READING AND DISCUSSION QUESTIONS

1. The Loco-Focos were Democrats, yet they stormed a Democratic Party meeting and took over its leadership positions under the banner of "anti-monopoly." What criticism of traditional party leadership were they making?

2. How would you summarize the political program the Equal Rights Party championed?

3. In the last resolution, the Loco-Focos praise the Evening Post. What value do you think they believed the newspaper played in party politics?

10-3 | President Defeats Monopoly Threat

ANDREW JACKSON, Veto Message Regarding the Bank of the United States (1832)

Andrew Jackson's famous attack on the Second Bank of the United States symbolized one of the key policy differences between Democrats and Whigs. Led by Henry Clay, the Whigs' American System supported building canals, roads, bridges, and banks to encourage economic development. Many Democrats opposed using government funds to support these projects. Like the Loco-Foco faction within his own party, Jackson thundered against the "monster bank's" monopoly power, which profited private investors who earned interest on federal revenue deposited in the bank. When Clay tried to make the bank's recharter an issue in the 1832 presidential election, Jackson called his bluff. In the document excerpted below, Jackson explains to Congress the reasons for his veto.

WASHINGTON, July 10, 1832.

To the Senate:

The bill "to modify and continue" the act entitled "An act to incorporate the subscribers to the Bank of the United States" was presented to me on the 4th July instant. Having considered it with that solemn regard to the principles of the Constitution which the day was calculated to inspire, and come to the conclusion that it ought not to become a law, I herewith return it to the Senate, in which it originated, with my objections.

A bank of the United States is in many respects convenient for the Government and useful to the people. Entertaining this opinion, and deeply impressed with the belief that some of the powers and privileges possessed by the existing bank are unauthorized by the Constitution, subversive of the rights of the States, and dangerous to the liberties of the people, I felt it my duty at an early period of my Administration to call the attention of Congress to the practicability of organizing an institution combining all its advantages and obviating these objections. I sincerely regret that in the act before me I can perceive none of those

A Compilation of the Messages and Papers of the Presidents Prepared under the direction of the Joint Committee on Printing of the House and Senate Pursuant to an Act of the Fifty-Second Congress of the United States (New York: Bureau of National Literature, 1897), 1139-1141, 1144-1146, 1152-1154.
modifications of the bank charter which are necessary, in my opinion, to make it compatible with justice, with sound policy, or with the Constitution of our country.

The present corporate body, denominated the president, directors, and company of the Bank of the United States, will have existed at the time this act is intended to take effect twenty years. It enjoys an exclusive privilege of banking under the authority of the General Government, a monopoly of its favor and support, and, as a necessary consequence, almost a monopoly of the foreign and domestic exchange. The powers, privileges, and favors bestowed upon it in the original charter, by increasing the value of the stock far above its par value, operated as a gratuity of many millions to the stockholders.

An apology may be found for the failure to guard against this result in the consideration that the effect of the original act of incorporation could not be certainly foreseen at the time of its passage. The act before me proposes another gratuity to the holders of the same stock, and in many cases to the same men, of at least seven millions more. This donation finds no apology in any uncertainty as to the effect of the act. On all hands it is conceded that its passage will increase at least 20 or 30 per cent more the market price of the stock, subject to the payment of the annuity of $200,000 per year secured by the act, thus adding in a moment one-fourth to its par value. It is not our own citizens only who are to receive the bounty of our Government. More than eight millions of the stock of this bank are held by foreigners. By this act the American Republic proposes virtually to make them a present of some millions of dollars. For these gratuities to foreigners and to some of our own opulent citizens the act secures no equivalent whatever. They are the certain gains of the present stockholders under the operation of this act, after making full allowance for the payment of the bonus.

Every monopoly and all exclusive privileges are granted at the expense of the public, which ought to receive a fair equivalent. The many millions which this act proposes to bestow on the stockholders of the existing bank must come directly or indirectly out of the earnings of the American people. It is due to them, therefore, if their Government sell monopolies and exclusive privileges, that they should at least exact for them as much as they are worth in open market. The value of the monopoly in this case may be correctly ascertained. The twenty-eight millions of stock would probably be at an advance of 50 per cent, and command in market at least $42,000,000, subject to the payment of the present bonus. The present value of the monopoly, therefore, is $17,000,000, and this the act proposes to sell for three millions, payable in fifteen annual installments of $200,000 each.

