jackson had many reasons to dislike it. For one thing, he had come to distrust banks after losing money in financial deals early in his career. He also thought the bank had too much power. The bank made loans to members of Congress, and Biddle openly boasted that he could influence Congress. In addition, Jackson felt the bank's lending policies favored wealthy clients and hurt the average person.

To operate, the bank had to have a charter, or a written grant, from the federal government. In 1832, Biddle asked Congress to renew the bank's charter, even though it would not expire until 1836. Because 1832 was an election year, he thought Jackson would agree to renewal rather than risk angering its supporters. But Jackson took the risk.



Nicholas Biddle was the president of the powerful Second Bank of the United States, located in Philadelphia.



## Jackson's War on the Bank

When Congress voted to renew the bank's charter, Jackson vetoed the renewal. In a strongly worded message to Congress, Jackson claimed the bank was unconstitutional. He said the bank was a monopoly that favored the few at the expense of the many. The Supreme Court earlier had ruled that the bank was constitutional. But Jackson claimed elected officials had to judge the constitutionality of a law for themselves. They did not need to rely on the Supreme Court. His veto message also contained this attack on the bank.

### Vocabulary

**monopoly:** a company or group with complete control over a product or service

### A VOICE FROM THE PAST

It is to be regretted that the rich and powerful too often bend the acts of government to their selfish purposes. . . . Distinctions in society will always exist under every just government. . . . [B]ut when the laws undertake to . . . make the rich richer and the potent more powerful, the humble members of society . . . have a right to complain of the injustice of their Government.

Andrew Jackson, veto message, July 10, 1832

### Reading History

#### A. Analyzing Points of View

What reasons did Jackson have for wanting to destroy the Second Bank of the United States?

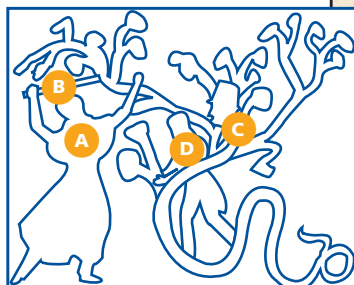
Jackson's war on the bank became the main issue in the presidential campaign of 1832. The National Republican Party and its candidate, Henry Clay, called Jackson a tyrant. They said he wanted too much power as president. The Democrats portrayed Jackson as a defender of the people. When he won reelection, Jackson took it as a sign that the public approved his war on the bank.

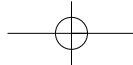
In his second term, Jackson set out to destroy the bank before its charter ended in 1836. He had government funds deposited in state banks, which opponents called Jackson's "pet banks." Biddle fought back by making it harder for people to borrow money. He hoped the resulting economic troubles would force Jackson to return government deposits to the bank. Instead, the people rallied to Jackson's position. Eventually, the bank went out of business. Jackson had won the war, but the economy would be a victim.

### Jackson Fights the Second Bank

In this political cartoon, Jackson fights the many-headed monster—the Second Bank of the United States and its branches—with a cane labeled "VETO."

- A** President Jackson
- B** Cane labeled "VETO"
- C** Nicholas Biddle
- D** Vice-President Van Buren





## Prosperity Becomes Panic

Most of the nation prospered during Jackson's last years in office. Because it was easier to borrow money, people took out loans to buy public lands, and the economy boomed. But the "pet banks" issued too much paper money. The rise in the money supply made each dollar worth less. As a result, prices rose. **Inflation**, which is an increase in prices and 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.

### America's HERITAGE

#### POLITICAL PARTIES

Today's Democratic and Republican parties were born more than a century ago. Andrew Jackson's supporters first called themselves Democratic-Republicans. But in the 1830s, they became known simply as Democrats. They stood for states' rights and saw themselves as defenders of the common people. The modern Republican Party was formed in 1854 as the successor to the Whig Party, founded in 1834.

In the Jackson era, political parties campaigned for their candidates by staging parades and rallies. Participants often carried banners like the one below with a log cabin, the symbol for the campaign of William H. Harrison in 1840.

Jackson left office proud of the nation's prosperity. But it was a puffed-up prosperity. Like a balloon, it had little substance. Because of Jackson's popularity, his vice-president, **Martin Van Buren**, was elected president in 1836. Within a few months after Van Buren took office, a panic—a widespread fear about the state of the economy—spread throughout the country. It became known as the **Panic of 1837**.

