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The changing economic geography of large U.S. law firms

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Abstract

The number of lawyers working for large U.S. law firms has increased dramatically. One important manifestation of this is the growing network of branch offices. Informed by three theories of spatial change—law firms (i) following the geographic expansion of their clients, relying on (ii) traditional agglomeration economies and relying on (iii) agglomeration benefits emerging from a location's connectivity to other important geographies—we analyze longitudinal data on large U.S. law firms and the global urban network in which they are embedded. We find that, after the late 2000s, geographic expansion was less connected to organic market growth in U.S. domestic markets and London, a plausible explanation being the global financial crisis. At the same time, growth has continued in key foreign markets. We demonstrate how network analysis and a relational approach to organizations and organizational fields can yield insights into the structure and dynamics of industries.

Keywords: Law firms, location, networks

JEL classifications: L6, K3

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1. Introduction

During the last several decades, lawyers in large U.S. law firms have prospered. With increasing demand for corporate legal services, associate salaries and partner profits at large firms have increased much faster than inflation (Heinz et al., 2005; Galanter and Henderson, 2008). This prosperity has not been limited to a handful of traditional elites. Students from less prestigious law schools now enjoy greater access to 'white shoe' firms once reserved for top performers from Ivy League institutions (Heinz et al., 2005; Jones, 2006). Yet, examination of this unprecedented growth suggests that it has not been evenly distributed across U.S. metropolitan areas. The nation's largest law firms have added dozens of offices and thousands of attorneys in the nation's most expensive cities. Several cities in the South and West have emerged from relative obscurity to develop large and relatively lucrative corporate bars. In contrast, despite an established network of historically prominent law firms, the number and size of branch offices in the Midwest and Great Plains States has been relatively stagnant. At the same time, many large U.S. corporate law firms have aggressively expanded overseas. While the legal profession is anchored in institutional contexts and

regulatory traditions specific to particular nation-states, scholars have traced out the ways in which law firms have reoriented themselves to serve an international market (Morgan and Quack, 2005), one that can be characterized as ‘transstate’ in being organized primarily around key ‘global cities’ rather than the nation-state (Beaverstock et al., 2000).

What factors are driving these changes? Research on the legal sector suggests several theories. One is that law firms are adapting to changes in their client base; for instance, people and commerce are migrating to southern and western states, so law firms are growing in those areas (e.g. Warf and Wije, 1991). A second explanation is that the growing complexity of modern law practice increasingly favors the quality and efficiency benefits of agglomeration economies, including regular face-to-face communications among highly skilled technicians (Jones, 2007; Sonn and Storper, 2008). Thus, a handful of locations flourish because they have a critical mass of specialized legal expertise and complementary professional services (Beaverstock et al., 2000; Sassen, 2001; Taylor et al., 2014). A third explanation is that the market for sophisticated corporate legal services is in the midst of a significant structural transformation due to the shifting needs and purchasing power of large corporate clients. For in-house lawyers, size and geographic footprints of law firms become threshold factors relied upon to allocate their most complex work—which is also the most remunerative. Law firms thus expand into high-cost markets as a way to burnish their reputations among current and prospective clients (Glückler, 2007).

Drawing on over 30 years of longitudinal data on large U.S. law firms and their largest clients, this study finds empirical support for all three theories. Further, it also provides useful data on the direction, speed and magnitude of the changes occurring—a perspective that is likely to elude industry insiders who are too close to their own client work to accurately detect and assess gradual yet large and important shifts in market conditions—and yields insights into the transformation of a central professional service undergirding the global economy. In particular, our network analysis chronicles the U.S. legal industry steadily transitioning from regionally based oligarchies to a highly competitive national and international market that is now separating ‘winners’ from ‘losers’.

This study is organized into three parts. Section 2 draws on relevant literature on law firms and economic geography to develop the study’s baseline hypotheses. Section 3 introduces and reviews our data on large law firms and their corporate clientele, including information on metropolitan areas, which is the study’s primary unit of analysis. Finally, Section 4 describes patterns of change over time.

