

The Contract Clause

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Overview

- ① Motivation
- ② Marshall Court
- ③ Decline of the Contract Clause
- ④ Modern Applications
- ⑤ Conclusion

A contract puzzle

- Suppose Alabama abrogated all student loan debts (Hooray!)
- Now suppose Alabama abrogated all requirements that employers pay benefits (Oh no!)
- Are either of these scenarios legal?



The contract clause

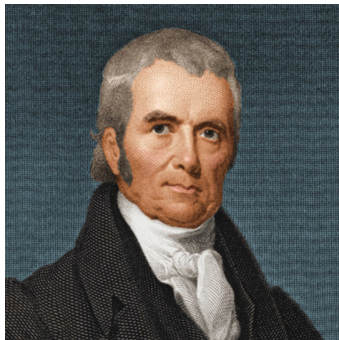
- Article I, §10: “No state shall. . . pass any. . . Law impairing the Obligation of Contracts. . .”
- What exactly does this mean? (Hey, good question!)

Origins of the contract clause

- Recall that many of the constitutional framers were wealthy elites.
- At the time of the founding, property interests were uncertain as the national economy in the 1780s was highly uncertain.
- The framers wanted to ensure that states couldn't interfere with private contracts.

A strong contract clause jurisprudence

- *Fletcher v. Peck* (1810)
- *New Jersey v. Wilson* (1812)



CJ John Marshall (1755-1835)

A strong contract clause jurisprudence

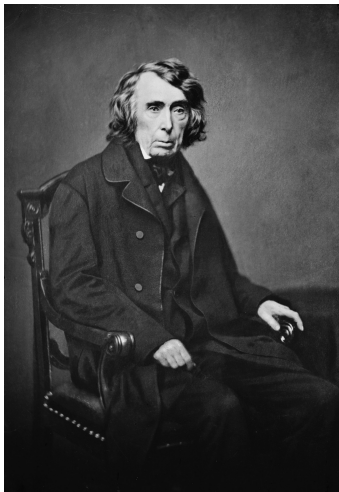
- *Sturges v. Crowninshield* (1819)
- *Trustees of Dartmouth College v. Woodward* (1819)



Dartmouth College

Public welfare and policing powers

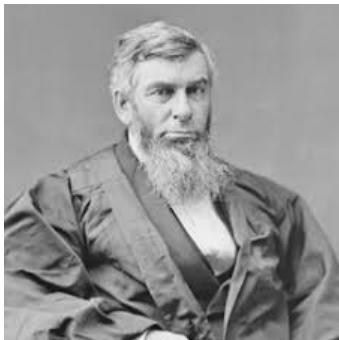
- *Proprietors of the Charles River Bridge v. Proprietors of Warren Bridge* (1837)
- *Northwestern Fertilizing Co. v. Hyde Park* (1878)



CJ Roger Taney (1777-1864)

States' rights and national emergencies

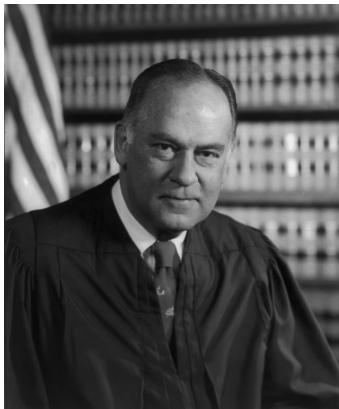
- *Stone v. Mississippi* (1880)
- *Home Building & Loan Assn. v. Blaisdell* (1934)



CJ Morrison Waite (1816-1888)

Revitalizing the contract clause

- *United States Trust v. New Jersey* (1977)
- *Allied Structural Steel Co. v. Spannaus* (1978)
- *Sveen v. Melin* (2018)



AJ Potter Stewart (1915-1985)

Discussion

- Application of the contract clause has waxed and waned over the years.
- During the Marshall Court era, prominent Federalists applied the contract clause to foreclose state action that would undermine public or private contracts.
- Subsequence courts took a less expansive approach, permitting states to pass legislation contradicting contracts when in the public interest, as part of its sovereign lawmaking or policing powers, or during emergencies.
- More recent courts have take a middle, balancing of interests, approach as articulated in *Spannaus*.