People took their paper money to the banks and demanded gold or silver in exchange. The banks quickly ran out of gold and silver. When the government tried to get its money from the state banks, the banks could not pay. The banks defaulted, or went out of business. A **depression**, or severe economic slump, followed.

The depression caused much hardship. Because people had little money, manufacturers no longer had customers for their goods. Almost 90 percent of factories in the East closed in 1837. Jobless workers had no way of buying food or paying rent. People went hungry. They lived in shelters or on the streets, where many froze in the winter. Every section of the country suffered, but the depression hit hardest in the cities. Farmers were hurt less because they could at least grow their own food. The depression affected politics, too.

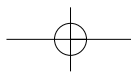
#### ReadingHistory

**B. Recognizing Effects** What were the short-term and long-term effects of Jackson's war on the bank?



## The Rise of the Whig Party

In the depths of the depression, Senators Henry Clay and Daniel Webster argued that the government needed to help the economy. Van Buren disagreed. He believed that the economy would improve if left alone. He argued that "the less government interferes with private pursuits the better for the general prosperity." Many Americans blamed Van Buren for the Panic, though he had taken office only weeks before it started. The continuing depression made it almost impossible for him to win reelection in 1840.



Van Buren faced a new political party in that election. During Jackson's war on the national bank, Clay, Webster, and other Jackson opponents had formed the **Whig Party**. 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. In 1840, the Whigs chose **William Henry Harrison** of Ohio to run for president and **John Tyler** of Virginia to run for vice-president.

### ReadingHistory

#### C. Making

**Inferences** Why did the Whigs want to nominate a candidate like Harrison, who did not have strong political views?

The Whigs nominated Harrison largely because of his military record and his lack of strong political views. Harrison had led the army that defeated the Shawnees in 1811 at the Battle of Tippecanoe. He also had been a hero during the War of 1812. The Whigs made the most of Harrison's military record and his nickname, “Old Tippecanoe.” The phrase “Tippecanoe and Tyler too” became the Whig election slogan.

## The Election of 1840

During the 1840 election campaign, the Whigs emphasized personalities more than issues. They tried to appeal to the common people, as Andrew Jackson had done. Harrison was the son of a Virginia plantation owner. However, because he had settled on a farm in Ohio, the Whigs said Harrison was a true Westerner. They used symbols of the frontier, such as a log cabin, to represent Harrison. The Whigs contrasted Harrison with the wealthy Van Buren. Harrison won in a close election.

At his inauguration, the 68-year-old president spoke for nearly two hours in cold March weather with no hat or coat. Later, he was caught in the rain. He came down with a cold that developed into pneumonia. On April 4, 1841, one month after being inaugurated, Harrison died—the first president to die in office. Vice-President Tyler became president.

The election of 1840 showed the importance of the West in American politics. In the next chapter, you'll learn more about the lure of the West and the westward expansion of the United States.

### Section 4 Assessment

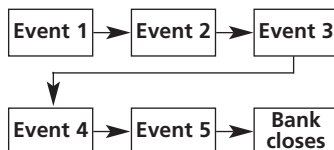
#### 1. Terms & Names

**Explain the significance of:**

- inflation
- Martin Van Buren
- Panic of 1837
- depression
- Whig Party
- William Henry Harrison
- John Tyler

#### 2. Taking Notes

Use a diagram to list the events that led to the closing of the Second Bank of the United States.



What was the most significant event?

#### 3. Main Ideas

- Why did Jackson declare war on the Second Bank of the United States?
- How did Jackson kill the bank?
- What role did Jackson's popularity play in the elections of 1836 and 1840?

#### 4. Critical Thinking

**Comparing** What strategy did the Whig Party use in the 1840 election?

#### THINK ABOUT

- how Harrison was portrayed
- what group of voters it was trying to attract

#### ACTIVITY OPTIONS

#### LANGUAGE ARTS

#### ART

Imagine yourself as a presidential candidate in 1840. Focusing on the economy as an issue, write a campaign **slogan** or create a **banner** to rally support.