The Signaling Effect of Rankings: Evidence from Top 14 Law Schools

Honors Thesis

Daniel Whalen

Abstract

This thesis examines the effect on career outcomes caused by placing within the top 14 spots on *US News & World Reports*' law school rankings. We use data from the American Bar Association on class profiles, Bar passage rates by law school, and graduates' careers ten months after graduation. We utilize value-added modeling to calculate how schools perform after accounting for innate abilities (measured by median LSAT scores and undergraduate GPA) and characteristics of their students. We then use a regression discontinuity design to calculate the causal impact of being in the top 14 on school value-added. We find that schools just inside the top 14 increase the likelihood of sending their students to big law firms by approximately 26 percentage-points more than schools just outside of the top 14. No statistically significant discontinuity is found for Bar passage rates, employment rates, or federal clerkship placement. We conclude that graduating from a top school signals a lawyer's innate ability, as the increase in likelihood of Big Law employment from attending a top 14 school is above the human capital development that is implied by the increased likelihood of Bar passage.

1. Introduction

This thesis utilizes the consistency of the top 14 places of *US News & Reports*' law school rankings to answer the following: Do top 14 ranked law schools add value (in terms of employment at a law firm larger than 250 attorneys and other career outcomes) greater than implied by the increase in the human capital of their students (as measured by the percent who pass the Bar)?

In 1987, *US News & World Reports* (USNWR) released its first ranking of accredited American law schools. Following a two-year hiatus, in 1990 *US News* started publishing rankings annually. Since the beginning of the annual rankings, the same fourteen schools[1] have occupied the top positions in almost[2] every year's ranking, allowing them to be widely recognized as the most prestigious schools. Due to the consistency in the top fourteen ranked positions, these schools have been informally named the Top 14 (or T14). This label, while not an official designation of *USNWR*, has become widely used, including in academic studies such as Bonica et al. (2015, 2016, 2018). These schools, being among the most coveted by prospective law students, are among the most selective and essentially have their choice of students. The graduates go on to prestigious careers (large law firms and federal clerkships) at rates higher than most other schools[3] and achieve higher salaries on average.[4]

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[1] They are Columbia Law School, Cornell Law School, Duke University School of Law, Georgetown University Law Center, Harvard Law School, New York University School of Law, Northwestern University School of Law, Stanford Law School, UC-Berkeley School of Law, University of Chicago Law School, University of Michigan Law School, University of Pennsylvania Law School, University of Virginia School of Law, and Yale Law School.

[2] For the 2018 rankings, University of Texas School of Law ranked 14 while Georgetown fell to 15. They previously tied for 14 in 2012. The 2022 rankings (published in 2021) placed UCLA School of Law at 14 and Georgetown at 15.

[3] For 2011-2019, T14 schools averaged 85% of students entering Big Law, compared to 42% for schools ranked 15-28. For federal clerkships, the rates were 13% and 5% respectively.

[4] See *US News*'s profile for each school for salary information.

It is unclear if the success of T14 alumni are due to the increase in human capital provided by the school or due to the elite status of the T14 serving as a signal for innate student ability. Graphing out the percent of graduates who enter Big Law firms (Figure 1) and the Bar passage rates (Figure 2) against the *USNWR* rank of the school, we find a linear, albeit heteroskedastic, relationship for the Bar passage rate but a discontinuity at the Top 14 for the percent who enter large firms. Because the Bar Exam is intended to be an objective measure of a student's competency and steps are taken to insure fair and consistent grading,[5] we are not concerned that the grading of the Bar exam could be biased by the rank of a student's school. Thus, we take the Bar passage rate of a school to be an objective measure of the abilities of a school's students. Therefore, it is possible that graduates of the Top 14 are hired by large firms at a rate higher than suggested by their Bar passage rate due to the Top 14 signaling a high innate ability of their students.
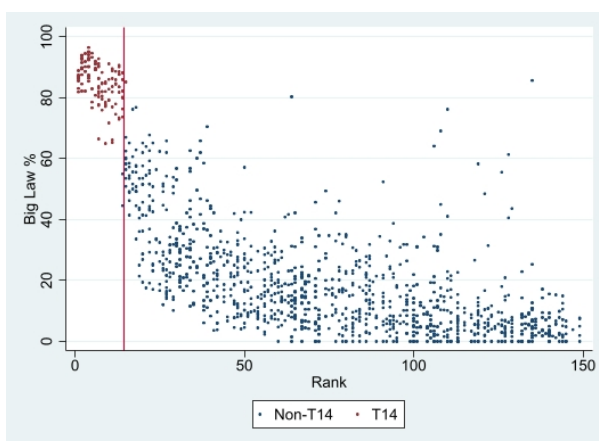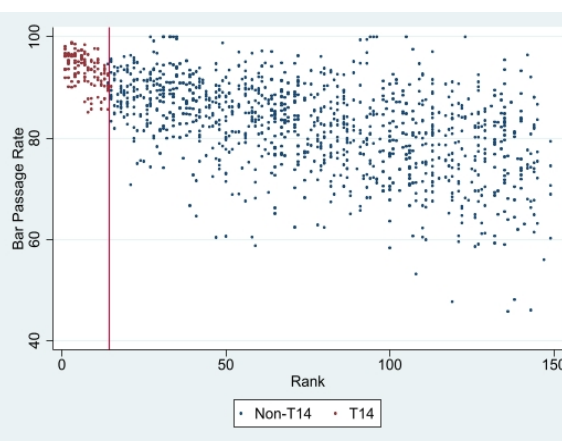
Figure 1. Big Law Placement	Figure 2. Bar Passage Rate

This paper investigates to what degree signaling and human capital formation play a role

[5] John Passmore. "Know Your Audience—Who is Grading Your Bar Exam?" *Bar Exam Toolbox*, June 11, 2018, https://barexamtoolbox.com.

in the career outcomes of law school graduates. Do both the rankings and the success of graduates merely reflect a higher quality education at the T14 versus other schools? Does graduate success reflect the T14's ability to recruit and selectively admit a high number of highly intelligent students who would achieve great success no matter where they attended school? Does the mere status of graduating from a T14 school make an attorney more attractive to employers than other similarly skilled attorneys from non T14 schools? This paper will attempt to disentangle these effects by estimating the value added of each school and determining if there is a discontinuous increase in school value added upon entry into the T14.

2. *Literature Review*

There have been several studies of law schools that have looked at the association between school rank and employment outcomes, but none, to my knowledge, have looked specifically at the T14. Sander (2004) and Oyer and Schaefer (2016) find a 16% wage premium for graduates of top 10 law schools compared to graduates of schools ranked 11-20. Additionally, Oyer and Schaefer (2006) find that Top 10 graduates were 24% more likely than 11-20 graduates to work at a law firm with greater than 100 attorneys in a major legal market. However, this study utilizes the After the JD data, a longitudinal study of the careers of American lawyers, which, unfortunately, does not contain subjects' LSAT (Law School Admission Test) scores, which the study cites as one of the most important aspects of law school admissions. Ehrenberg (1998) uses the Gourman Score from *Barron's Guide to Law Schools* as a measure of school quality and finds about a 4% increase in salary associated with an increase of 100 points on the Gourman Score.

In addition, this paper attempts to disentangle the signaling and human capital contributions to law student success. Hussey (2011) found that the majority of wage benefits

after receiving an MBA are the result of a signaling value. We apply this concept to law degrees see if the rankings of law schools enable a signaling value for the top ranked schools.

3. *Theory*

There are two main theories regarding the value of education (Hussey 2011). Human capital development theory holds that the value of education is derived from the skills that students are directly taught being applicable to their careers. On the other hand, signaling theory maintains that value comes from demonstrating unobservable characteristics (work-ethic, intelligence, etc.) to employers by being able to obtain admission to and complete an educational program. Thus, the ability to be admitted to a selective institution would signal additional value to employers.

If human capital development theory accurately describes the educational value for law school, then the income and employment benefits from attending a top ranked law school is derived from the quality of the education. The high rankings accurately capture the schools' abilities to endow their students with the skills necessary to attain a position at a large law firm with a high salary. If this is the case, we would also expect that these highly-ranked law schools, by teaching these desirable skills, have the largest impact on passage rates on the Bar exams, a theoretically objective measure of each student's knowledge and skills pertaining to the legal profession.

