



The Era of Good Feelings

1816-1824



Politics and Regional Interests

- a. President Madison called for a program of national economic development directed by the central government, which included creation of a second Bank of the United States to provide for a stable currency, a protective tariff to encourage industry, a program of internal improvements to facilitate transportation, and a permanent 20,000-man army. Also, he recommended an extensive system of roads and canals, new military academies, and establishment of a national university in Washington.

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b. The following are the policy-making contributions of Henry Clay, John C. Calhoun, and Daniel Webster.

Henry Clay:

After the War of 1812, Henry Clay became one of the strongest proponents of an active federal role in national economic development. He used his position as Speaker of the House to advance an economic program that he later called the "American System." According to this plan, the federal government would erect a high protective tariff to keep out foreign goods, stimulate the growth of industry, and create a large urban market for western and southern farmers. Revenue from the tariff, in turn, would be used to finance internal improvements of roads and canals to stimulate the growth of the South and West.

John C. Calhoun:

Later a staunch supporter of states' rights, at this point, Calhoun championed the growth of infrastructure— roads, bridges and canals to link the national economy from one section of the country to the other.

Daniel Webster:

Webster became a staunch defender of the national bank and a high tariff, and perhaps the nation's strongest exponent of nationalism and strongest critic of states' rights.

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c. The demise of the Bank of the United States led the nation to be financially ill-equipped to handle the stress of the War of 1812, plus, unregulated private banks which the government tried borrowing from, issued notes that could not be backed by their holdings. This led to a credit crisis and rampant inflation. A coalition of ex-Federalists and a majority of (Jeffersonian) Republicans supported the bank on the grounds that it would regulate both private banks and the flow of money and credit. Opponents were strict Jeffersonian Republicans who still believed that the national bank was unconstitutional.

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d. When trade was cut-off from the nations of Europe, industries in America grew rapidly for the very first time. Coming out of the War of 1812, American policy-makers saw the need to create protective tariffs for the very time to protect American manufacturing.

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e. What did the Marshall Court rule in the following cases which promoted the growth of American business for the very first time—

- *McCulloch v. Maryland*: the Bank of the United States was constitutional and that a state cannot tax a federal agency. Federal power is supreme to state authority.
- *Dartmouth v. Woodward*: a state cannot alter or impair a business contract.
- *Gibbons v. Ogden*: only the federal government can regulate interstate commerce (or, business).