

States' Rights and the Economy

Objectives

- Describe the disagreement over the Bank of the United States.
- Discuss the differing viewpoints on the balance of federal and state powers.
- Explain why South Carolina threatened to secede from the Union.
- Describe the economic crisis that began in 1837.

Reading Skill

Identify Multiple Causes Just as events can have multiple effects, so too can they have multiple causes. Major events in history often have many causes. As you read Section 5, look for events that have multiple causes.

Key Terms and People

nullification	William Henry Harrison
Martin Van Buren	

Why It Matters The issue of states' rights versus the power of the federal government had been debated since the founding of the United States. The debate became more urgent when Americans disagreed on important economic measures.

Section Focus Question: How did old issues take a new shape in the conflict over a national bank and tariffs?

The Bank War

Between 1816 and the early 1830s, the second Bank of the United States earned strong support from business people. They liked the fact that the Bank made loans to businesses. Moreover, the Bank was a safe place for the federal government to keep its money. The paper money it issued formed a stable currency. Its careful policies helped create confidence in banks all over the country.

On the other hand, many Americans disliked the Bank. They opposed the way the Bank restricted loans made by state banks. Fearing that state banks were making too many loans, Bank directors often limited the amount of money banks could lend. This angered farmers and merchants who wanted to borrow money to buy land. Many southerners and westerners blamed the Bank for the economic crisis that broke out in 1819. In that crisis, many people lost their farms.

The Bank's most powerful enemy was Andrew Jackson, who called the Bank "the Monster." According to Jackson, the Bank allowed a small group of the wealthy people to enrich themselves at the expense of ordinary people. Jackson believed that the wealthy stood for unfair privilege. Jackson especially disliked Nicholas Biddle, the Bank's president. Biddle, who came from a wealthy Philadelphia family, was skilled at doing favors for powerful politicians.

New States, it was...
Checkpoint What were the...
second Bank of the...

The Question of State
Since the founding of the United States, what should be the balance between the powers of the federal government and the powers of the states?

King Andrew the First



A king's crown



Trampling on rights



Biddle got Congress to renew the Bank's charter in 1832, although the charter still had four years to go. The news reached Jackson when he was sick in bed. The President vowed, "The Bank . . . is trying to kill me, but I will kill it!"

Jackson immediately vetoed the bill. The fight over the Bank became a major issue in the 1832 presidential election. Henry Clay, who ran against Jackson, strongly supported the Bank. But most voters stood solidly behind Jackson's veto of the Bank bill. Jackson won reelection by a huge margin.

Jackson's victory over the Bank helped to increase the powers of the presidency. It showed that a determined President could stir up the voters and face down powerful opponents in Congress.

The second Bank ceased to exist when its charter ran out in 1836. Unfortunately for Jackson's successor, an economic crisis struck a few months after Jackson left office. Without a Bank of the United States, it was harder for the new President to end the crisis.

✓Checkpoint What were the arguments for and against the second Bank of the United States?

The Question of States' Rights

Since the founding of the United States, Americans had debated what should be the balance between the powers of the states and the powers of the federal government.

King Andrew the First



Reading Political Cartoons

Skills Activity

The national press ridiculed Jackson for his quick temper and steely will.

The Constitutional Convention of 1787 had created a government based on federalism, the division of power between the national government and the states. The Constitution gave the federal government many significant powers. At the same time, the Tenth Amendment set limits on federal power. It states that any powers not specifically given to the federal government are "reserved to the States respectively, or to the people."

Over the years, the issue of balancing federal and state power had come up repeatedly. The Alien and Sedition acts had raised the issue. So had the Virginia and Kentucky resolutions and the Hartford convention. The issue could never be fully resolved. During Andrew Jackson's presidency, arguments over federal power and states' rights caused a serious crisis.

Checkpoint How does the Tenth Amendment limit federal powers?

The Nullification Crisis

The crisis erupted when Congress passed a law in 1828 raising the tariff on iron, textiles, and other products. The tariff helped manufacturers in the North and some parts of the West. But it made southerners pay more for manufactured goods. It seemed to southerners that the federal government was forcing them to obey an unfair law.

Vice President John C. Calhoun of South Carolina argued that the states had the right of nullification, an action by a state that cancels a federal law to which the state objects. If accepted, Calhoun's ideas would seriously weaken the federal government.

Arguments for Nullification To many southerners, the tariff issue was part of a much larger problem. If the federal government could enforce what they considered an unjust law, could it also use its power to end slavery?

John C. Calhoun had based his theory of nullification on his view of how the Union was formed. He said the Union grew from an agreement between the various states. After the Union was formed, each state kept certain powers. One of them was the power to nullify federal laws the people of the state considered unfair.

Federal Power Versus States' Rights

President Andrew Jackson and Vice President John C. Calhoun took opposing views on states' rights and nullification. They had once been friends. However, by 1830, the two men were fierce enemies. **Critical Thinking: Detect Points of View**

How may Andrew Jackson's views about nullification have been affected by his responsibility as President of the United States?

Arguments Against Nullification

Arguments against nullification came from Massachusetts Senator Daniel Webster. He argued that the United States was one nation, not a collection of states, but by the entire American people. He spoke on the floor of the Senate in January 1830, saying "We are all agents of the people."

A few months later, President Jackson signed a law to enforce the tariff. At a banquet, Jackson stared at Calhoun and said, "Our Federal Union is more dear to me than the life of any man living." Ominously, Calhoun responded: "The Union is more dear." The challenge was clear: states' rights or the Union was more important than saving the Union.

South Carolina Threatens to

secede from the Union. In 1828, South Carolina passed another tariff law. Although it lowered the tariff on iron and textiles. South Carolina threatened to nullify the law. In 1832, it said, did the federal government

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