

Chapter 2: So, You Want to Study Law? Maybe You'd Better Start with the Laws of Supply and Demand (Or, I Hope I Don't Get Sued for This)

For as long as anyone can remember, careers in law have been prestigious and lucrative. Those qualities, perhaps as much as the nature of the work itself, have made law an attractive career option for many over the years. But a recent article in *The Wall Street Journal* suggests that things are no longer what they used to be, at least for many who have recently graduated from law school.

For those paying attention, it was big news when big law firms in many large cities raised their starting salaries for new associates from \$145,000 to \$160,000 per year in 2007. Seemingly, it would indicate that demand must be booming for new lawyers and that perhaps supply was on the short side. No doubt, lots of people considering their career options took note and viewed law even more favorably than they might have previously. But the untold part of the story is that the number of new law school graduates who actually get those \$160,000 per year jobs isn't necessarily that great. And for those who don't, job prospects might be considerably less lucrative.

The story, as told by *The Wall Street Journal's* Amir Efrati, has a number of interesting wrinkles and angles to it. Certainly one of the more interesting is how prospects can vary so widely within the profession. In many respects, however, such an outcome shouldn't be all that surprising to us. Law, as much, perhaps, as any profession, has always been a meritocracy. As Mr. Efrati puts it:

Top entrance-exam scores help win admittance to top schools where top students win jobs at top firms. Even the system that is used to issue law-school grades— a curve that pits student against student—reflects the law profession's competitiveness.

So, the top students from the top schools get jobs with the top firms and get paid top dollar. But for those who were not near the top of their class, who didn't get into the top schools, those jobs will not be available, and many find that the jobs that are available don't pay nearly as well. They seemingly pay well enough that one need not fear going hungry, but another wrinkle in the story complicates the calculations.

Citing the Internal Revenue Service, Mr. Efrati reports that the average real incomes of lawyers practicing solo have been flat since the mid-1980s. Other surveys cited suggest that the growth of incomes of attorneys in smaller firms and those working for government and public interest firms has ranged from barely keeping up with inflation to modestly exceeding inflation, but lagging behind the rise in median family incomes reported by the Census Bureau. During this roughly twenty-year period when earnings for many entering the field have been relatively flat, tuition at their law schools rose at nearly three times the inflation rate. As a result, the average debt that new law school graduates leave school with has been increasing substantially.

With the hundreds, if not thousands of "anti-lawyer" jokes out there, there probably won't be all that much sympathy going out to lawyers finding themselves facing some economic hard times. (OK, I can't use that opening without offering at least one: A client who felt his legal bill was too high asked his lawyer to itemize costs. The statement included this item: "I was walking down the street and saw you on the other side. I walked to the corner to cross at the light, crossed the street and walked quickly to catch up with you. I got close and saw that it wasn't you. -\$50.00.")

Nonetheless, the article raises some interesting points concerning how law schools market themselves to prospective students, which helps highlight the need for those prospective students to do their own "due diligence" before making their decision to invest \$100,000 or more on law school. First of all, the supply of lawyers continues to grow, with nearly 44,000 J.D. degrees awarded in 2005-06, compared to just under 38,000 four years earlier. One source of this growth is that the number of schools is growing, too. According to Mr. Efrati, law schools not only add prestige to universities; they also are good at making money for them.

One thing law schools do not seem to be particularly good at is helping prospective students develop good expectations of what their employment and income prospects after graduating might be. Though it is by no means deliberate deception on their part, schools tend to report average or median starting salaries that recent graduates have received. Since this is self-reported data, it will likely be skewed toward the high end. Combining that sort of information with the widely reported big salaries at the big firms can distort one's estimates of what might be reasonably expected.

Source:

"A Stingier Market Awaits New Attorneys: Growth Of Legal Sector Lags Broader Economy; Law Schools Proliferate," by Amir Efrati with Mark Whitehouse contributing, *The Wall Street Journal*, September 24, 2007, pp. A1, A11.

Questions:

1. In many ways, careers in law are no less a mystery to students than careers in other fields when it comes to salary expectations. How might one do "due diligence" to develop reasonable expectations about likely income prospects?
2. In Chapter Two, the basic roles of supply and demand in determining wages were reviewed. The article talked about some new lawyers making \$160,000 per year, while others struggled to make \$20 per hour without benefits and possibly only for part-time or contract work. Explain how supply and demand can generate such widely disparate wages for attorneys fresh out of law school?