However, if signaling theory better describes the value of law school, then the benefits of attending a top ranked law school derive from the students showing that they have the knowledge and skills to be admitted to and graduate from a highly ranked and selective program. The top schools are highly selective in their admissions, with the only the most qualified students earning admission. For example, for its class of 2023, Yale Law School admitted only 8.2% of

its applicant pool compared to a national average of 45%.[6] Such selectivity allowed Yale to obtain a class of highly-qualified students, including Truman, Rhodes and Marshall Scholars; a Fulbright Research Fellow; 57 students with graduate degrees; a median undergraduate grade point average (UGPA) of 3.94; and a median LSAT at approximately the 99th percentile.[7] These students would still be highly intelligent and skilled if they went to any other school, but attending one of the most selective and highly-regarded schools is a short-hand way of revealing their innate ability to future employers. Therefore, under the signaling theory of education we would expect schools to have only a limited effect on the proportion of students who pass the Bar. The high passage rates of highly-ranked schools would reflect the intelligence and previously-accumulated skills of their students.

4. *Data*

Because *USNWR* does not maintain an archive of their previous rankings, I rely on several legal blogs (*Above the Law*, *Lawschooli*, *Blue Print Prep*, and *Spivey Consulting*) for the previous decade's rankings. *USNWR* does not list the rankings for the bottom quarter (approximately schools ranked 146-192); these schools have been dropped from this study accordingly. Since the bottom quarter is not completely consistent throughout years, there are several schools that, being in the bottom some years but not others, have only a few observations. Similarly, in 2011, the third quartile (approximately schools ranked 100-150) are

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[6] Emma Kerr, "10 Law Schools That Are the Hardest to Get Into," *US News & World Reports*, May 12, 2020, usnews.com.

[7] See "Statistical Profile of the Class of 2023" on Yale Law School's website. https://law.yale.edu/admissions/profiles-statistics

listed as T3 (tier 3) without an individual rank. Therefore, only the top 97 schools are used from 2011.

For employment outcomes and student characteristics data, I utilize the American Bar Association's (ABA's) Standard 509 Disclosures.[8] The reports contain data that all law schools accredited by the ABA are mandated to publicly release. This dataset goes back to 2011, and reports several key variables of the student body that may affect outcomes — median LSAT and UGPA, gender ratio of the entire school and the ethnicity ratio of the first-year class. Importantly, the reports also give the employment statistics and bar passage rates ten months after graduation. Table 1 gives the summary statistics for our outcome variables (Big Law placement rate, Bar passage rate, employment rate, employment rate for jobs requiring the passage of the Bar exam, and the placement into federal clerkships) and value-added controls for approximately the top three quartiles of ranked law schools for the years 2011 to 2019.

Table 1. Summary Stats For All Schools

| | (1) | (2) | (3) | (4) | (5) |
VARIABLES	N	mean	sd	min	Max
medianpercentileLSAT	1,201	158.8	5.712	146	173
medianpercentileUGPA	1,201	3.504	0.190	2.910	3.930
PercetFemaleTotal	1,201	47.96	5.420	23.60	69.70
percHispanicsofanyraceFY	1,201	8.704	6.426	0	52.90
percAsianFY	1,201	6.370	5.241	0	32.50
percBlackorAfricanAmericanFY	1,201	6.260	7.066	0	86.90

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[8] The ABA is the accrediting body for American Law Schools and codifies its accreditation standards in the "Standards and Rules of Procedure for Approval of Law Schools." (see Preface at https://www.americanbar.org/groups/legal_education/resources/standards/)

Ethnicityother	1,201	0.921	1.510	0	11.20
Big Law	1,201	25.06	25.46	0	96.55
Clerk rate	1,201	3.564	4.649	0	34.98
Employment Rate	1,201	92.77	4.956	67.92	100
Employment Rate (Bar Passage Required)	1,104	64.64	12.89	23.08	95.81
Bar Passage Rate	1,201	83.48	9.017	45.76	100

5. *Value Added Methodology*

We seek to measure the impact that law schools have on the skills and outcomes of their students. Therefore, we must control for the abilities of students that were cultivated before entering law school. To achieve this, we rely on value-added modeling, which has been utilized in past research for the purpose of calculating teachers' impacts on primary and secondary student test scores (Chetty, Friedman, and Rockoff 2014a). The methodology proceeds by regressing test scores on students' observable characteristics in order to control for student abilities over which the teacher has no control, averaging the residuals to the teacher-by-year level, and controlling for idiosyncratic time shocks. The value-added of each teacher is the average amount their students performed above or below their predicted performance. Chetty, Friedman, and Rockoff (2014a)'s drift methodology modified the original value-added methodology by allowing teacher value-added to change over time, while prior models assumed a constant teacher quality.

We apply the value-added methodology developed by Chetty, Friedman, and Rockoff (2014a) to the graduating classes of law schools to calculate law school value added on various outcomes. Because we only have access to school-level data, we measure the value-added on

outcomes in percentage points (e.g. how many more students from a school pass the Bar than would be expected from the students' average incoming characteristics). In order to account for the outcomes the student body would have regardless of where they attended law school, we control for the median LSAT and UGPA of the first-year student body, proportion female, Hispanic, Asian, black, and other ethnicity, and year fixed effects. Because each state administers a different Bar exam,[9] we control for state fixed effects when estimating the value-added on Bar passage rate, using the state where the highest number of graduates from each school is employed.

Therefore, the equation we use to estimate the value added on the Bar passage rate (BPR) of a school, u, in year, t, is the following:

$$BPR_{u,t} = \alpha + \beta * \mathbf{X}_{u,t} + S_{u,t} + VA_{u,t} + \varepsilon_{u,t},$$

Where $\mathbf{X}$ is a vector of students' characteristics (LSAT, UGPA, and demographics), S is the state fixed effect, and VA is the fixed effect of the law school for each year.

Our equation to estimate the value added on employment outcomes (Big Law placement, employment rate, and clerkship placement) for schools is given as the following:

$$E_{u,t} = \alpha + \beta * \mathbf{X}_{u,t} + VA_{u,t} + \varepsilon_{u,t}.$$

6. *Value-Added to Big Law*

In this section, we seek to calculate the value-added by law schools in terms of placement into "Big Law" firms. The National Association of Law Placement defines Big Law as law firms

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[9] See "Taking the Bar Exam" on Harvard Law School's website. h[ttps://hls.harvard.edu/dept/dos/taking-the-bar-exam/](https://hls.harvard.edu/dept/dos/taking-the-bar-exam/)

employing more than 250 attorneys.[10] While different definitions of Big Law have been used by those in or covering the legal profession (including definitions regarding the starting salary of associates, *Vault*'s rankings, etc.), the 250-attorneys cut-off is not an arbitrary measurement. Firms larger than 250 attorneys see a sizable benefit in wages.[11] The median starting salary in 2019 for firms between 101 to 250 attorneys was $115,00 while firms with 251 to 500 attorneys had a median starting salary of $160,000. Additionally, in 2019, 38.2% of firms with 251 to 500 attorneys paid $190,000 as their first-year base salary (the rate paid by *Vault*'s top firms) compared to only 6.4% of firms with 101 to 250 attorneys. Securing a position in Big Law has thus become a mark of prestige for lawyers.

To account for differences between class sizes (the number of graduates in a law school class range from 33 to 625), we look at Big Law placement as a percentage. Specifically, we look at the percentage of graduates who enter Big Law out of the graduates who enter any law firm or solo practice. This is to avoid biasing against schools with a high rate of graduates who enter jobs that may be more preferable to work in a law firm or be the result of different innate preferences of their students. For example, Yale in 2019 may seem to have a low placement rate, with only 77 out of 217 (approximately 35%) in Big Law, than UCLA, where 135 out of 317 graduates (43%) are in Big Law. However, one must consider the differences in preferences among Yale and UCLA students. Yale and many other T14 schools offers incentives for graduates who enter law jobs in the government and the public interest, including loan forgiveness and fellowship opportunities, attracting students who are possibly not interested in

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[10] James Leipold and Judith Collins. "The Stories Behind the Numbers: Jobs for New Grads Over More Than Two Decades." National Association for Law Placement, Inc, December 2016, https://www.nalp.org/1216research

[11] *NALP Bulletin*. "Findings on First-Year Salaries from the 2019 Associate Salary Survey." National Association for Law Placement, June 2019, https://www.nalp.org/0619research.

