

## THE POSTWAR ECONOMY

### TARIFF OF 1816 AND THE SECOND NATIONAL BANK

The War of 1812 exposed the danger in the US relying too much on foreign imports. Many leaders supported more national development. They wanted the US government to actively build roads and canals and to use **tariffs** to help US manufacturers. (Tariffs are taxes on goods imported from other countries. US tariffs raised the price of foreign products and encourage people to buy products made in the United States). In 1816, Congress passed the **Tariff of 1816**. The government also chartered the **Second National Bank** (the first national bank's charter had expired in 1811 and was not renewed) to help stabilize currency and hold government funds.

Many southern and western politicians and farmers were suspicious of tariffs and the Bank. They felt the Bank's policies hurt small farmers and helped eastern businessmen. They also resented that tariffs forced them to pay higher prices for goods manufactured in the Northeast while doing little to help farmers and landowners in more rural areas. The nation became divided between those who wanted the government to actively promote the economic growth of the nation and those who wanted *laissez-faire* economics (no government interference in the economy) and more power for the states.

In 1819, the nation experienced its first nationwide economic crisis. The new national bank offered credit to people wanting to move west. It loaned more money than it had in reserve. In 1819, banks in Great Britain demanded that US banks repay British loans. US banks, in turn, called in their loans to US citizens. Many people rushed to withdraw their money. Known as the **Panic of 1819**, it led to the country's first depression.



Nat Turner's Rebellion

Meanwhile, the North and the South continued to become more divided over the issue of slavery. Northerners tended to resent the practice and increased numbers called for its abolition. Southerners, on the other hand, fought desperately to hang on to the institution and grew increasingly paranoid that their way of life was under attack. Southern attitudes about slavery hardened even more after a failed slave uprising in Virginia. It was led by a slave named **Nat Turner** (1800–1831), and became known as **Nat Turner's Rebellion**. Turner,

a preacher as well as a slave, believed that he had a divine mission to deliver his people from slavery. In August 1831, he organized a revolt in which 160 people (both black and white) were killed. As a result, the few abolitionist societies that had existed in the South came to an end and **slave codes** (laws restricting the conduct and activities of slaves) were made tighter and strictly enforced. Turner and nineteen others were hanged for their role in the uprising, and slaves were no longer allowed to become ministers.

## THE ELECTION OF 1824 AND JOHN QUINCY ADAMS

More than any previous election, the **presidential election of 1824** was evidence of the sectional differences in the United States. New England backed the current Secretary of State, John Quincy Adams, while the southern candidate was William Crawford of Georgia. Meanwhile, both Henry Clay and Andrew Jackson were formidable western candidates. The election came down to Adams and Jackson and was so close that the House of Representatives had to decide it. When Clay threw his support to Adams, it was enough to give the son of former President John Adams the victory. Jackson and his followers soon protested, however, when it was learned that Clay would be named secretary of state. Jackson and his supporters denounced it as a “**corrupt bargain** made to give Adams the presidency.



Henry Clay

## JOHN Q. ADAMS AND HENRY CLAY'S AMERICAN SYSTEM

As president, Adams proposed giving the federal government more control. He hoped to expand the nation's roadways, build more canals, promote the arts and sciences, found a national university, and continue the policy of protective tariffs. Supporting President Adams, Secretary of State **Henry Clay** (1777–1852) proposed his **American System**. The plan called for:

- 1) **A Protective Tariff** – After the war, the young manufacturing industry in the United States could not compete with low priced imports from Great Britain. Clay proposed a protective **tariff** (a tax on imports) to help US manufacturing. The tariff would raise the prices of imported goods and make US products more competitive.
- 2) **Internal Improvements** – To facilitate interstate commerce, Clay proposed better canals and roadways funded by the federal government's tariff revenue. In 1824, the Supreme Court ruled in *Gibbons v. Ogden* that Congress alone had the power to regulate interstate and foreign commerce. This decision allowed the building of roads and canals to increase without the restrictions of state monopolies.
- 3) **A Strong National Bank** – Clay believed the national bank was needed to strengthen the country's economy.

Clay believed that his plan would serve to strengthen the US and make it more economically independent. He also hoped that it would serve to unite the different regions of the country.

