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ABA COMMISSION ON THE IMPACT OF THE ECONOMIC CRISES ON THE PROFESSION AND LEGAL NEEDS

THE VALUE PROPOSITION OF ATTENDING LAW SCHOOL

Choosing to attend law school is a big decision that prospective law students should not take lightly. Although many factors may influence one's decisions about whether and where to attend law school, a proper understanding of the economic cost of a legal education is vital for making an educated decision. Far too many law students expect that earning a law degree will solve their financial problems for life. In reality, however, attending law school can become a financial burden for law students who fail to consider carefully the financial implications of their decision.

I. THE COST OF A LEGAL EDUCATION

Obtaining a degree from an ABA-accredited law school is not cheap. Over the last twenty-five years, law school tuition has consistently risen two times as fast as inflation.[1] Consequently, the average tuition at private law schools in 2008 was $34,298, while the average in-state tuition for public law schools was $16,836.[2] When one adds books and living expenses to tuition, the average public law student borrows $71,436 for law school, while the average private school student borrows $91,506.[3] Many students borrow far more than $100,000,[4] and these numbers do not even include debt that students may still carry from their undergraduate years.

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[1] Maimon Schwarzschild, *The Ethics and Economics of American Legal Education Today*, 17 J. CONTEMP. LEGAL ISSUES 3, 5 (2008); *see also* THE ABA COMMISSION ON LOAN REPAYMENT AND FORGIVENESS, LIFTING THE BURDEN: LAW STUDENT DEBT AS A BARRIER TO PUBLIC SERVICE 16 (Chicago 2003) [hereinafter LIFTING THE BURDEN].
[2] ABA SECTION OF LEGAL EDUC. & ADMISSIONS TO THE BAR, LAW SCHOOL TUITION 1985–2008 (2008), *available at* http://www.abanet.org/legaled/statistics/charts/stats%20-%205.pdf.
[3] ABA SECTION OF LEGAL EDUC. & ADMISSIONS TO THE BAR, AVERAGE AMOUNT BORROWED FOR LAW SCHOOL, 2001–2008 (2008), *available at* http://www.abanet.org/legaled/statistics/charts/stats%20-%2020.pdf.
[4] Schwarzschild, *supra* note 1, at 6.

To make matters worse, the recent economic downturn will likely make legal education even more expensive. Endowment losses, declining state support, and difficulties in fundraising have hit law schools hard. Consequently, most public law schools are raising tuition this year by 10-25%.[5] At the same time, prospective students may have fewer resources from savings, family assistance, or other sources to help defray the cost, even as financial aid assistance declines.[6] An average student considering enrolling in law school now should thus expect to graduate with debt well in excess of $100,000.

II. PROSPECTS FOR LAW GRADUATES IN THE EMPLOYMENT MARKET

Many prospective law students are already familiar with the steep price of a legal education. What many do not know, however, is that these costs often exceed the expected return on their investment in the job market.[7] Prior to the recession, starting salaries for associates at large law firms stabilized around $160,000 a year,[8] and many prospective law students expect to be able to earn a comparable amount. In reality, however, only 23% of the graduates of the class of 2008 started with such a high salary, including only 37% of those who went into private practice.[9] Shockingly, most of the rest of the graduates, about 42%, started with an annual salary of less than $65,000.[10]

These numbers reflect the employment of the last cohort of law students whose initial employment was relatively uninfluenced by the economic recession. This year, the employment

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[5] Karen Sloan, *At Public Law Schools, Tuition Jumps Sharply*, NAT'L L.J., Aug. 3, 2009, *available at* http://www.law.com/jsp/article.jsp?id=1202432727154.
[6] Karen Sloan, *Law schools dealing with budget cuts*, NAT'L L.J., Jan. 19, 2009, *available at* http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202427496279.
[7] *See* Leigh Jones, *As Salaries Rise, So Does the Debt*, NAT'L L.J., Feb. 1, 2006, *available at* http://www.law.com/jsp/law/careercenter/lawArticleCareerCenter.jsp?id=1138701909390 (noting that law students in 2006 paid 267% more for their legal education than students in 1990, yet were earning an average of just 60% more).
[8] *See* Press Release, Nat'l Ass'n for Law Placement (NALP), Salaries at Largest Firms Up Again (Aug. 21, 2008), *available at* http://www.nalp.org/salariesatlargestfirmsupagain.
[9] NALP, JOBS & JD'S: EMPLOYMENT AND SALARIES OF NEW LAW GRADUATES 18–19 (2009).
[10] *See id.*

picture is even more bleak. Students are now competing for half as many jobs at top law firms—those most likely to pay $160,000 for first-year associates—as last year.[11] Recruitment at many levels of the job market is declining by similar amounts. Although numbers are not available yet, many members of the class of 2010 and 2011 may graduate without a job, and those who are lucky enough to find employment likely will collectively have lower salaries than their predecessors. In short, the job market is more challenging than it has been in many years, as well-paying jobs are in short supply.

III. THE BOTTOM LINE

The combination of the rising cost of a legal education and the realities of the legal job market mean that going to law school may not pay off for a large number of law students. Dean David Van Zandt of Northwestern Law School estimates that to make a positive return on the investment of going to law school, given the current costs, the average law student must earn an average annual salary of at least $65,315.[12] As the data above show, however, over 40% of law school graduates have starting salaries below this threshold. Thus, many students start out in a position from which it may be difficult to recoup their investment in legal education. Even students who do ultimately prosper over the course of a career face difficulties from high debt loads during the beginning of their career. High debt can limit career choices, prevent employment in the public service sector, or delay home ownership or marriage.[13] In short, going to law school can bring more financial difficulty than many law students expect.

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[11] Gerry Shih, *Downturn Dims Prospects Even at Top Law Schools*, N.Y. TIMES, Aug. 25, 2009, at B1.

[12] Dean Van Zandt's estimate is based on the assumption that students would make $60,000 per year without going to law school, that law school tuition is $30,000 per year, that the student works for thirty years as a lawyer, and that the discount rate is 5%. His estimate does not take into account the opportunity cost of three years of foregone income, nor does he consider the cost of debt service on law school loans.

[13] *See* THE ABA COMMISSION ON LOAN REPAYMENT AND FORGIVENESS, LIFTING THE BURDEN: LAW STUDENT DEBT AS A BARRIER TO PUBLIC SERVICE (Chicago 2003).

The lack of financial return, of course, does not mean that it is not valuable to go to law school. Many lawyers receive intrinsic benefits from a satisfying career that cannot easily be quantified. It does mean, however, that students should think twice before going to law school simply for the money. All too often, students who bank on reaping a positive financial return from law school lose out.

IV. ADVICE FOR PROSPECTIVE LAW STUDENTS

All law school applicants should have a clear picture of the debt that they will incur and the expected earning power of graduates from the schools to which they are applying. If their expected salary cannot easily support their expected debt, students should look for other options to cut back on expenses while in law school. Options include attending a local law school and living at home, going to a public school where one can get in-state tuition, enrolling in a part time program and continuing to work, or carefully controlling costs while in law school. If students do not consider the financial implications of their decision to attend law school, they may find themselves facing debt levels that they cannot support. With careful planning, however, everyone who wants to attend law school should be capable of doing so. A prospective law student should thus weigh her options carefully before choosing where to go to law school.

This paper was prepared by the ABA Commission on the Impact of the Economic Crisis on the Profession and Legal Needs. The views expressed herein only reflect the views of the Commission. No resolution presented in the paper represents the policy of the association until it has been approved by the House of Delegates.

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