



LET'S STOP CUTTING OFF OUR NOSES

How Reregulation Benefits Lawyers

By Andrew Arruda

Law as a profession has failed to adequately serve society as a whole. The legal services market is a failed market that does not efficiently provide value-add products (i.e., useful legal services) to Americans at reasonable prices. But the market issues don't stop there; things have gotten so bad in our profession that the legal services market is even failing lawyers, specifically sole practitioners and attorneys at small and medium-sized firms. Restrictive regulations and artificial market constraints have made it possible for the median salary of a lawyer to be \$122,960 while the average

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partner at an Am Law 100 law firm makes \$2 million. The salary for a first-year associate at an Am Law 100 firm comes in at \$190,000, plus another \$22,500 in bonuses (Meghan Tribe, “Why Are Some Lawyers Getting an Extra \$140K? Bonuses Explained,” *Bloomberg Law*, Dec. 4, 2020, <https://tinyurl.com/yxm86j63>). Upset yet? You should be. Especially because all these lawyers paid around the same amount for their law degree.

Today, only a small percentage of citizens with legal issues seeks and secures legal representation. The reasons for this are multifaceted and include a lack of trust in our justice system, a lack of understanding that their issue has legal dimensions, and the simple reality that most citizens cannot afford legal representation. The small percentage of citizens who are able to truly get the most out of our legal system are those who use, and can afford to use, a select number of expensive Am Law 100/200 law firms. Most solo and small law firm lawyers cater to members of the general public; considering that the median household income in the United States was \$65,712 in 2019 (the most recent year for which U.S. Census Bureau data is available), they can barely afford to retain lawyers except for the simplest and most routine forms of legal representation. Average citizens are dead in the water if they need to seek legal help or are pulled into a legal action.

Think that’s bad? It gets worse. Let’s consider for a moment the situation that typical American lawyers find themselves in, and let’s do so

objectively, looking simply at the numbers. The average law school student graduates with \$120,000 or more in student debt. They enter into a professional market where they have two options. The first is to choose to assist wealthy clients or large companies at an Am Law 100/200 law firm with the hope of one day making it through the meat grinder and finally becoming an equity partner—the odds of which are roughly, at best, 30 percent. The second option, and one that the majority of grads will veer toward either immediately or within a few years, is assisting small businesses and everyday Americans. The problem is that the income they take home at the end of the day doesn’t match the amount of work they’ll need to put in. Why? Let’s consider a few more numbers.

**Increasingly, lawyers’
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contribute to expenses to keep the business running: office space, accounting, admin, marketing expenses, etc. And, sure, this is a reality for any small business owner in America, but the burden of law school debt isn’t (and let’s not forget the three years of foregone income while accruing that debt to begin with). All of a sudden, you start to really get a feel for the squeeze most lawyers in America feel. The current legal system only benefits the super wealthy: super-wealthy citizens, super-wealthy corporations, super-wealthy law firms, and super-wealthy lawyers.

Recently, there has been increased interest in rethinking the regulations in place concerning the delivery of legal services. This is a movement I wholeheartedly support, and I deeply believe that the impetus



Let’s use Texas as an example. It’s a large and wealthy state, although not the wealthiest or densest, so I think it’s a fair but optimistic approximation of the average legal market. Sure, it’s not midtown Manhattan, but it’s also certainly a state with its fair share of prosperous businesses and individuals. The average lawyer in Texas makes \$88,446 in revenue per year. Sounds pretty good, right? But you have to remember that if you’re a sole practitioner or at a small firm, you have to pay or

for this movement comes from a good place. That being said, it is often mischaracterized as something that will hurt the average lawyer. And you know what? I totally get it. I’ve spoken on this subject at countless roundtables, fireside chats, and Zoom gatherings, and the logic generally goes like this: Most lawyers are already struggling to get clients and make ends meet, plus they are still paying off their law school debts years and years after graduating, so why would they support measures that only

seem to increase competition within the legal market? I get this because I worked at a small law firm myself. I experienced this struggle personally. I grew up blue-collar, graduated with a ton of law school debt, and cut my teeth at a neighborhood firm serving everyday folks and small businesses. The reason I'm so passionate about regulatory reform is that I realized the immense opportunities available to the lawyers who aren't at massive law firms and want to make this a reality.

The thing that's keeping the average attorney in this country from making a wage comparable to a dentist (\$175,000 a year on average) or a doctor (\$237,000 a year on average) isn't that there's too much competition among lawyers, it's that old-fashioned regulatory rules have created a framework where only a small percent of the available market can be addressed, and those same rules have also created barriers to prevent lawyers from collaborating with other professionals to *scale our services*.

Let's do some rough math. If the average citizen has only \$100 to \$500 a year to spend on legal services, the way things are set up now means they don't spend *any* of it on legal services, as what they can purchase is extremely limited. The average billable hour of a lawyer is \$300 in the United States. If I am facing an issue important enough that I need a lawyer's help—incorporating my small business, declaring Chapter 7 bankruptcy, filing for divorce, etc.—one or two hours of a lawyer's time aren't going to solve the problem start to finish. So, the average American avoids

the legal system altogether. They can't afford it. The way the market has been designed and regulated means the average American citizen is currently priced out of it.

Regulatory reform offers immense opportunities for lawyers who aren't at massive law firms.

Now, imagine this instead. What if we, as lawyers, were able to team up with computer scientists, social workers, businesspeople, and venture capitalists? We could start to lower the overall cost for specific legal services, divorce, wills and estates, real estate matters, to name a few, enabling every American to both gain access to the legal services they need and also enable billions of dollars to flow into the hands of lawyers and law firms serving the needs of everyday Americans. The current population of the United States is 331 million. If we got 25 percent of Americans to spend just \$50 on legal services, that would result in an additional \$4.138 trillion flowing into the legal market per year. If we got 25 percent of Americans to spend just \$200 a year on legal services, that equals

an additional \$16.55 trillion flowing into the market, per year, every year.

Right now, the average lawyer in America doesn't make much money at the end of the day. In fact, many lawyers are in debt, especially new lawyers (Sara Randazzo, "New Lawyers Are Swimming in Debt," *The Wall Street Journal*, Nov. 27, 2019, <https://tinyurl.com/n8phsycr>). And the system that is keeping lawyers down is the same system that is preventing each and every citizen from receiving true access to justice. We need to tear down regulatory walls and stop enabling and propping up this system. The average annual profit per equity partner of the top five law firms in the United States is about \$5 million a year (Lateral Link, "A Deep Dive into the 2021 Am Law 100 Rankings," *Above the Law*, Apr. 30, 2021, <https://tinyurl.com/4yt4fx9t>). Five million dollars a year. The average lawyer in America is barely making a fraction of that per year. Lawyers, we need to stand up. We need to stop supporting this broken system. Reregulation is needed, and your support is the key needed to turn this locked market loose and enable tens of billions of dollars to flow into legal services each year—and most importantly, ensure justice for all isn't just something we get kids to say out loud when reciting the Pledge of Allegiance. ■



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