

Finger poised to tip the first law school domino

Written by Staff

Thursday, 17 January 2013 10:44

Back in mid-December, [Law School Transparency wrote an article](#) asserting that the financial structure of law schools was unsustainable and that if it continued on its present course we would begin to see the collapse of schools that rely heavily on tuition for funding and produce meager employment outcomes. Here's an excerpt from the article's introduction:

The personal disasters faced by recent graduates may be precursors to an industry-wide institutional disaster for legal education, as law schools struggle with their own economic challenges. Law schools have high fixed costs brought about by school-on-school competition, unchecked federal loan money, a widely exploited information asymmetry about graduate employment outcomes, and a lack of fiscal discipline masked by assertions of innovation. Tuition continues to rise at alarming rates, while both the number of legal jobs available and the salaries for those jobs decline. Skepticism about the value of a J.D. has also never been higher; law schools have already begun to see a drop in applications and enrollment.

If these trends do not reverse course, droves of students will continue to graduate with unsustainable student loan debt that greatly reduces their ability to fulfill traditional, important roles in American society. Programs unable to fall back on large endowments, fundraising, non-traditional sources of revenue, and other budgetary maneuvering may face a very rapid collapse. The exact point at which the law school crisis turns into a disaster for legal education is debatable, but the importance of preparation for it is not.

In response to this piece, [UNC professor Bernie Burk posted on Faculty Lounge](#) , saying that LST had "jumped the rails" for being too dramatic and crisis-mongering:

Don't let your urge to be the center of attention distract from the ideas and their merits. To those of you who pointed out that this was a vice of my original post (most of you in the most understated and appropriate way): you were right, and thank you. This vice appears in "Disaster Planning" in the overused and overwrought rhetoric of crisis that pervades a certain class of commentary about the current state of the legal academy and the legal profession. LST's title tells us its paper is all about "Disaster Planning" to address the "Crisis in Legal Education." And indeed the word "disaster" appears three times in the first paragraph of the Abstract alone, with two "cris[e]s" thrown in for good measure. By the third page, "the law school disaster" has been erected as the foil against which the paper's recommendations are defined.

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So what is “the law school disaster” according to LST? I scoured over forty pages without finding an answer. While “Disaster Planning” trots out various inventories of misfortune, it fundamentally fails to identify the “disaster” it’s “planning” for, leaving us facing down that “disaster” armed only with the queasy uncertainty that we won’t know when we’re ready for it, how effectively we weathered it, or when it might be over.

LST doesn't go into too much detail about what exactly the disaster is, because plenty of other people have covered it, but it's not too hard to figure out. There's the personal disaster facing grads, and the looming institutional disaster that will follow when applications plummet and law schools are unable to generate sufficient revenues. And as [DJM wrote on Inside the Law School Scam this week](#), law school applications are at an all time low.

Based on current application rates, it appears that only about 53,000 students will apply to law schools for Fall 2013. And despite some schools having very lax acceptance policies, not everyone will get in. Paul Campos spoke at the Cato Institute yesterday about this, and it's like there will be an overall acceptance rate of somewhere around 85% (down from roughly 50% a decade ago). That gives schools about 45,000 admitted students. Of that, schools historically have had a yield rate of about 85% (some people who get in decide not to go). That brings the number of enrolling 1Ls down to just over 38,000.

Here's the kicker: Law schools have been accepting 1Ls in excess of 50,000, and it's just through attrition that the number of grads gets down to 45,000. So that 38,000 number represents a shortfall of about 20-25%.

That's bad. It gets worse.

Law schools are not just going to see fewer total students, but competition for them will be fierce, and scholarship offers will be given out like candy. We can expect that the students who choose not to go anywhere will disproportionately be the ones who would have had to pay full freight. (The most obvious reason not to go is you applied to schools that you'd only attend on scholarship and did not get one.) Schools will be looking at not just fewer students, but a lower average tuition revenue per student.

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Schools that don't have large endowments or alumni annual funds will likely collapse. The rapid collapse of several law schools will gain a great deal of media attention which will further cause prospective students to (rightly) question the value of a law degree, and thus cause future applications to fall even further, and more students will refuse to attend law school without substantial scholarships. The collapse will move up the line and cause more schools to close.

The end point will, hopefully, be a new marketplace with many fewer schools, fewer grads, and lower prices, but the interim will be a period of upheaval for a number of schools, their faculty, and their students. That's the disaster, Professor Burk.