2. Theoretical framework and literature review

Over the last several decades, the growth of large U.S. law firms has manifested itself in three dominant geographic patterns:

1. The majority of large firms have increased their network of domestic branch offices.
2. A substantial proportion of large U.S. corporate law firms have aggressively expanded overseas, particularly in Europe and Asia.

3. Despite higher operating costs, the rate of growth among large law firms is generally faster in large metropolitan areas than in midsize and smaller markets.

We argue that these three geographic patterns are propelled by three interrelated economic drivers. The first driver is the dramatic increase in the size and geographic reach of large corporate enterprises, which encourages large law firms to also grow geographically. By expanding geographically, they reduce the incidences where their clients may have to search for additional outside counsel—counsel that could compete with them for other client work. Because the opening of branch offices is expensive and often requires a subsidy for a period of years (Galanter and Henderson, 2008), locations with rapidly growing corporate sectors would be the most attractive for expansion.

The second driver affecting the geographic spread of law firms is the legal and logistical complexities of running a global enterprise, which affects the second and third trends—growth abroad and in large, high-cost cities. With a widely dispersed network of production and distribution that spans multiple geographic and jurisdictional boundaries, corporate clients rely on highly sophisticated professional service providers.¹ Because these inputs are highly specialized, their production is best accomplished in agglomeration economies, which facilitates innovation through face-to-face interactions and mobility within a thick regional labor market (Beaverstock et al., 2000; Sassen, 2001; Jones, 2007; Taylor et al., 2014).² Thus, under this second driver of large law firm growth, competitive advantage is derived from proximity to other elite law firms, key government regulators or other specialized business services such as investment banks and accountants.

A third driver emphasizes the relational as opposed to the production advantages of co-location. Specifically, there are well-developed linkages between particular global hubs that not only enable law firms to produce higher quality legal work (driver two) but also tap into business networks that create opportunities for clients (Glückler 2007; Taylor et al. 2014). These business opportunities tend to be strongly connected to legal work, such as mergers and acquisitions, private equity, and key global industries, such as technology and energy, which are the least rate-sensitive and thus the most remunerative for specialized lawyers. Thus, law firms are motivated to open offices in particular cities in order to tap into those networks or, at the very least, signal to their current and prospective clients that they, too, are a player on a national or international scale. Because emphasis on the importance of production advantages and relational advantages are two ways of interpreting the growing geographic clustering of advanced producer services, for the purposes of this study, we view drivers two and three as mutually compatible and combine them in the discussion below.

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- 1 Obviously, all three patterns are driven by an overall surge in demand for corporate legal services (e.g. Heinz et al. 2005; Thomas et al., 2001).
 - 2 Despite the geographic growth of law firms, the practice of law remains a remarkably local activity. Examining lateral partner movement among large law firms between 2000 and 2005, Galanter and Henderson (2008) report that 96.7% of all partner movement is within the same metropolitan area. Focusing on the New York City corporate bar, Faulconbridge (2007b) presents extensive qualitative data documenting how elite corporate lawyers share information through the Association of the Bar of the City of New York (ABCNY).

2.1. Proximity to client

An important threshold question in examining the changing geographic landscape of large corporate law firms is whether geographic changes in the locus of corporate activity are likely to produce growth or stagnation in the local or regional corporate bar. Drawing on Dun & Bradstreet data on continental U.S. firm headquarters covering the 1996–2001 period, Strauss-Kahn and Vives (2005, 33–35) observe that corporate headquarters tend to relocate to areas with ‘good airport facilities, low corporate taxes, low average wages, high levels of business services, and agglomerations of headquarters in the same sector of activity’. In essence, lower operating costs appeared to be balanced against productivity gains that flow from informal face-to-face information exchanges among industry peers and service providers. Relocations are also more common among companies that are younger, more global (in terms of total number of headquarters), larger (in terms of revenue) or recently involved in a corporate merger. Overall, relocations tend to follow one of the two trends: (i) movement from a smaller specialized metropolitan area toward a main business center; or (ii) move away from rust belt cities toward new service-oriented metropolitan areas in the Southeastern and Southwestern USA (Strauss-Kahn and Vives, 2005, 11–12).