Big Law.[12] Also, Yale is consistently among the top schools in clerkship placement — an

average of 32% for our 9-year period — which is potentially a more desirable and more

competitive position than Big Law. Therefore, we seek to only compare the amount of those who

work in Big Law with those from the same school who work in any firm or solo practice,

assuming that most students who go to work for a law firm would prefer to work in Big Law (as

a result of prestige or financial incentives). We thus take public interest, clerkship, and

government work on the one hand, and work in a law firm on the other hand as non-substitutable

preferences. We see that, among Yale graduates who work in law firms or solo practice, an

average of 86% work in Big Law compared to just 54% at UCLA.

Figure 1, on page 2, shows the percentage of graduates entering Big Law against the rank

of the law school. The "traditional" Top 14 schools are shown in red (excluding UT-Austin), while

all others are shown in blue. The red line is placed at rank = 14.5. There appears to be a

discontinuous drop-off in the trend as the rank goes from 14 to 15. This drop-off, if it is statistically

significant, could be a result of a discontinuous decrease in the abilities and intelligence of the

students between the 14th and 15th ranked schools. Conversely, the drop-off could be the result of

Big Law firms having a strong demand for T14 schools even over comparable schools just below

the rank of 14. We use the Chetty, Friedman, and Rockoff (2014) value-added methodology to

control for student ability and characteristics in order to isolate the component of the discontinuity

that is due to the school, whether via human capital formation or the signal of top 14 status, rather

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[12] See "Financial Support for Public Interest" on Yale Law School's website.
https://law.yale.edu/studying-law-yale/areas-interest/public-interest-law/about-public-interest-law/financial-support-public-interest.

than the student body.

6.2. Big Law Results

The value-added methodology relies on a regression of education outcomes on students' innate abilities. Table 2 gives the results of the Ordinary Least Squares or OLS regression of the Big Law rate on the median LSAT score and undergraduate GPA (UGPA), as well as gender and ethnicity controls. We also control for year-fixed effects, though they are not reported in the table. The independent variables are strongly predictive of the percentage entering Big Law, with an R^2 equaling .77. A one-point increase in the median LSAT score is correlated with a four-percentage point increase in the Big Law rate. Interestingly, the sign on the undergraduate GPA coefficient is negative, meaning that the percentage of students working in Big Law decreases as UGPA increases. While the magnitude may seem large, one must remember that a full point on the 4.0 scale is pretty substantial; the median GPA in our observation only ranges from 2.91 and 3.93. We can better interpret the coefficient as meaning that a 0.1 point increase in a school's median college GPA translates to 1.4 percentage points fewer students entering Big Law.

	(1)
VARIABLES	Big Law
medianpercentileLSAT	4.039***
	(0.164)
medianpercentileUGPA	-14.09***
	(4.551)
PercentFemaleTotal	0.177**
	(0.0833)
percHispanicsofanyraceFY	-0.160***
	(0.0600)
percAsianFY	0.548***
	(0.0867)
percBlackorAfricanAmericanFY	0.782***
	(0.0545)
Ethnicityother	-0.766***
	(0.246)
Constant	-578.9***
	(14.88)
Observations	1,201
R-squared	0.770

Table 2. Big Law Regression

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

We use the residuals from this regression to calculate each school's value-added on Big Law in each year. Dropping observations where the value-added could not be calculated, we obtain 1,201 valid observations. The results range from the lowest-value-added school (Alabama in 2018) sending 26-percentage points fewer students into Big Law than the regression would predict based on student characteristics to the highest-value-added school (Cornell in 2012) sending 27-percentage points more students than predicted. The three schools outside of the T14

with the highest value-added are the Catholic University of America, the University of South Dakota, and Suffolk University. Despite Howard being an outlier for the raw percent entering Big Law, its mean value-added is only 5.6, fitting approximately with the trend.

The results are graphed in Figure 3, which shows Big Law value-added against *USNWR* rank in the year the placement was achieved. The vertical line is again placed at rank = 14.5. We see a discontinuity in the trend of value added as either side of the line approaches rank = 14.5. Interestingly, both inside and outside the T14, value-added increases as the numerical rank increases. The discontinuity in value added becomes more visible in Figure 14 in the appendix, where we take the mean value-added at each *USNWR* rank. The disparity between the T14 and non-T14 is further shown in the kernel density plot in Figure 4. We see that the non-T14 schools have a wide range of value, but the T14 schools have a high, almost uniform, concentration at 20.

Figure 3. Big Law Value-Added   Figure 4. Density Plot for Big Law
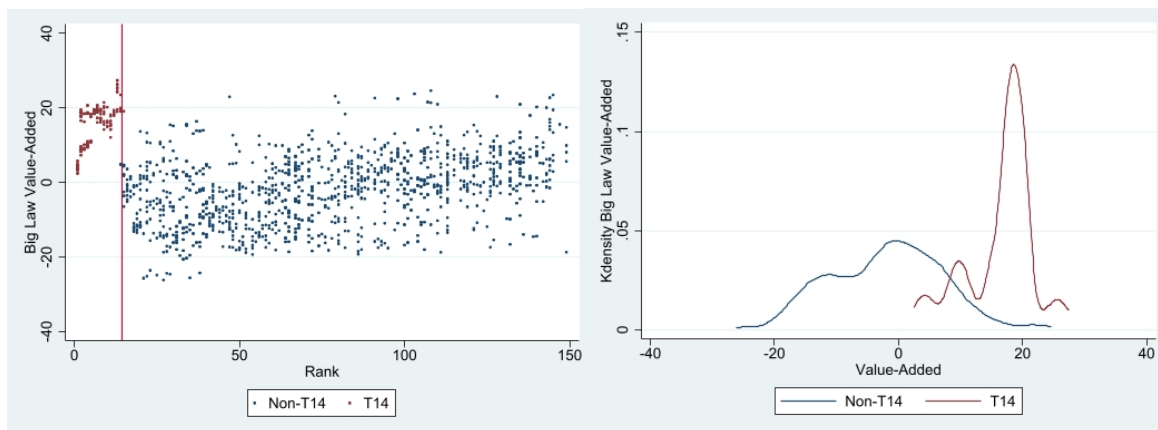
7.   *Bar Passage Value Added*

In this section, we look at the value-added in terms of the percentage of students who pass the Bar within ten months of graduation from each law school. The Bar is an exam administered twice a year by each state and jurisdiction in order to test the competency of each lawyer attempting to practice in the state.[13] As stated previously, because each state takes measures to assure that the exam is graded fairly and consistently, we take the exam as an objective measure of the ability of law students. Because each jurisdiction determines the standard for the Bar, we control for state-fixed effects using the jurisdiction where the largest number of students work after graduation for each school.   Figure 2 shows the Bar passage percentage by *USNWR* rank of the school, and Table 4 in the Appendix shows the regression of Bar passage rate on our controls, including year and state-fixed effects which are omitted from the table. The mean passage rate is 83.48%, with a standard deviation of 9.02 percentage points, and a range from 45.76% to 100%. Our controls explain 66% of the variation in the Bar passage rate.

Figure 5 displays the value-added by school rank. The value-added ranges from -9.12 to 6.89 percentage points with a standard deviation of 2.30. The trend in value added appears to be along a horizontal line at value-added equals 0. This implies that schools' Bar passage rates are, on average, the result of the innate ability of their students, or all schools increase Bar passage by the same amount. Therefore, the consistently high passage rates of the T14 do not appear to be the result of a higher quality of education but rather the result of their ability to select higher quality students, who have already demonstrated ability that may result in a higher passage rate.

