

US Supreme Court Case Study: *McCulloch v. Maryland* (1819) Name: _____
Read the following background summary to the following Supreme Court case study. Be prepared to discuss the details

McCulloch v. Maryland (1819)
• • • Background Summary and Questions • • •

In 1791, the first Bank of the United States was established to serve as a central bank for the country. It was a place for storing government funds, collecting taxes, and issuing sound currency. At the time it was created, the government was in its infancy and there was a great deal of debate over exactly how much power the national government should have. Some people, such as Alexander Hamilton, argued for the supremacy of the national government and a loose interpretation of its powers, which would include the ability to establish a bank. Others, such as Thomas Jefferson, advocated states' rights, limited government, and a stricter interpretation of the national government's powers under the Constitution and, therefore, no bank. While Jefferson was President, the Bank's charter was not renewed. After the War of 1812, President James Madison determined that the country could utilize the services of a national bank to help fulfill its powers listed in link to Article I, Section 8, Clause 18 of the Constitution. In response to his suggestion, Congress proposed a Second Bank of the United States in 1816.

President Madison approved the charter and branches were established throughout the United States. Many states opposed opening branches of this bank within their boundaries for several reasons. First, the Bank of the United States competed with their own banks. Second, the states found many of the managers of the Bank of the United States to be corrupt. Third, the states felt that the federal government was exerting too much power over them by attempting to curtail the state practice of issuing more paper money than they were able to redeem on demand.

One state opposed to the Bank of the United States was Maryland. In an attempt to drive the Baltimore branch of the Bank of the United States out of business, the Maryland State Legislature required that all banks chartered outside of Maryland pay an annual tax of \$15,000. There was a \$500 penalty for each violation of this statute. James McCulloch, cashier of the Baltimore branch of the Bank of the United States, refused to pay the tax.

The State of Maryland took him to court, arguing that because Maryland was a sovereign state, it had the authority to tax businesses within its border, and that because the Bank of the United States was one such business, it had to pay the tax. Luther Martin, one of the attorneys for Maryland, reasoned that because the federal government had the authority to regulate state banks, Maryland could do the same to federal banks. Besides, he argued, the Constitution does not give Congress the power to establish a Bank of the United States. McCulloch was convicted by a Maryland court of violating the tax statute and was fined \$2,500.

McCulloch appealed the decision to the Maryland Court of Appeals. His attorneys, who included Daniel Webster, asserted that the establishment of a national bank was a "necessary and proper" function of the Congress. Webster stated that many powers of the government are implied rather than specifically stated in the Constitution. Furthermore, he argued, Maryland did not have the authority to levy the tax, because doing so interfered with the workings of the federal government.

After the Maryland Court of Appeals upheld the original decision against McCulloch, he appealed again. The case was heard by the Supreme Court of the United States, then headed by Chief Justice John Marshall.

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Complete the following questions based on the *McCulloch v. Maryland* Supreme Court case.

1. What are the advantages for the federal government of establishing a national bank? _____

2. Which powers of Congress could be helped by a national bank? Read through Enumerated Powers (Article I, Section 8, Clause 18 of the U.S. Constitution or the LSN Textbook, p. 69 to determine which functions of Congress might be helped by such a bank _____

3. Why would the states feel uncomfortable with the idea of a national bank? _____

4. Do the powers listed in Article I, Section 8 of the U.S. Constitution allow the government to create a national bank? _____

5. If the United States does have authority to establish a bank, does Maryland have the authority to tax that bank? Why or why not? _____

6. Why do you think the Supreme Court of the United States agreed to hear this case? What larger principles were at stake? _____

7. What constitutional principle did the Supreme Court establish in the *McCulloch v. Maryland* case? _____

8. What is the objective of the "necessary and proper" clause? _____

9. What was the basis for the Supreme Court's ruling that Maryland could not tax the Second Bank of the United States? _____

10. How did the *McCulloch v. Maryland* ruling contribute to the strength of the national government? _____