These changes have important implications for corporate law firms. As noted by Martinelli (1991, 82–83), proximity to corporate headquarters is particularly important because hiring decisions, including the use of outside legal counsel, typically remain a centralized management function. As the locus of corporate activity shifts (e.g. from the Midwest to the Sunbelt states), established law firms open new branch offices as a means of ‘defending their client base’ from competitors in the new locale (Nelson, 1988, 8), and as the content of that activity likewise shifts (e.g. from manufacturing to the FIRE, or finance, insurance and real estate sector), firms have moved to meet that demand (Warf, 2001). Thus, the geographic growth patterns of corporate lawyers are at least partially a function of the mergers and relocation patterns of major clients.

A second, more subtle factor supporting the growth of multi-office law firms is the changing structure of, and pressures placed on, in-house legal departments. As corporations have grown, in-house law departments have become larger, more bureaucratized and a bigger target for ordinary cost-containment efforts (e.g. Chandler, 2007). As these departments are increasingly run by highly sophisticated chief legal officers (CLOs),³ fewer corporations depend upon outside counsel for formulating companywide strategy. General Counsels are perceived to ‘shop for a lawyer, not a law firm’ (Gilson and Mnookin, 1985, 385). Thus, the economic benefits of referring cases to friendly out-of-town firms have largely evaporated. As noted by Heinz et al. (2001, 348–349), with the rise of the in-house lawyer, ‘Chicago firms were ... no longer dependent upon the goodwill of New York firms for referrals (and vice versa), [therefore] there was less reason to refrain from direct competition.’

As formerly regional law firms compete for clients growing into new markets, these dynamics are likely to produce larger firms with widely dispersed networks of branch offices. A study by Baker and Parkin (2006, 1658–1659), relying on the entire

3 Evidence of the heightened qualifications of corporate general counsel over time is the rise of salaries of CLOs vis-à-vis law firm partners. Altman Weil, Inc. report that the median salary of CLOs increased 164% between 1985 and 2003 compared to 87% for law firm partners in their 25th–29th year (Altman Weil, Inc., 2004, 159–163).

Martindale-Hubbell directory from 1998 to 2004, reported that 10% of private practice lawyers in the USA worked in firms of 389 or more lawyers in 1989; by 2004, however, this number had scaled up to a startling 18% of private practice attorneys. Moreover, much of this growth came through additional branch offices. Between 1998 and 2004, the average number of offices per law firm (weighted by the number of lawyers) increased from 2.82 to 3.92 offices. Baker and Parkin (2006, 1663) observe, 'By 2004, 57% of lawyers work in multi-office firms and over 10% of lawyers work at firms with ten or more offices.'

2.2. Globalization and the advantages of agglomeration economies

Globalization is an obvious and important driver of U.S. corporate law firm growth, yet it contains a dynamic of simultaneous geographic dispersal and concentration (Leamer and Storper, 2001; Sassen, 2002). In terms of dispersion, transnational corporations utilize production and distribution networks that span many countries. One of the benefits of hiring a U.S. law firm with foreign offices is the ability to tap expertise on both U.S. and local law (Silver, 2007). Transnational clientele, however, also rely upon U.S. law firms for highly complex commercial transactions that span multiple foreign and domestic jurisdictions. Because of the highly complex and sophisticated nature of this work, and the rapid rate of change and innovation, globalization strongly favors agglomeration of advanced producer services.⁴ Indeed, within the burgeoning 'Global Cities' literature, a key criterion for assessing the relative importance of a city within the global economy is the presence of large concentrations of professional service firms (e.g. Friedmann and Wolff, 1982; Martinelli, 1991; Daniels, 1993; Sassen, 2002; Taylor et al., 2002; Abrahamson, 2004; Taylor et al., 2014).