It is not conceivable how the present stockholders can have any claim to the special favor of the Government. The present corporation has enjoyed its monopoly during the period stipulated in the original contract. If we must have such a corporation, why should not the Government sell out the whole stock and thus secure to the people the full market value of the privileges granted? Why should not Congress create and sell twenty-eight millions of stock, incorporating the purchasers with all the powers and privileges secured in this act and putting the premium upon the sales into the Treasury? ...
The modifications of the existing charter proposed by this act are not such, in my view, as make it consistent with the rights of the States or the liberties of the people. The qualification of the right of the bank to hold real estate, the limitation of its power to establish branches, and the power reserved to Congress to forbid the circulation of small notes are restrictions comparatively of little value or importance. All the objectionable principles of the existing corporation, and most of its odious features, are retained without alleviation.

Is there no danger to our liberty and independence in a bank that in its nature has so little to bind it to our country? The president of the bank has told us that most of the State banks exist by its forbearance. Should its influence become concentrated, as it may under the operation of such an act as this, in the hands of a self-elected directory whose interests are identified with those of the foreign stockholders, will there not be cause to tremble for the purity of our elections in peace and for the independence of our country in war? Their power would be great whenever they might choose to exert it; but if this monopoly were regularly renewed every fifteen or twenty years on terms proposed by themselves, they might seldom in peace put forth their strength to influence elections or control the affairs of the nation. But if any private citizen or public functionary should interpose to curtail its powers or prevent a renewal of its privileges, it can not be doubted that he would be made to feel its influence.

If we must have a bank with private stockholders, every consideration of sound policy and every impulse of American feeling admonishes that it should be purely American. Its stockholders should be composed exclusively of our own citizens, who at least ought to be friendly to our Government and willing to support it in times of difficulty and danger. So abundant is domestic capital that competition in subscribing for the stock of local banks has recently led almost to riots. To a bank exclusively of American stockholders, possessing the powers and privileges granted by this act, subscriptions for $200,000,000 could be readily obtained.

It is maintained by the advocates of the bank that its constitutionality in all its features ought to be considered as settled by precedent and by the decision of the Supreme Court. To this conclusion I can not assent. Mere precedent is a dangerous source of authority, and should not be regarded as deciding questions of constitutional power except where the acquiescence of the people and the States can be considered as well settled. So far from this being the case on this subject, an argument against the bank might be based on precedent. One Congress, in 1791, decided in favor of a bank; another, in 1811, decided against it. One Congress, in 1815, decided against a bank; another, in 1816, decided in its favor. Prior to the present Congress, therefore, the precedents drawn from that source were equal. If we resort to the States, the expressions of legislative, judicial, and executive opinions against the bank have been probably to those in its favor as 4 to 1. There is nothing in precedent, therefore, which, if its authority were admitted, ought to weigh in favor of the act before me.

If the opinion of the Supreme Court covered the whole ground of this act, it ought not to control the coordinate authorities of this Government. The Congress,
the Executive, and the Court must each for itself be guided by its own opinion of
the Constitution. Each public officer who takes an oath to support the Constitution
swears that he will support it as he understands it, and not as it is understood
by others. It is as much the duty of the House of Representatives, of the
Senate, and of the President to decide upon the constitutionality of any bill or
resolution which may be presented to them for passage or approval as it is of the
supreme judges when it may be brought before them for judicial decision. The
opinion of the judges has no more authority over Congress than the opinion of
Congress has over the judges, and on that point the President is independent of
both. The authority of the Supreme Court must not, therefore, be permitted to
control the Congress or the Executive when acting in their legislative capacities,
but to have only such influence as the force of their reasoning may deserve.