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[13] See "Bar Admissions Basic Overview" on American Bar Association's website. https://www.americanbar.org/groups/legal_education/resources/bar_admissions/basic_overview/

The density plot, Figure 6, is also shown, demonstrating that there does not appear to be a difference between the value-added within and outside of the T14.

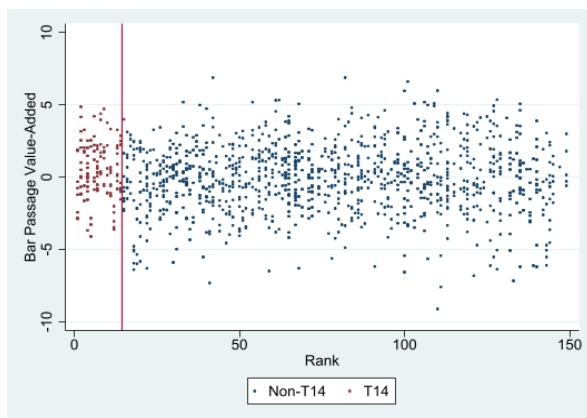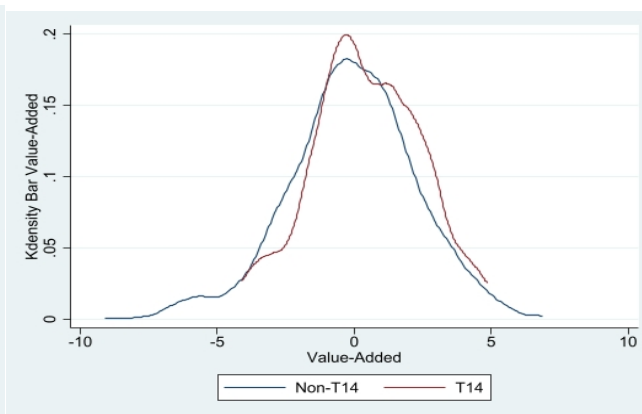Figure 5. Bar Passage Value-Added   Figure 6. Bar Passage VA Density

8. Employment Rate

In this section, we look at the employment rate of law school graduates ten months after graduation. We define the employment rate as one minus the number of students unemployed and seeking employment divided by the total number of graduates from that school. However, there still is the possibility of underemployment, meaning that a school could appear to have better employment outcomes if a large number of its graduates are able to gain employment but in jobs for which they are overqualified. To account for underemployment, we also look at the percent of each class employed in position that requires them to pass the Bar exam.

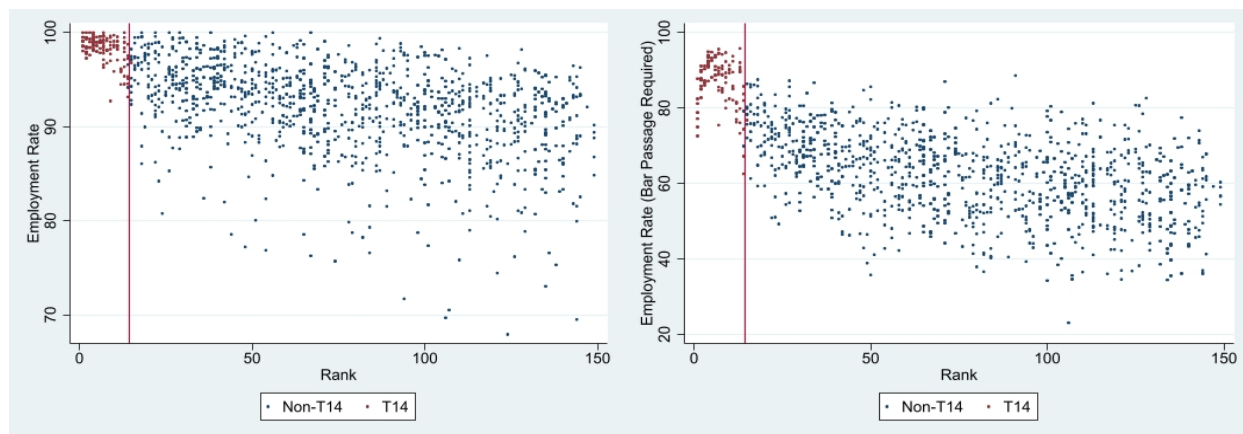Figure 7. Employment Rate Figure   Figure 8. Employment Rate (Bar Passage)

Figure 7 gives the employment rate by *USNWR* rank, and Figure 8 gives the percent of graduates working in a position that requires Bar passage by *USNWR* rank. Since the number of graduates in a Bar-passage-required job was not recorded in 2011, we only have 1,104 observations for that regression. Employment rate ranges from 67.92% to 100%, with a mean of 92.77% and standard deviation of 4.96 percentage points. The employment rate for jobs that require Bar passage ranges from 23.08% to 95.81%, with a mean of 64.64% and a standard deviation of 12.89 percentage points. Table 4 in the Appendix shows the results of the value-added regressions for these dependent variables.

Figure 9. Employment Rate Value-Added

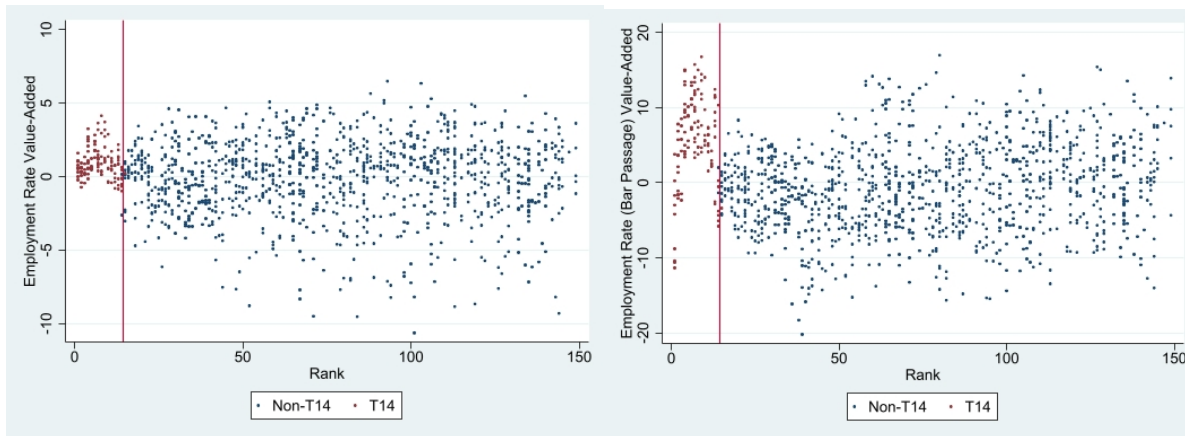Figure 10. Employment Rate (Bar-Passage) Value-Added

Figures 9 shows the school's value-added for employment rate against *USNWR* rank and Figure 10 shows the value-added for Bar passage required jobs against *USNWR* rank. The value-added for employment rate ranges from -10.64 percentage points to 6.50 percentage points, with a standard deviation of 2.53. For Bar passage required jobs, the value-added measures range from -20.20 to 16.99, with a standard deviation of 6.12. Despite the decrease in variance upon entering the T14, the trend in value added on *USNWR* rank does not appear to change between T14 and non-T14 schools in our graph for the employment rate. For Bar-passage-required jobs, there appears to be a large increase towards the center of the T14 rankings. The density plot, figure 16 in the appendix, further suggests a possible discontinuity, although less dramatic than the difference for Big Law.

We note the negative value-added for the school ranked number 1 (Yale). This is likely partially explained by the high number of graduates who are pursuing other graduate degrees ten months after graduation. The mean percentage of students pursuing graduate degrees for T14 schools ranked below Yale is .97% with a median of .92%, ranging from 0% to 3.21%. However, for Yale, the mean is 2.80%, a median of 2.93%, and a range from .93% to 4.35%. Since

graduate students are not included in the count of graduates employed in a Bar passage required occupation, Yale's value-added is lower than other T14 schools.

