

THE ECONOMICS OF LEGAL EDUCATION: A CONCERN OF COLLEAGUES

**TO THE AMERICAN BAR ASSOCIATION
TASK FORCE ON LEGAL EDUCATION**

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The recent chorus of complaints about the “crisis” in legal education has brought new urgency to longstanding concerns. Law schools are operating in a difficult climate, characterized by rising costs, strained endowments, reduced governmental assistance, disaffected students, and declining applications. The undersigned Coalition of Concerned Colleagues seeks to draw attention to the problems confronting legal education, and to identify potential responses.

Over the last three decades, the price of a legal education has increased approximately three times faster than the average household income. With the help of the federal student loan fund, some ninety percent of law students borrow to finance their legal education and the average law school debt now exceeds \$100,000. Overall, law students in 2011-2012 borrowed more than \$4 billion to pay for their legal education. Unsurprisingly, debt burdens are unevenly spread and amplify racial and class disadvantages.

The price of legal education has risen as the job market for lawyers has declined. More than two out of every five 2011 graduates did not obtain a full-time long-term job requiring a law degree; the median starting salary of the class, among the less than half of graduates for whom a salary was reported, was \$60,000. The problematic economics are captured by this fundamental mismatch: a graduate who earns the median salary cannot afford to make the monthly loan payments on the average debt. Large numbers of current law students will be forced to enter Income Based Repayment (IBR), a new federal debt relief program that allows reduced monthly payments, but with significant costs for both debtors and taxpayers. These costs may cause Congress to rethink the provision of easy credit to law students.

The price of legal education substantially affects access to the profession. The out-of-pocket cost of obtaining a law degree ranges from \$150,000 to \$200,000 or more for many law students. This erects a formidable economic

barrier to becoming a lawyer and restricts the career choices of those who do enter the bar. Although the federal government and most law schools offer some loan repayment assistance to graduates who take public interest jobs, law school programs are often insufficiently funded and the federal programs do not provide full discharge until after 10 years of public interest employment.

Nor do these programs address the fundamental problem of how a lack of jobs, public interest or otherwise, has now made law school a questionable investment. The federal government estimates that, at current graduation rates, the economy will create about one new legal job for every two law school graduates over the next decade. Most knowledgeable observers believe that the situation is unlikely to improve even if the economy fully rebounds. More employers are relying on paralegals, technology and contract attorneys to do work previously performed by recent graduates, and cash-strapped public sector agencies are facing pressure to curtail legal expenditures.

Many law schools are themselves in an increasingly difficult financial position. After years of uninterrupted increases in enrollment and tuition, they now face a sharp decline in applicants. As it becomes harder for law schools to fill their classes, all but the wealthiest institutions will face pressure to cut expenses. Yet at the same time, preoccupation with the annual ranking of schools by *U.S. News and World Reports* gives schools a perverse incentive to spend more in areas rewarded by the *U.S. News* formula. Two examples are expenditures per student and faculty- student ratios, which have risen dramatically in the decades since the rankings went into effect. Schools also have incentives to reduce tuition for students with high median GPA and LSAT scores, even though these applicants are unlikely to have the greatest financial need. This causes students from modest economic backgrounds paying full tuition to, in effect, subsidize the education of their more privileged peers. A school can do better in the rankings if it spends more in ways that could enhance its reputation. The combination of rising costs, declining applicants, and perverse incentives puts the financial survival of some schools in question.

Legal education cannot continue on the current trajectory. As members of a profession committed to serving the public good, we must find ways to alter the economics of legal education. Possible changes include reducing the undergraduate education required for admission to three years; awarding the basic professional degree after two years, while leaving the third year as an

elective or an internship; providing some training through apprenticeship; reducing expensive accreditation requirements to allow greater diversity among law schools; building on the burgeoning promises of internet-distance education; changing the economic relationship between law schools and universities; altering the influence of current ranking formulas; and modifying the federal student loan program. As legal educators, it is our responsibility to grapple with these issues before our institutions are reshaped in ways beyond our control.

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