But in the case relied upon the Supreme Court have not decided that all the
features of this corporation are compatible with the Constitution. It is true that
the court have said that the law incorporating the bank is a constitutional exer-
cise of power by Congress; but taking into view the whole opinion of the court
and the reasoning by which they have come to that conclusion, I understand
them to have decided that inasmuch as a bank is an appropriate means for carry-
ing into effect the enumerated powers of the General Government, therefore the
law incorporating it is in accordance with that provision of the Constitution
which declares that Congress shall have power “to make all laws which shall
be necessary and proper for carrying those powers into execution.” Having satis-
fied themselves that the word “necessary” in the Constitution means “needful,”
“requisite,” “essential,” “conducive to,” and that “a bank” is a convenient, a use-
ful, and essential instrument in the prosecution of the Government’s “fiscal opera-
tions,” they conclude that to “use one must be within the discretion of Congress”
and that “the act to incorporate the Bank of the United States is a law made in
pursuance of the Constitution”; “but,” say they, “where the law is not prohibited
and is really calculated to effect any of the objects intrusted to the Government,
to undertake here to inquire into the degree of its necessity would be to pass the
line which circumscribes the judicial department and to tread on legislative
ground.”

The principle here affirmed is that the “degree of its necessity,” involving all
the details of a banking institution, is a question exclusively for legislative con-
sideration. A bank is constitutional, but it is the province of the Legislature to
determine whether this or that particular power, privilege, or exemption is “ne-
cessary and proper” to enable the bank to discharge its duties to the Government,
and from their decision there is no appeal to the courts of justice. Under the deci-
sion of the Supreme Court, therefore, it is the exclusive province of Congress and
the President to decide whether the particular features of this act are necessary
and proper in order to enable the bank to perform conveniently and efficiently
the public duties assigned to it as a fiscal agent, and therefore constitutional, or
unnecessary and improper, and therefore unconstitutional.

Without commenting on the general principle affirmed by the Supreme
Court, let us examine the details of this act in accordance with the rule of
legislative action which they have laid down. It will be found that many of the powers and privileges conferred on it can not be supposed necessary for the purpose for which it is proposed to be created, and are not, therefore, means necessary to attain the end in view, and consequently not justified by the Constitution.

Under such circumstances the bank comes forward and asks a renewal of its charter for a term of fifteen years upon conditions which not only operate as a gratuity to the stockholders of many millions of dollars, but will sanction any abuses and legalize any encroachments.

Suspicious are entertained and charges are made of gross abuse and violation of its charter. An investigation unwillingly conceived and so restricted in time as necessarily to make it incomplete and unsatisfactory discloses enough to excite suspicion and alarm. In the practices of the principal bank partially unveiled, in the absence of important witnesses, and in numerous charges confidently made and as yet wholly uninvestigated there was enough to induce a majority of the committee of investigation—a committee which was selected from the most able and honorable members of the House of Representatives—to recommend a suspension of further action upon the bill and a prosecution of the inquiry. As the charter had yet four years to run, and as a renewal now was not necessary to the successful prosecution of its business, it was to have been expected that the bank itself, conscious of its purity and proud of its character, would have withdrawn its application for the present, and demanded the severest scrutiny into all its transactions. In their declining to do so there seems to be an additional reason why the functionaries of the Government should proceed with less haste and more caution in the renewal of their monopoly.

The bank is professedly established as an agent of the executive branch of the Government, and its constitutionality is maintained on that ground. Neither upon the propriety of present action nor upon the provisions of this act was the Executive consulted. It has had no opportunity to say that it neither needs nor wants an agent clothed with such powers and favored by such exemptions. There is nothing in its legitimate functions which makes it necessary or proper. Whatever interest or influence, whether public or private, has given birth to this act, it can not be found either in the wishes or necessities of the executive department, by which present action is deemed premature, and the powers conferred upon its agent not only unnecessary, but dangerous to the Government and country.

It is to be regretted that the rich and powerful too often bend the acts of government to their selfish purposes. Distinctions in society will always exist under every just government. Equality of talents, of education, or of wealth can not be produced by human institutions. In the full enjoyment of the gifts of Heaven and the fruits of superior industry, economy, and virtue, every man is equally entitled to protection by law; but when the laws undertake to add to these natural and just advantages artificial distinctions, to grant titles, gratuities, and exclusive privileges, 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. In the act before me there seems to be a wide and unnecessary departure from these just principles.