9. *Federal Clerkships*

Let us now look at law schools' effects on the placement into federal judicial clerkships, one of the most prestigious career steps for recent law school graduates.[14] Judicial clerkships typically last one to two years, and essentially allow recent law graduates to act as apprentices for federal judges. Clerks assist their judge in completing the judge's obligations through research, verifying citations, and possibly even drafting opinions, as well as the completion of administrative duties. This allows for clerks to see the inner workings of the US judicial system first-hand, which gives them hands-on experience. As a result of this opportunity's prestige, federal clerkships are also known to be highly competitive (Kozinski 1992).

In addition to federal clerkships' prestige and education opportunity, there are significant incentives for obtaining a clerkship. While law clerks only have a median salary of $54,000 during the clerkship,[15] they are highly sought by law firms when their tenure as a clerk is complete. As such, there have been several firms that have announced signing bonuses of over $100,000 for former federal clerks,[16] including the California-based firm, Dovel & Luner LLP, which offers a $140,000 bonus.[17] Thus, the value-added by schools in terms of placement into clerkships is a factor of great importance for many law students who hope for this opportunity.

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[14]See Indiana University's Judicial Clerkship Guide at https://mckinneylaw.iu.edu.

[15] See footnote 15.

[16] Staci Zaretsky. "April Brings $115K Bonus Showers for Federal Clerks." *Above the Law*. April 3, 2018. Abovethelaw.com.

[17] See "Top Salary and Benefits" on Dovel & Luner's website. , https://www.dovel.com/join-us/top-salary-and-benefits/.

Figure 11 shows the percent of each class clerking ten months after graduation by their school's *USNWR* rank. The mean is 3.56% and the median is 2.20%. The trend appears to be almost exponential. Placement into law firms increases with lower rankings (towards 1), but there doesn't appear to be a discontinuity in the graph between the T14 and non-T14 schools.

Figure 11. Federal Clerkships Placement
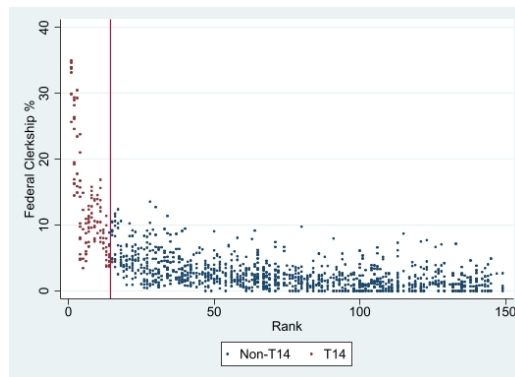
9.2. Federal Clerkship Value-Added

The results of the value-added regression on clerkship placement is displayed in Table 7 (including year fixed effects) in the Appendix. Our controls explain 46.2% of the variation in clerkship placement. We graph value added on federal clerkship placement against their rank in Figure 18 in the appendix.

We see seven extreme outliers in our value-added estimates.[18] These outliers are difficult to explain. For instance, Cardozo's value-added measure indicates that 3478 percentage points fewer students obtained clerkships than would be expected based on our controls. Each school

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[18] These schools are as follows: Cardozo School of Law in 2012 at -3477.98 percentage points with 12 federal clerks (3.16% of class); Loyola University, Chicago in 2013 at -2585.01 percentage point with 2 federal clerks (.74% of class); Northwestern University in 2013 at -1768.02 percentage points with 19 federal clerks (6.44% of class); Pepperdine University in 2013 at 184.52 percentage points with 7 federal clerks (3.29%); Lewis and Clark College in 2013 at 711.65 percentage points with 3 federal clerks (1.44% of class); Loyola Marymount University, Los Angeles in 2017 at 1032.93 percentage points with 9 federal clerks (2.53% of class); and the University of Maryland in 2013 at 1321.77 percentage points with 11 federal clerks (3.45% of class).

only appears once as an outlier, so we would not expect one of the schools to have a unique connection to a federal judge, making the value-added unexpectedly high. If this was the case, we would expect this value to carry across multiple years. Five of these outliers are also from the year 2013, which seems odd. Additionally, none of these schools' clerkship rates seem to be outliers[19] with non-T14 schools having a mean of 2.49% and standard deviation of 2.72, and T14 schools a mean of 13.5% and standard deviation of 8.21.

For the sake of seeing the trend at large, Figure 12 shows the value-added by rank without the seven extreme outliers. Outside the T14, this graph is of similar shape to that graph of the rate of clerkships. There does not seem to be a visible discontinuity between the T14 and non-T14.

Figure 12. Federal Clerkship Value-Added Without Outliers
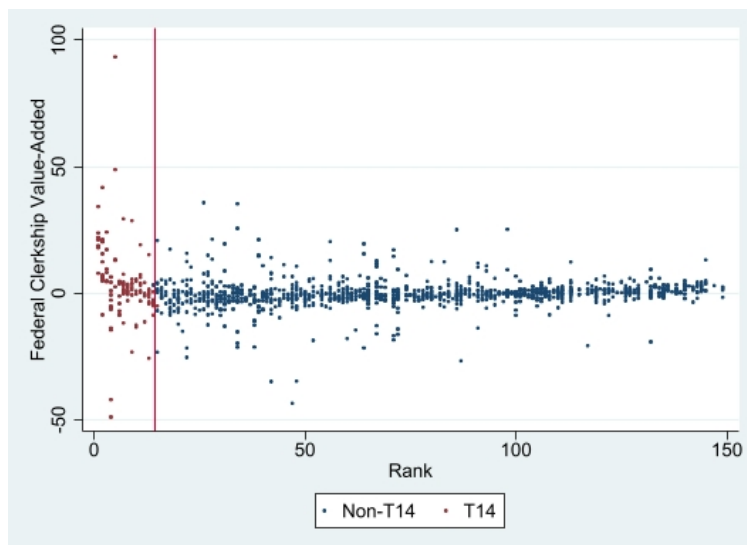
10.3 *A Potential Political Cause of Clerkship Outliers*

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[19] While we could still get value-added outliers from non-outlier clerkship rates if the actual rate (which is not itself an outlier) is significantly above or below the predicted rate, but the magnitude of our outliers would seem to suggest that the actual rate would be noticeably different than the trend.

Let us now consider a potential omitted variable in our controls for clerkship placement. We must consider the fact that the US President nominates federal judges, and the Senate then votes on their confirmation. Judges are directly responsible for selecting their own clerks. Therefore, despite the intended role of the judiciary as a nonpartisan body, political considerations and ideologies may influence how a judge (a government official selected by elected officials) selects his or her clerks. If a school happens to have a cluster of students with a political ideology or affiliation desired by federal judges, then the school will appear to have a disproportionately high clerkship placement.

Bonica et al. (2016) presents evidence for this hypothesis. Using measures of political ideology— Campaign Finance scores or CFscores— based on political donations by individuals disclosed by the Federal Election Commission and state, the article examines the trends by judges in the hiring of clerks.[20] The authors find a statistically significant positive correlation between the CFscores of judges and the CFscores of their clerks. This gives evidence (albeit not proof[21]) that judges may prefer to hire clerks that are politically-aligned with themselves.

If this is a true factor in the hiring process, then we must consider the supply and demand of clerks with particular ideologies. Because judges are appointed by the President, the number of conservative and liberal judges are fairly equal. Bonica et al. (2018) finds, also using CFscores, that "45 percent of district court judges and 52 percent of court of appeals judges are conservative" (25). This is in contrast to 35% of American lawyers (Bonica et al. 2018) and 24% of T14 graduates (Bonica et al. 2016)— a major source of federal clerks. So, if conservative

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[20] The distribution is standardized so that the median ideology corresponds to a score of 0 with a standard deviation of 1, where positive scores correspond to conservative ideology, and negative to liberal.

[21] The authors offer other possible causal connections, including that clerks self-select and mostly apply for judges with a similar ideology to themselves, restricting the ability of the judge to hire diverse ideologies.

judges do prefer conservative clerks, then conservative students would have a comparatively greater probability of obtaining a clerkship given the relatively low labor supply of conservative clerkship applicants. Therefore, schools with a relatively high number of conservative students would be able to achieve a higher rate of graduates placing into clerkships. Thus, our value-added calculations for clerkships would be biased towards schools with a more conservative student body.

