

Prosperity and Panic

In this section, you will learn about the economic problems President Jackson faced.

2nd Bank of United States

The Bank of the United States was the most powerful bank in the country. Its president, Nicholas Biddle, set policies that controlled the country's money supply. President Jackson disliked the bank. He thought it had too much power. He felt that the bank's policies favored wealthy people and hurt the average person.

To operate, the bank needed a *charter* from the federal government. Its charter was scheduled to expire in 1836. But Biddle asked Congress to renew it in 1832. That was an election year. Biddle thought that Jackson would agree to the renewal and not risk being defeated. But Jackson took the risk.

Jackson's War on the Bank Jackson vetoed Congress's renewal of the bank's charter. He said the bank was unconstitutional. The Supreme Court had ruled that the bank was constitutional. But Jackson claimed that elected officials could judge whether a law was constitutional for themselves. They did not have to rely on the Court.

Jackson's opposition to the bank was a major issue in the 1832 election. The people agreed with Jackson. After Jackson won, he set out to destroy the bank. He took federal money out of the national bank and put it in state banks. As a result, the national bank went out of existence.

1. What were the TWO reasons President Jackson opposed the Second Bank of the United States?

2. How did Jackson "destroy" the national bank?

Prosperity Becomes Panic

Most of the nation prospered during Jackson's last years in office. But many of the banks that Jackson had put money into during the bank war issued too much paper money. The increase in the supply of money made each dollar worthless. So the prices of goods rose. This resulted in **inflation**, or an increase in prices and a decrease in the value of money.

The nation seemed prosperous when Jackson left office. But it was a false prosperity. Jackson's vice-president, **Martin Van Buren**, won the 1836 presidential election. Shortly after he took office, a **panic** spread over the country. It became known as the **Panic of 1837**.

People took their paper dollars to the banks and wanted them exchanged for gold and silver. But the banks could not pay in gold or silver, and many banks failed. The nation's money system collapsed. A **depression**, or a deep economic slump, set in. Every part of the country suffered. But the depression hit the cities the hardest.

3. How did inflation fuel the Panic of 1837?

4. What is a depression?



The Rise of the Whig Party; The Election of 1840

President Van Buren lost the 1840 election because many people blamed him for the depression. During that election, he faced a new political party, the **Whig Party**. This party originally was formed by Jackson's opponents. It was opposed to a president having too much power. The Whigs thought Jackson had too much power. In fact, they called him "King Andrew."

The Whigs chose **William Henry Harrison** to run for president in 1840. They picked **John Tyler** to run for vice-president.

The Whigs stressed the personality of their candidate and not his stand on issues. They tried to appeal to common people. Because Harrison settled on a farm in Ohio, the Whigs called him a **Westerner**. Their campaign worked. Harrison won the election. The election showed the importance of the West in American politics.

At his inauguration, Harrison, who was an old man, spoke in cold weather for nearly two hours. He came down with a cold that developed into pneumonia. He died one month after being inaugurated. Tyler became president.

5. What caused the Whig Party to form?

6. Skillbuilder Use the political cartoon at the left to answer the question. How does this political cartoon support the Whigs' position that President Jackson had too much power?
