

Hello, fellow teacher!

Below is your reading passage; I hope it serves you well.

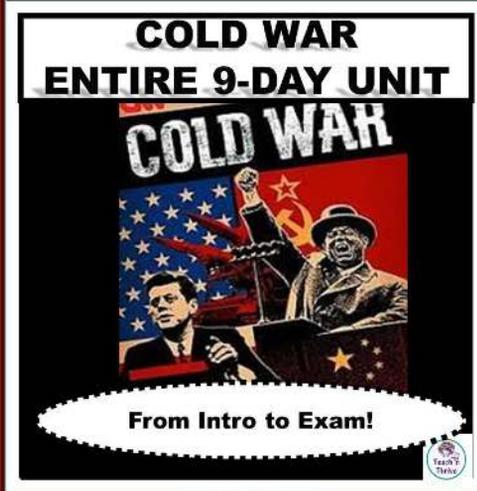
Print it out and it's ready to use. Or, if you want to differentiate for struggling students, use the highlight feature on the PDF to annotate what you want the kiddos to focus on.

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Warmest Wishes,
Joan

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Andrew Jackson (Bank Wars)

Andrew Jackson is on the twenty dollar bill, a federal reserve note. This paper money is produced by a federal central bank. There is a bit of irony here because Jackson was a strong opponent of the Second Bank of the United States. The "bank wars" was a significant battle during his presidency, including influencing a key Supreme Court nomination. The battle went back to the beginning of the United States.

Prologue

The First Bank of the United States was established in 1791 under the leadership of Alexander Hamilton. This national bank was controversial both because some (including James Madison and Thomas Jefferson) thought it was not authorized by the Constitution and on account of policy concerns. Some supported state banks instead, fearing that a national bank would mainly benefit a monetary elite with an Eastern bias (around Philadelphia). Many in the South and West particularly opposed it.

In 1816, a second bank was established, and the Supreme Court later held that a national bank is constitutional (*McCulloch v. Maryland*). However, the bank was still controversial, and many only supported the bank because of the need to fund the War of 1812. There was also a party split, Democrats more likely to oppose the bank and Federalists (and Whigs) supporting it. Some saw the bank as a good policy with the growing industrial and financial needs of the country. Others still opposed it, especially after a financial failure ("panic") in 1819 that led many to blame the banks.



Jackson Vetoes

President Monroe appointed Nicholas Biddle as the director of the bank and Biddle soon was also appointed its president. Biddle's strong promotion of the Second Bank of the United States was opposed by Andrew Jackson. Jackson supported a strict construction of the Constitution that questioned the legitimacy of the bank. He also saw the bank as supportive of elites and thought some of its practices corrupt.

Meanwhile, Jackson's opponents, including Henry Clay (who would run against him in 1832), saw the bank as a political tool. Biddle was encouraged to ask that the bank be re-chartered (authorized) a few years ahead of when the charter was up for renewal. This attempt backfired when Jackson vetoed the bill, receiving much support in part because people thought it was wrong to rush the re-charter without additional reforms. Biddle's political support of Jackson's opponents was also seen as improper.

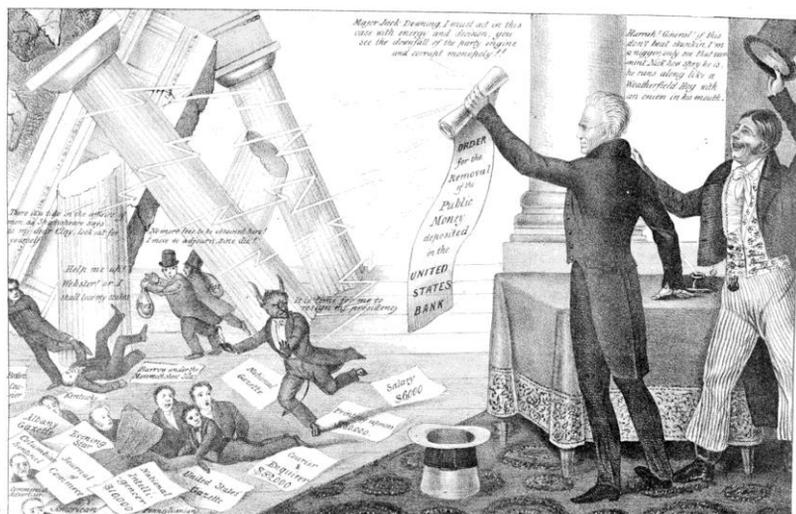
Jackson's Attorney General, Roger Taney, helped; this later influenced Jackson's nomination of Taney as Chief Justice of the United States Supreme Court.

Aftermath

The bank was a major issue in the 1832 election and Andrew Jackson beat Henry Clay by a significant margin. This was seen by Jackson as a popular mandate (support) of his policies. His opponents led a move to censure him in the U.S. Senate, which was later revoked when the Democrats regained control. Jackson's opponents argued he was abusing his executive power, acting like "King Andrew I."

Jackson next decided that the bank should in fact be destroyed even before its charter would run out in a few years in 1836. He decided to transfer the federal deposits (twenty percent of the bank's funds) out of the bank into state banks, called "pet banks" by his opponents. The state banks would replace the function of the Bank of the United States. The bank became a private institution in 1836 and totally failed by 1841.

In 1836, in response to increased land speculation, Jackson issued the Specie Circular, an executive order that required buyers of government lands to pay in "specie" (gold or silver coins). This led to a high demand of specie, which many banks could not match, helping to contribute to a financial failure (Panic of 1837). The end of a national bank led to more "boom and bust" financial cycles, state banks less able to steady the national economy. The Federal Reserve Act of 1913 was passed to help avoid this.



THE DOWNFALL OF MOTHER BANK.

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