Nor is our Government to be maintained or our Union preserved by invasions of the rights and powers of the several States. In thus attempting to make our General Government strong we make it weak. Its true strength consists in leaving individuals and States as much as possible to themselves—in making itself felt, not in its power, but in its beneficence; not in its control, but in its protection; not in binding the States more closely to the center, but leaving each to move unobstructed in its proper orbit.

Experience should teach us wisdom. Most of the difficulties our Government now encounters and most of the dangers which impede over our Union have sprung from an abandonment of the legitimate objects of Government by our national legislation, and the adoption of such principles as are embodied in this act. Many of our rich men have not been content with equal protection and equal benefits, but have besought us to make them richer by act of Congress. By attempting to gratify their desires we have in the results of our legislation arrayed section against section, interest against interest, and man against man, in a fearful commotion which threatens to shake the foundations of our Union. It is time to pause in our career to review our principles, and if possible revive that devoted patriotism and spirit of compromise which distinguished the sages of the Revolution and the fathers of our Union. If we can not at once, in justice to interests vested under improvident legislation, make our Government what it ought to be, we can at least take a stand against all new grants of monopolies and exclusive privileges, against any prostitution of our Government to the advancement of the few at the expense of the many, and in favor of compromise and gradual reform in our code of laws and system of political economy.

I have now done my duty to my country. If sustained by my fellow citizens, I shall be grateful and happy; if not, I shall find in the motives which impel me ample grounds for contentment and peace. In the difficulties which surround us and the dangers which threaten our institutions there is cause for neither dismay nor alarm. For relief and deliverance let us firmly rely on that kind Providence which I am sure watches with peculiar care over the destinies of our Republic, and on the intelligence and wisdom of our countrymen. Through His abundant goodness and their patriotic devotion our liberty and Union will be preserved.

ANDREW JACKSON.

READING AND DISCUSSION QUESTIONS

1. What arguments against the bank does Jackson think the American people will find persuasive?
2. Why does Jackson see the bank as a threat to "our liberty and independence"? Do you think he believed a threat existed, or do you think he was playing politics?
3. What does Jackson see as the role of the Supreme Court in relationship to the other branches of government?

10-4 | Whig Partisan Describes Party's Political Economy

HENRY CAREY, *The Harmony of Interests* (1851)

Henry C. Carey (1793–1879) was a leading Whig intellectual and political economist. It was largely through his efforts that the Whigs transformed from merely an anti-Jackson party into a party with a coherent political philosophy. Carey's 1851 book, *The Harmony of Interests*, conveys the Whig view of government as a legitimate and necessary spur to economic development. Whereas Jackson saw such efforts as enriching the wealthy at the expense of the poor, Carey argued that the interests of rich and poor harmonized in a robust economy. In this section, Carey defends protectionism by countering the arguments from "free trade" Democrats.

If protection be a "war upon labour and capital," it must tend to prevent the growth of wealth, and thus to deteriorate the political condition of man.

The farmer who exchanges his food with the man who produces iron by means of horses; wagons, canal-boats, merchants, ships, and sailors, gives much food for little iron. The iron man, who exchanges his products for food through the instrumentality of the same machinery, gives much iron for little food. The chief part of the product is swallowed up by the men who stand between, and grow rich while the producers remain poor. The growth of wealth is thus prevented, and inequality of political condition is maintained.

The farmer who exchanges directly with the producer of iron gives labour for labour. Both thus grow rich, because the class that desires to stand between has no opportunity of enriching themselves at their expense. Equality of condition is thus promoted.

The object of protection is that of bringing the consumer of food to take his place by the side of the producer of food, and thus promoting the growth of wealth and the improvement of political condition. That it does produce that effect, is obvious from the fact that, in periods of protection, such vast numbers seek our shores, and that immigration becomes stationary, or diminishes, with every approach towards that system which is usually denominated free trade.

The colonial system is based upon cheap labour. Protection seeks to increase the reward of labour. The one fills factories with children of tender years, and expels men to Canada and Australia; the other unites the men and sends the children to school.

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