To correct this potential bias, we will add to our calculations a control for student political ideology. We use the CFscores for law schools (based on the political donations of their alumni) listed in the appendix of Bonica et al. (2016). The list only includes one score for each school, instead of a score for each school year. The list only includes the top 200 schools with the most donors, leaving out four schools[22] in our observations. To proxy for these four schools, we use the CFscores of their professors, listed in Bonica et al. (2018). We see that the mean CFscore is -.47 and the standard deviation is .37.

We are relying on several crucial assumptions by using student CFscores to control for clerkship placement. First, by using the 2016 score for each year, we are assuming that the political leaning of the student body is more or less consistent from 2011 to 2019. Furthermore, by adding it as a control for the students' innate characteristics we assume that the law school does not influence the political beliefs of the student body. While it is possible the school does have some influence, we would not think that three years would greatly alter beliefs of a significant proportion of students, who are college-educated adults and, therefore, likely hold beliefs rooted in their experience and identity.

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[22] They are UC-Irvine, University of San Francisco, Florida International University, and University of Memphis

A more problematic possibility is that students interested in clerkships may decide on law schools based on the political reputation of the school. This would be consistent with Bonica et al. (2018) which finds a correlation between the CFscores of a school's professors and alumni. So, it is possible that conservative students may prefer, all else being equal, a more conservative school. A school with conservative professors may have close ties with conservative judges and be able to connect them with interested students, or conservative judges may be aware of the reputation of the school and give its students preference in the hiring process. In this case, the political leaning of a school (by the ability to connect students with judges better than schools with a similar student body) is a factor intrinsic to the school, and therefore is part of the value that the school adds. We thus add students' CFscores to our controls with caution and recognition that we are possibly over controlling.

10.4 *Clerkship Results with Political Control*

Table 4 in the Appendix gives the result of the value-added regression of the percentage of each class clerking on our new controls (including year fixed effects). We see that the coefficient for Student CFscore is .159, but is insignificant at the 90th percentile. The polarity of the coefficient would be consistent with our hypothesis that conservative students face less competition for clerkships. However, because the coefficient is statistically insignificant, the ideology of students possibly does not have a significant impact, or possibly, despite economic significance, the impact of CFscore on clerkship is noisy. Table 5 in the Appendix shows the value-added of our outliers with and without this control

Figure 13 shows the value-added by *USNWR* rank after including this political ideology control. We see that the outlier observations have significantly decreased in magnitude. Table 8 in the Appendix gives the CFscore of our outliers and their value-added with and without the

CFscore control. We note that none is greater than one standard deviation from the mean, so our hypothesis that these outliers are explained by a high concentration of conservative students does not seem to hold. We also note that the Figure 13 is of similar shape to Figure 12 with less variation. There does not appear to be a discontinuity at the cutoff. Thus, our CFscore control does not seem to have a strong effect on the value-added estimates of each school. Figure 17 in the Appendix gives the density graph of clerkship value-added after including this CFscore control.

Figure 13. Clerkship Value-Added
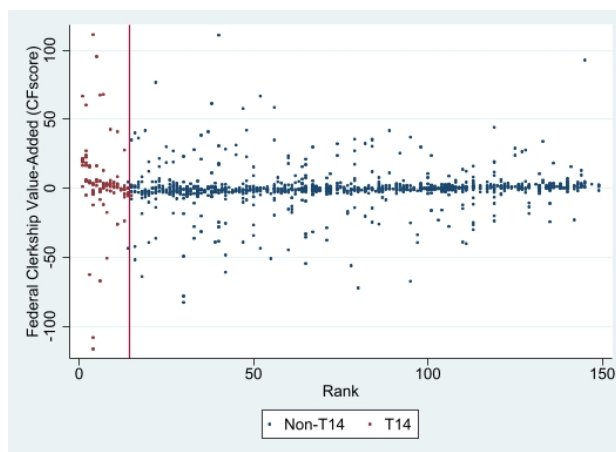
10. Regression Discontinuity Identification Strategy

Calculating the value-added by each school for each year and plotting it against the *USNWR* rank of the school for that year (rank on the x-axis, value-added on the y-axis), we notice a possible discontinuity in value added for Big Law placement between schools just inside and outside of the T14. To calculate the magnitude of the discontinuity between T14 and non-

T14 schools and determine if it is statistically significant, we run a regression discontinuity

design at the cutoff as rank goes from 14 to 15.

When defining the Top 14 (T14 variable), we look only at the traditional Top 14 law

schools. By traditional, we mean the schools that have been in the top 14 places of the rankings

in almost every single year.[23] This definition excludes University of Texas since it has been

ranked in the top 14 only twice while the others had 30 years to gain the reputation of being a

Top 14. Therefore, we would not expect UT-Austin and UCLA to have the same potential

signaling effect as the other schools that have placed in the top 14. Similarly, despite

Georgetown ranking 15th in 2018, we still include it in the "traditional" T14 because one year at

a still high placement most likely would not end a decades long reputation. Our assumptions

seemed to be justified when comparing Texas' Big Law placement with Georgetown's.[24] Placing

outside the top 14 in 2018 does not appear to have had a negative effect on Georgetown. While

Texas did see a rise in the percent of its class going into Big Law following its 2012 tie for 14th

place, the most it ever placed was 67%, which is in the bottom 5% of T14 placements. Thus, we

feel there is a necessity of differentiating Texas from the T14.

Since our data lacks perfect compliance at the observed cutoff point (meaning that our

defined T14 schools do not correspond perfectly to being within the top 14 ranks with

Georgetown ranking 15 in a year, and the non-T14 UT-Austin ranking 14 for two years), we

implement a fuzzy regression discontinuity. For the regression discontinuity design, we construct

a binary variable, T14, where T14 = 1 for the "traditional" Top 14 schools and T14 = 0 for all

other schools (including UT-Austin when it is ranked 14th). The first stage regression of the

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[23] See footnote 1.
[24] See tables 6 and 7 in the Appendix.

fuzzy regression discontinuity design gives the probability that the treatment variable (T14)

increases from 0 to 1 as the running variable crosses the threshold (as rank goes from 14 to 15)

(Lee and Lemieux 2010).

We let the equation for the first-stage of the discontinuity regression be the following:

$$T14_u = \alpha_1 + \gamma_1*(R_{u,\,t})*[1(R_{u,\,t} \leq 14)] + \gamma_2*(R_{u,\,t}) + \gamma_3*[1(R_{u,t} \leq 14)] + v_{u,t},$$

Where $\gamma_1 + \gamma_2$ gives the slope for schools to the left of Rank = 14.5, γ_2 gives the slope for schools

to the right of rank = 14.5, γ_3 gives the discontinuity in probability of Top 14 status at the 14.5

cutoff, and $v_{u,t}$ is the first stage error term.

The second stage gives the regression discontinuity of school value-added on rank and

the predicted T14 status, which gives the magnitude of the effect of receiving the treatment (the

change of going from a non-T14 to a T14). We let this equation be:

$$VA_{u,t} = \alpha_2 + \beta_1*(R_{u,\,t})*[1(R_{u,\,t} \leq 14)] + \beta_2*(R_{u,\,t}) + \beta_3*[T14_u] + e_{u,t},$$

Where $T14_u$ is the predicted value from the first stage regression, $\beta_1 + \beta_2$ is the slope for schools

to the left of Rank=14.5, β_2 is the slope to the right of 14.5, β_3 is the causal impact of Top 14

status on school value-added, and e is the second stage error term. β_3 accounts for the cases

where the "traditional" T14 schools are not the actual top 14 schools in the ranking since it is

equal to the discontinuity in school value-added divided by the discontinuity in the probability of

T14 status at the 14.5 cutoff.