## GROWING SECTIONALISM

Clay, however, underestimated the nation's growing sectionalism. Democratic-Republicans were divided between those who supported states' rights and those who wanted a strong federal government. Southerners tended to believe that the federal government should restrict itself to powers specifically stated in the Constitution, and that all else should be left to the states. They believed that they could refuse to enforce federal laws they saw as unconstitutional or harmful (doctrine of nullification). Northerners were more prone to support a strong central government

as the ultimate authority, southerners opposed tariffs like those proposed by Clay because they raised the price on manufactured imports and invited other countries to impose tariffs of their own. Such actions hurt the South's ability to sell cotton and other agricultural products overseas. Northerners, however, supported tariffs because they made imports more expensive and their own products more attractive to consumers.

In the end, President Adams fell victim to sectionalism. His policies offended southerners and those in the West because they were seen as only favoring eastern business interests. Eventually, in 1828, Adams signed a new tariff into law. Called by its opponents in the South a "**Tariff of Abominations**," it became a key political issue that helped Jackson defeat Adams in 1828.

## PRESIDENT ANDREW JACKSON

In 1829, **Andrew Jackson** became the first man to rise from childhood poverty to become president. Jackson's support for the common man and his form of politics was labeled **Jacksonian Democracy**. During the time of Jackson, property qualifications for **suffrage** (the right to vote) were dropped. The new political equality did not extend to blacks, women, or Native Americans, however. In addition, Jackson openly allowed his friends and supporters to occupy high positions in government. This policy became known as the **spoils system**, and set a precedent of removing political opponents from government jobs to replace them with supporters. It ultimately led to corruption and a call for reform in later administrations.

Sharp differences over the government's role in the economy and national development led to a break in the Democratic-Republicans. Jackson's wing took the name "Democrats" while his opponents adopted the name "National Republicans." After an "era of good feelings," the two-party system returned with a vengeance.



Andrew Jackson

## SOUTH CAROLINA NULLIFICATION CRISIS

President Jackson experienced a serious test when South Carolina began protesting high tariffs on British goods. One of South Carolina's senators, **John C. Calhoun** (1782 – 1850), took center stage in 1828 when he wrote a pamphlet entitled *Exposition and Protest*. In it, Calhoun argued that the states could refuse to enforce any law it saw as unconstitutional (harkening back to the *Virginia and Kentucky Resolutions* and the doctrine of nullification). In 1832, South Carolina threatened to invoke this right and **secede** (leave the Union) if the offensive tariffs were not repealed. Enraged, Jackson prepared to call up federal troops if necessary to force South Carolina's compliance. Fortunately, Senator Henry Clay proposed a compromise (the **Compromise of 1833**) that both sides could accept. Clay's compromise ended the **South Carolina nullification crisis**, but the issues of states' rights and secession remained alive until the end of the Civil War.

## JACKSON'S BATTLE WITH THE BANK

Whether or not there should be a national bank had always been an issue of debate. In 1819, Chief Justice John Marshall and the Supreme Court ruled in *McCulloch v. Maryland* that Congress did have the power to incorporate a bank under the *necessary and proper clause* of the Constitution. Regardless, President Jackson had always opposed a national bank because he believed it favored the wealthy over the common man. He had no plans to renew its charter when it expired in 1836. Knowing this, his political enemies convinced the bank to apply for renewal four years early, thus making the bank the key issue in the **election of 1832**.

Successfully portraying the bank as existing only to “aid the rich and the powerful,” Jackson won re-election. He then ordered all government funds removed from the national bank and placed in selected state banks. These state banks came to be called “**pet banks**” because of the favor they were shown. The increase in funds led these “pet banks” to give loans more easily. The value of the loans was far greater than the amount of available gold reserves, however, and this caused inflation. Jackson tried to control the problem, but his policies only made things worse. The result was the **Panic of 1837** and another depression. A number of state banks closed, leaving many in the US flat broke.

## THE WHIG PARTY



John C. Calhoun

As far as his enemies were concerned, President Andrew Jackson acted more like a king than a president. In 1834, the National Republicans changed their name to reflect their resentment of Jackson. Because they were opposing “King Andrew,” they renamed themselves the **Whig Party** after the Whigs in England who had resisted King George III. Sectional differences between northern and southern Whigs, however, prevented the party from having a strong candidate in 1836. As a result, Jackson’s vice president, Martin Van Buren (a Democrat) won the presidency.

## ELECTION OF 1840

The depression that began under Jackson dragged on through Van Buren’s presidency, making him vulnerable in the **election of 1840**. The Whig party nominated military hero William Henry Harrison. It was the first presidential election in US history that featured parades and public fanfare. It also featured a third party candidate from the Liberty Party. This party made the abolition of slavery its key issue and actually drew some of the northern support that otherwise may have gone to Van Buren. In the end, Harrison won the election. The following year he would become ill shortly after his inauguration and die after serving the shortest term in US history — just one month.