Disagreement over a National Bank

Do you know what a hydra is? If you have studied Greek mythology, you may have come across a story about a hydra and a superhuman hero named Hercules. In the story, the hydra is a snakelike monster with many heads. It appears to be indestructible. Every time Hercules cuts off one of the hydra’s heads, another grows in its place. What a nightmare!

During Andrew Jackson’s first term as president, he believed this nightmare had come to life in the form of the Second Bank of the United States. The Second Bank of the United States was a bank run by the government that could control the country’s money supply and interest rates. Jackson was strongly against having a national bank. In his usual dramatic style, President Jackson exclaimed that the bank was a “hydra of corruption.” Like the mythical Hercules, the president eventually conquered his hydra. But was his triumph good or bad for the nation? Many people in the United States supported Jackson. Others took the opposite stand, saying the bank had kept the nation’s money supply from wildly changing in value. They also said the bank helped create a healthy economy.

The argument was all too familiar to many people. In 1791, the charter of the First Bank of the United States had also split the nation. A charter is a document that gives permission for a new organization. The charter also outlines the rights of that organization. Those opposed to the bank’s charter won the dispute in 1811. That’s the year the bank’s charter ended. Henry Clay of Kentucky stood in the Senate chamber and spoke fiercely against renewing the charter, calling it a threat to people’s liberties. He thought the creation of the bank was unconstitutional and that the bank itself had too much power. He and the other bank critics won the fight. Congress voted against renewing the charter. That seemed to be the end of the issue.
Yet just five years later, a Second Bank of the United States was chartered. And guess who rose to his feet on the floor of Congress to speak again on the matter? Henry Clay! This time, however, he spoke in favor of the bank. He said he saw a national bank as “not only necessary, but indispensably necessary.” He had completely changed his view, and he knew people would criticize him for it. So Clay published an address to the people of his state in the Kentucky Gazette explaining why he had changed his mind about the bank. He said that great changes had taken place, and he went on to discuss alarming consequences of these changes. What was Clay talking about?

Supporters and Opponents of the Second Bank
Clay was talking about the War of 1812, which had once again plunged the nation into debt. Consequences of the war included inflation, which meant that prices rose sharply and money was worth less and less. Without a national bank, private state banks issued paper notes that were backed by only a limited amount of gold and silver. As a result, the notes’ values rose and fell, damaging the economy. Henry Clay warned that the currency was in a very risky state.

To address these issues, Congress created the Second Bank of the United States. Congress gave the Second Bank a 20-year charter. By the late 1820s, it had improved its reputation somewhat. Its new president, Nicholas Biddle, was able to soothe the hostility many had felt toward the bank. In addition, in 1819 the Supreme Court ruled that Congress had acted within its powers when it created the bank. Industrialists and large business owners were glad. They liked the bank and believed it stabilized the economy.

The bank still had its opponents, however. When a financial panic struck the nation in 1819, many people blamed the bank. Andrew Jackson began to distrust the bank when a land deal fell through. He tried to make the deal with paper bank notes instead of silver or gold. The bank had produced too many paper notes, however, and he ended up with worthless paper bank notes. Jackson believed the national bank’s policies were largely to blame for problems with credit, or the
ability to get something before paying for it. For example, the bank changed its rules about borrowing money, which made it harder for people to get loans. As a result, westerners and southerners disliked the banks. They needed loans for farms and small businesses.

**The Bank War**
In 1832, Henry Clay, Daniel Webster, and Nicholas Biddle made a bold move. Senators Clay and Webster introduced a bill in Congress to recharter the bank. The original charter did not end until 1836, but the men thought they could pressure President Jackson by raising the issue in an election year. Jackson wanted another term. Surely he would not risk angering industrialists and business owners who favored the bank by vetoing, or rejecting, its recharter.

As the debate raged in Congress over the bank, Jackson fumed from the White House. He disliked Henry Clay, and he hated the bank. Clay, he felt, put his own interests above those of the nation. Jackson thought the bank was unconstitutional and believed it put too much power in the hands of wealthy people. Jackson was determined to end the national bank.

**The Bank Defeated**
True to his word, Jackson defeated the bank. He vetoed the bill, defying those who insisted he wouldn’t do so in an election year. In his veto message, he said:

> It is to be regretted that the rich and powerful too often bend the acts of government to their selfish purposes. . . . [W]hen the laws undertake . . . to make the rich richer and the potent more powerful, the humble members of society, the farmers, mechanics, and laborers, who have neither the time nor the means of securing like favors to themselves, have a right to complain of the injustice of their government. There are no necessary evils in government. Its evils exist only in its abuses. If it would confine itself to equal protection, and, as Heaven does its rains, shower its favors alike on the high and the low, the rich and the poor, it would be an unqualified blessing.
Those who supported the bank on the grounds that it was needed to stabilize the money supply and the overall economy were horrified. An editorial in the *Boston Daily Advertiser* summed up the feelings of many when it called the bank one of the most important tools used in government administration.

The majority of citizens, however, backed Jackson. They re-elected him to the presidency in a landslide over his opponent, Henry Clay. Now that he felt he had the support of the people, Jackson soon went even further. He pulled all federal money out of the Bank of the United States. He had it deposited in state banks across the nation. His actions led Nicholas Biddle to take revenge by making it harder for businesses to get loans. By the end of 1833, the nation was sunk in an economic recession, or a period of decline in trade and employment. Four years later the Panic of 1837 began a serious economic depression. The nation was not on sound financial footing again until the mid-1840s.

After all the fighting and disagreements, no one made much fuss when the Bank’s charter expired in 1836. Today, economists still debate whether Jackson’s actions resulted in the Panic of 1837. They also discuss whether the Second Bank of the United States was good or bad for the country. Good or bad, though, one thing is certain: Andrew Jackson killed his hydra and changed the landscape of American politics. Vetoing the bank allowed Jackson to voice his opinion that the bank was not constitutional. His veto also angered many people who later united to form the Whig party.
After reading the passage, answer the following questions:

1. Which of the following groups supported the Second Bank of the United States?
   A. westerners
   B. southerners
   C. industrialists
   D. farmers

2. What is one event that led Henry Clay to change his mind about the national bank?
   A. The War of 1812 brought debt and inflation.
   B. The position of bank president was offered to Clay.
   C. The Panic of 1837 caused unemployment.
   D. The Whig Party gained political power.

3. What is inflation?
   A. a period of widespread unemployment
   B. the ability of the president to reject a bill
   C. a rise in prices and a decline in the value of money
   D. the expansion of the powers of Congress

4. Why do you think the cartoonist of “King Andrew the First” showed President Andrew Jackson trampling on the United States Constitution? Provide details from the reading passage to support your answer.