



Dartmouth College v. Woodward (17 U. S. 518, 1819) *Contract Clause, Limitations on the Powers of the States*

The Issue

Under the Constitution, can a state legislature change the charter of a college?

What's at Stake?

Whether Dartmouth College would remain private or become a state school. More broadly, what is protected by the Constitution's "contract" clause?

Facts and Background

In 1769 the King of England granted a charter to Dartmouth College. This document spelled out the purpose of the school, set up the structure to govern it, and gave land to the college. In 1816, the state legislature of New Hampshire passed laws that revised the charter. These laws changed the school from private to public. They changed the duties of the trustees. They changed how the trustees were selected.

The existing trustees filed suit. They claimed that the legislature violated the Constitution. They said that Article 1, Section 10, of the Constitution prevented a state from "impairing" (that is, weakening or canceling) a contract.

The Decision

By a 5-1 margin, the Court agreed with Dartmouth. The Court struck down the law, so Dartmouth continued as a private college. Chief Justice Marshall wrote the majority opinion. He said that the charter was, in essence, a contract between the King and the trustees. Even though we were no longer a royal colony, the contract is still valid because the Constitution says that a state cannot pass laws to impair a contract.

With respect to corporations, the decision expressly held:

“A corporation is an artificial being, invisible, intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of its creation confers upon it either expressly or as incidental to its very existence. These are such as are supposed best calculated to effect the object for which it was created. Among the most important are immortality, and, if the expression may be allowed, individuality -- properties by which a perpetual succession of many persons are considered as the same, and may act as a single individual. They enable a corporation to manage its own affairs and to hold property without the perplexing intricacies, the hazardous and endless necessity, of perpetual conveyances for the purpose of transmitting it from hand to hand”

The Impact of the Decision

Historians believe that the decision greatly encouraged business investment and growth. Corporations are chartered by states. If states can't pass laws to impair those corporate charters, then businesses are more secure. They are also more apt to attract investors, employ workers, and to add to the national prosperity.