

## Lesson 2 Political Conflict and Economic Crisis

### Lesson Summary

The issue of **states' rights** was raised again in 1828 when Congress passed a new tariff on manufactured goods. This tariff helped northern businesses but hurt southerners, who were forced to pay more for goods. Southerners felt the law was unfair, and to many, the tariff issue was part of a larger problem. If the federal government could enforce what southerners considered an unjust law, could it also use its power to ban slavery? Vice President John C. Calhoun argued that each state had the right to nullify, or cancel, a federal law if the state objected to it. He refused to accept the ruling of the U.S. Supreme Court that said states did not have the right to decide for themselves the constitutionality of federal laws.

When Congress passed another high tariff in 1832, South Carolina passed the **Nullification Act** and refused to comply with the tariffs. State leaders also threatened to secede, or leave, the Union. Jackson asked Congress to allow the federal government to collect its tariff by force if necessary. But he also supported a compromise bill that would lower the tariffs. In 1832, Congress passed both laws. South Carolina accepted the new tariff and repealed the Nullification Act, ending the crisis.

The Second Bank of the United States, founded in 1816, earned strong support from business people. The Bank loaned money to many businesses and was a safe place for the federal government to keep its money. The money it issued formed a stable currency. But Andrew Jackson and many other Americans believed that the Bank favored the rich and hurt everyday people. For example, the Bank sometimes limited the amount of money that state banks could lend. In the South and West, the Bank was blamed for the economic crisis of 1819, which cost many people their farms.

Jackson also believed that the Bank was unconstitutional. He thought that the federal government did not have the right to create a bank because the Constitution did not name such a right. Previously, the U.S. Supreme Court had ruled that creating a bank was permitted by the “necessary and proper” clause of the Constitution, but Jackson disagreed.

In 1832, Nicholas Biddle, the Bank's president, got Congress to renew the Bank's charter. Jackson vetoed this bill, promising to defeat Biddle. Most voters stood behind Jackson, who won reelection by a large margin. As a result, the Bank ceased to exist when its charter ran out in 1836.

Martin Van Buren, Jackson's Vice President, won the presidency in 1836. Just as he took office, the U.S. economy faced the Panic of 1837. British factories began buying less cotton, which caused cotton prices to fall. Cotton growers could not repay their bank loans, which caused hundreds of banks to fail. Van Buren's presidency was ruined.

In 1840, the Whig candidate, William Henry Harrison, easily beat Van Buren. The Age of Jackson had ended.