

Key Case: Schechter v. U.S. (1935)

In the midst of the Great Depression, President Franklin Roosevelt worked with the Democratic Congress to enact several sweeping economic reform bills, known as the New Deal. In 1935, in *A.L.A. Schechter Poultry Corp. v. United States*, the Supreme Court declared unconstitutional a central piece of this New Deal legislation. In reviewing the conviction of a poultry company for breaking the Live Poultry Code, the Court held that the code violated the Constitution's separation of powers because it was written by agents of the president with no genuine congressional direction. The Court also held that much of the code exceeded the powers of Congress because the activities it policed were beyond what Congress could constitutionally regulate.

The Live Poultry Code, written and promulgated by the Roosevelt administration in 1934, was a part of the National Industrial Recovery Act (NIRA), a law passed by Congress to regulate companies as a means to combat the Great Depression. Section 3 of NIRA gave the president authority to approve such "codes of unfair competition." Roosevelt's poultry code fixed the maximum number of hours a poultry employee could work, imposed a minimum wage for poultry employees, and banned certain methods of "unfair competition."

Schechter Poultry Corporation, the defendant in the case, purchased live poultry from commissioners in New York City and Philadelphia and sold slaughtered poultry to retailers and butchers in Brooklyn. Schechter was charged by the U.S. government with violating the poultry code by selling "unfit chickens," illegally selling chickens on an individual basis, avoiding inspections by local poultry regulators, falsifying records of poultry sold, and selling poultry to nonlicensed purchasers. Schechter was convicted in a federal district court, lost an appeal to the circuit court, and appealed to the Supreme Court, which reviewed the case in 1935.

The Supreme Court held that the Live Poultry Code was unconstitutional and that the conviction of Schechter must be overturned. First, the Court found that the president lacked the power to write the code, citing the U.S. Constitution, Article I, which states that all legislative power is to be vested in the Congress. Article I is thus violated if Congress grants its exclusive legislative power to the president. The NIRA allowed the president to write new codes, such as the poultry code, so long as they regulated "unfair competition." The Court found the phrase "unfair competition" too ambiguous to constitute an "intelligible principle" necessary to limit the president's actions in enforcing the NIRA. Lacking such a principle, the NIRA effectively allowed the president "unfettered discretion" to create "new laws" without congressional approval.

Second, the Court held that the poultry code violated the Constitution's Commerce Clause. The Constitution limits the activities over which Congress may legislate, reserving all other activities for the states to govern. While the Constitution allows Congress to regulate "interstate commerce" under the clause, the Court found Schechter's activities had nothing to do with interstate commerce. Schechter

bought poultry from out of state, but its offending conduct was confined to New York State. The activities of Schechter thus fell outside congressional power because they constituted intrastate (in-state) commerce. Additionally, some provisions of the poultry code were found unconstitutional on their face. The effect of a butcher's hours and wage practices on interstate commerce, for example, was found far too "indirect" to be within the congressional powers to regulate under the Commerce Clause.

Schechter Poultry's sweeping interpretations of legislative power had devastating effects on President Roosevelt's New Deal programs in the 1930s. The centerpiece of the New Deal legislation, the NIRA, was essentially declared unconstitutional. Ultimately, President Roosevelt responded by proposing a "court packing" scheme in 1937, allowing a new Supreme Court justice to be appointed for every current sitting justice over the age of 70. The scheme was designed to help tip the Court's ideological balance to Roosevelt's side. It failed in Congress and never became law. By the late 1930s, however, the Supreme Court began reading Congress's powers under the Commerce Clause more broadly. Indeed, by the 1960s, the Court held that congressional statutes outlawing racial segregation in local businesses were constitutional under the Commerce Clause.

http://www.pbs.org/wnet/supremecourt/capitalism/landmark_schechter.html