11. Regression Discontinuity Results

In this section, to calculate the magnitude of the benefit (or lack thereof) to career

outcomes by the status of a school being a T14, we run a fuzzy regression discontinuity design of school value added on the running variable "*USNWR* rank." Our design constrains the bandwidth in order to create linear regressions on either side of the cutoff point (Calonico, Cattaneo, and Titiunik 2014). Because the number of T14 and non-T14 schools differ, the bandwidths are calculated separately. Since the bandwidths are different for each dependent variable, the first stage estimate is different for each, but is consistently negative and close to a magnitude of 1 (meaning that the probability of a school being in a T14 drops abruptly outside of the first 14 ranks). Table 6 shows our coefficient estimates for the treatment effects. We see that the discontinuity is statistically significant at the 99% level for Big Law value-added and employment rate for Bar passage required jobs, However, using the more robust confidence interval estimators developed by Calonico, Cattaneo, and Titiunik (2014), the coefficient becomes insignificant at the 90% level.

Table 3. Regression Discontinuity Results

	(1)	(2)	(3)	(4)	(5)	(6)
	Big Law	Employment Rates	Employment (Bar Passage)	Clerk Placement	Clerk Placement (CFscore control)	Bar Passage Rate
Entering the T14	25.9[***]	.688	9.92[***]	-92.7	.738	.686
	(2.69)	(.48)	(2.85)	(93)	(3.1)	(1.03)
Polynomial Degree	1	1	1	1	1	1
T14 Bandwidth	17.7	13.9	15	15.5	13.5	18.6

Non-T14 Bandwidth	31	28.8	21.3	16.6	39.1	38.5
Effective T14 Observations	114	114	114	114	114	114
Effective Non-T14 Observations	281	265	202	156	351	350

Standard errors in parentheses
$^{*} p < 0.1$, $^{**} p < 0.05$, $^{***} p < 0.01$

Hence, we see that the value-added in terms of Big Law placement is the only outcome that is statistically significant. This effect is large at 25.6 percentage points. Therefore, the trend for T14 Big Law placement at the 14.5 threshold is 25.6 percentage points above the trend for non-T14 schools. Thus, for presumably comparable and similarly ranked schools, (for example a school ranked 14 versus a school ranked 15) there is an immense benefit in attending the T14 school.

Because we see a large discontinuity for Big Law placement, but not Bar passage rate (an objective measurement for ability), we argue that this demonstrates a signaling effect for T14 schools. The demand by Big Law firms for T14 graduates is greater than is implied by the increase in quality of education. Therefore, the abrupt increase in value added for T14 graduates appear to be caused by a preference to have T14 graduates regardless of the fact that graduates of schools right below the T14 have comparable ability to those in the T14. From this, we can draw two conclusions.

First, we present our conclusion from the perspective of a prospective law student interested in entering Big Law after graduation. If the student is deciding between a T14 or a school right below the T14, they would greatly increase their chances by attending the T14.

Based on the value-added results for Bar passage, we would not expect their skills to be vary significantly by attending either school. However, by attending a T14, they will be able to concisely communicate to firms that they have desirable characteristics (intelligence and a strong work-ethic).

Second, we argue our conclusion from the perspective of Big Law firms. We have found that there is a high demand for T14 graduates despite them having comparable abilities to graduates from schools slightly below the T14. Therefore, firms could place a greater emphasis on recruiting from high-ranking non-T14 schools in order to face less competition from other firms in terms of labor. Because this group is less demanded, firms could reduce or slow the rate of increase of their starting salaries.

12. Conclusion

This paper utilizes a value-added methodology (Chetty, Friedman, and Rockoff 2014) and regression discontinuity design to analyze the trend of value-added by law schools in terms of Bar passage rates and career outcomes for schools in and out of the top 14 of *US News & World Reports*' rankings. We find that there is a significant discontinuity in value-added at the 14-15 threshold for rank for schools' placement into Big Law firms, with Top 14 schools having a major benefit over non-T14. Using conventional confidence intervals, there is a statistically significant discontinuity (albeit a smaller magnitude) in terms of the employment rate of jobs that require Bar passage, but using more robust intervals, the statistical significance disappears. No statistically significant discontinuity is observed for the Bar passage rate, overall employment rate, or for federal clerkship placement.

Our results support the signaling theory of education for attending a top ranked law school. The value-added in terms of our presumably objective measure of law school quality (the

percent of students who pass the Bar exam) indicates that there is no discontinuity in value added on Bar passage rate just inside and outside of the T14 (i.e. T14 schools do not improve the human capital of their students, as measured by Bar success, more than comparable non-T14 schools). However, the discontinuity in value-added on Big Law placement implies that firms demand graduates of T14 schools at a rate higher than would seem to be suggested by the increase in the skills of graduates that is induced by the school's quality.

Therefore, we believe that *USNWR*'s rankings allow for a set list of prestigious schools. This allows a form of brand recognition among the top 14 schools. Big Law firms can have assurance, based on the rankings, that students from T14 schools are likely to graduate to become high-quality lawyers. Other students from comparable-quality schools that are just outside of the T14[25] are less well recognized as high-quality since their schools are out of the top grouping, and thus firms have less assurance of their ability as lawyers. Due to this, these highly ranked but non-T14 schools have a weaker signaling effect when graduates apply and interview for firms.

One must also note that the signaling effect and prestige of schools could possibly adjust over time. The grouping of the Top 14 schools is based on the consistency of the *USNWR*'s rankings. However, the 2018 and 2022 rankings both had Georgetown at the 15th place. If the 14th position continues to change and lack consistency, then we could anticipate Georgetown no longer being grouped with the top schools, and so would lose its brand recognition and their signaling effect to Big Law firms. Further research should investigate the factors, over which schools have control, that can increase schools' abilities to place their students in competitive legal careers.

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[25] For example, UCLA, UT-Austin, Vanderbilt University, and Washington University in St Louis.

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Appendix

	(1) Bar Passage	(2) Employment Rate	(3) Employment Rate (Bar Passage)	(4) Clerkship Placement	(5) Clerkship Placement (CFscore)
VARIABLES					
medianpercentileLSAT	0.602***	0.222***	1.202***	0.531***	0.539***
	(0.0860)	(0.0517)	(0.114)	(0.0460)	(0.0487)
medianpercentileUGPA	11.08***	8.242***	12.32***	1.264	1.137
	(2.272)	(1.431)	(3.134)	(1.273)	(1.303)
PercentFemaleTotal	-0.120**	-0.184***	-0.516***	-0.0608***	-0.0568**
	(0.0468)	(0.0262)	(0.0570)	(0.0233)	(0.0249)
percHispanicsofanyraceFY	-0.0595	-0.00703	0.0351	-0.0284*	-0.0276
	(0.0383)	(0.0189)	(0.0404)	(0.0168)	(0.0169)
percAsianFY	-0.0841	-0.105***	-0.229***	-0.0103	-0.00870
	(0.0562)	(0.0273)	(0.0607)	(0.0243)	(0.0245)
percBlackorAfricanAmericanFY	-0.0694**	0.0564***	0.139***	0.0726***	0.0711***
	(0.0270)	(0.0171)	(0.0365)	(0.0152)	(0.0156)
Ethnicityother	0.0544	0.338***	0.714***	0.117*	0.115*
	(0.173)	(0.0773)	(0.171)	(0.0688)	(0.0689)
Student CFscore	N	N	N	N	0.159
					(0.346)
Year-Fixed Effects	Y	Y	Y	Y	Y
State-Fixed Effects	Y	N	N	N	N
Constant	-52.02***	39.30***	-153.3***	-82.33***	(0.346)
	(8.667)	(4.679)	(10.23)	(4.162)	-83.19***
					(4.559)
Observations	1,201	1,201	1,104	1,201	1,201
R-squared	0.660	0.401	0.610	0.462	0.462

Table 4. Regressions

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 5. Outliers Before and After CFscore Control

Outlier	Year	CFscore	VA without CFscore	VA with CFscore
Cardozo School of Law	2012	-.839	-3477.98	-7.14
Loyola University, Chicago	2013	-.551	-2585.01	-.69
Northwestern University	2013	-.839	-1768.02	-.44
Pepperdine University	2013	-.308	184.52	-.79
Lewis and Clark College	2013	-1.048	711.65	-1.21
Loyola Marymount University, Los	2017	-.4	1032.93	.15

| University of | 2013 | -.768 | 1321.77 | -.87 |

Maryland

Table 6. Georgetown University Big Law Placement

Year	Rank	Big Law %
2011	14	82.25806
2012	14	73.68421
2013	13	73.42193
2014	14	76.32399
2015	13	81.81818
2016	14	80
2017	14	80.22598
2018	15	85.20409
2019	14	85.99509

Table 7. University of Texas at Austin Big Law Placement

year	Rank	Big Law %

2011	15	58.3815
2012	14	44.56522
2013	16	48.92473
2014	15	56.43565
2015	15	67.04546
2016	15	59.89011
2017	15	62.5
2018	14	54.97382

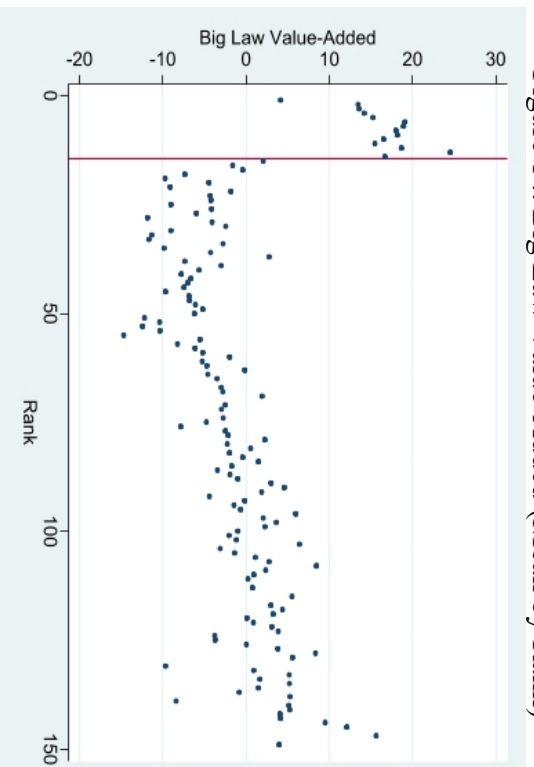Figure 14. Big Law Value-Added (Mean by Rank)
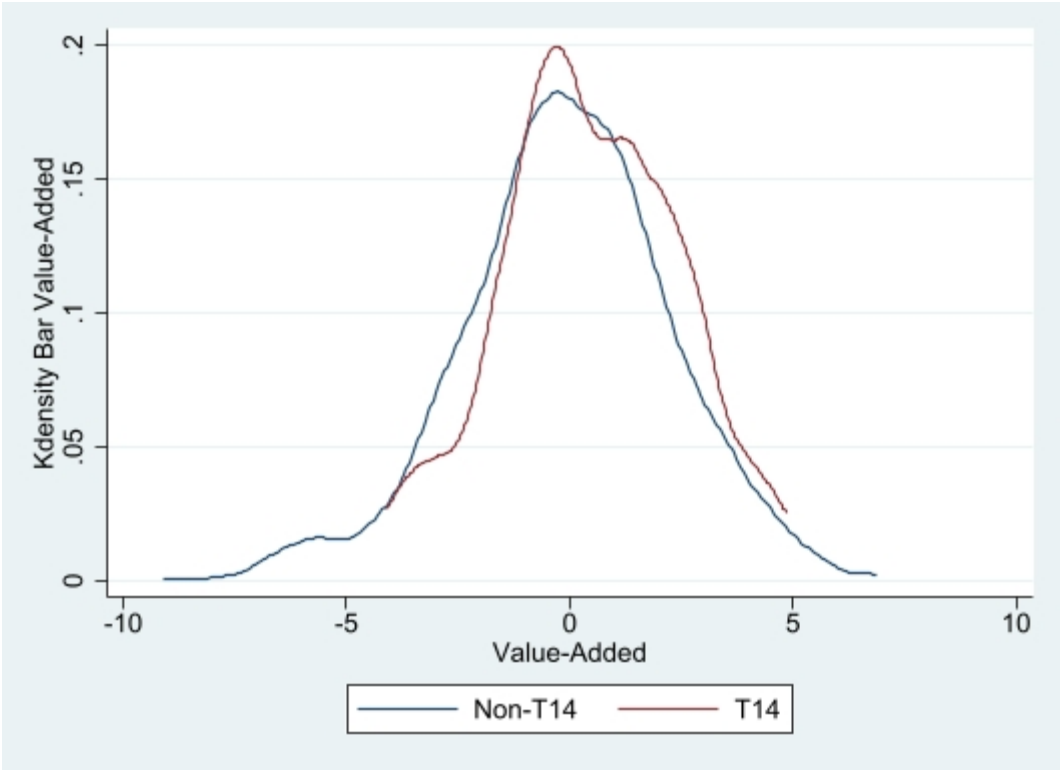
Figure 15. Bar Passage Density

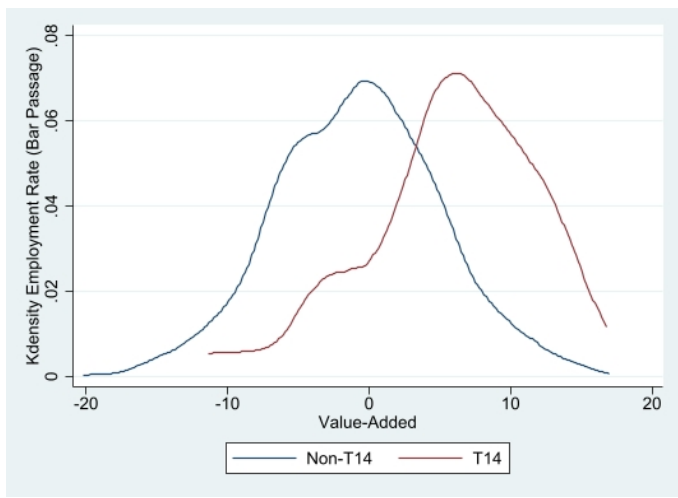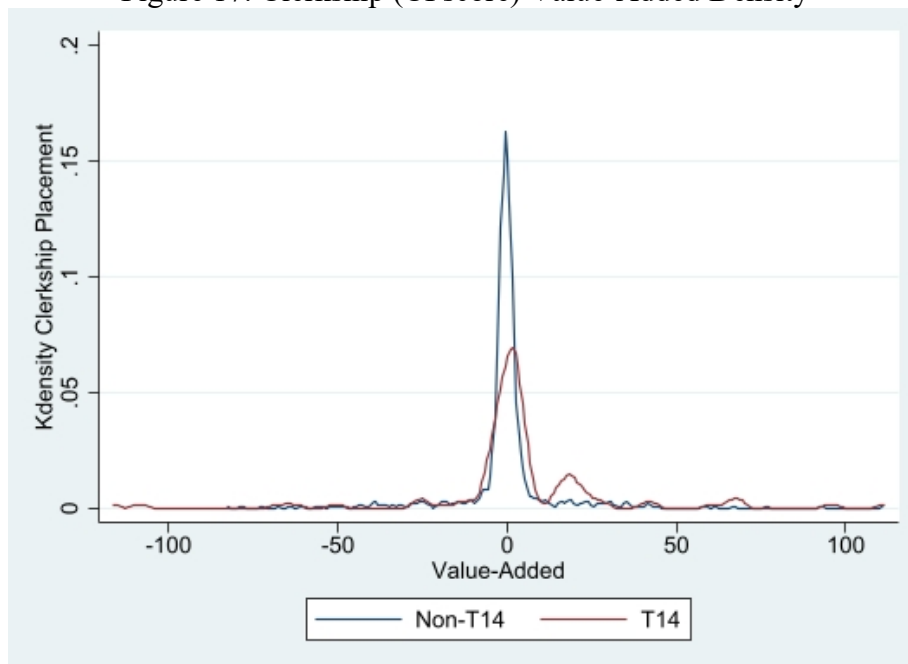Figure 16. Employment Rate (Bar Passage) Value-Added Density

Figure 17. Clerkship (CFscore) Value-Added Density

Figure 18. Clerkship Value-Added