Worldwide, only a handful of cities have sufficient size and infrastructure to develop and sustain a rich network of this highly specialized human capital. In general, the size and complexity of international transactions places a premium on quality rather than price. In a study of competitive advantage among advanced producer services firms (Lindahl and Beyers, 1999, 9), law firm managers ranked factors important to the firm's competitive edge as follows: established reputation, 73.3%; specialized expertise, 61.7%; service quality, 55.0%; personal attention to client needs, 43.3%; range of expertise, 20%; price of services, 15.0%. An array of business service providers, including insurance carriers, architects and engineers, accountants, research and testing and management and public relations consultants, assigned a significantly higher value to price of services, ranging from 22.0% to 50.0%. Thus, more so than other professionals, large global law firms have the ability to pass along to clients the rapidly escalating labor and real estate costs of operating in major global cities.

The ability to coordinate global commerce depends on the interconnectedness of global cities; in turn, the degree of interconnectedness reflects a hierarchical ordering within a global network (Sassen, 2002). In virtually all rankings of global cities,

4 Sassen (2002, 8) refers to this agglomeration as a 'corporate services complex', which includes 'all the top-level financial, legal, accounting, managerial, executive, and planning functions necessary to run a corporate organization operating in multiple countries'. Sassen observes that these high-level services are 'disproportionately concentrated in an expanding network of global cities'. Abrahamson (2004, 85) estimates that professional service firms account for approximately 40% of total employment in the central business district of many global cities.

London, New York, Tokyo and Paris are listed in the dominant, first tier of cities (e.g. Abrahamson, 2004; Alderson et al., 2010). When the criterion is the world's largest stock exchanges, the list can be expanded to include Frankfurt, Hong Kong, Milan, Osaka, Toronto and Zurich (Abrahamson, 2004, 75). Similarly, based on concentrations of the world's largest financial institutions, Munich, Chicago, and Beijing can be added to the list (Abrahamson, 2004, 79). Abrahamson (2004, 17) reviews rankings of global cities that employ various criteria and notes that, in the USA, 'New York is almost always at the apex, and Chicago, Los Angeles, and San Francisco are almost invariably near the top.' Others attribute Washington's prominence in the growing role of international law and the need for foreign governments to engage U.S. law firms (e.g. Cohen, 1981).

In this light, the internationalization of U.S. law can be understood as an outcome of a global organizational strategy pursued by law firms in response to evolving opportunities in the market for legal services. Given a highly specialized product whose delivery depends critically on face-to-face contact with clients, law firms have pursued a variety of internationalization strategies, from informal network organization (Morgan and Quack, 2005) to the sort of expatriation (Beaverstock, 2004) that we trace out below. Focusing on global law firms, Silver (2000, 2007) observes that access to international transactional work depends on a credible presence in the New York City market. Silver (2007, 72–73) cites three reasons: (i) the city's role as a financial center in the international market; (ii) insofar as U.S. state law is relevant, New York is virtually always the most important jurisdiction; and (iii) the preeminence of Wall Street law firms and their long-standing relationships to investment and commercial banks, which set important benchmarks for the rest of the market. Silver also notes that the work for the city's numerous financial institutions is highly coveted because it is relatively consistent, sophisticated and the most remunerative for elite firms. Thus, 'having a New York identity furthers a firm's ability to compete for international business and, perhaps more important, having an identity based *outside* of New York does *not*' (Silver 2007, 73).

Similarly, Faulconbridge (2007a; 2007b) notes that the world's largest legal professional services firms originated from practices that started primarily in the USA and UK (see also Abel, 1994; Beaverstock, et al., 1999). Drawing on interviews with large global firm lawyers, Faulconbridge observes a crucial nexus between London and New York City offices, which have the greatest expertise with U.S. securities disclosure law and thus collaborate on many transnational corporate matters (2007b, 30). Lawyers in these two cities often perceive that they are net exporters of legal knowledge to their colleagues in other European or Asian offices (2007b, 31–34), particularly on matters related to international finance and securities law.⁵ Indeed, Sokol (2007) analyzed annual rankings of global M&A and capital markets practice areas and documented how New York and London-based firms are dominant in their

5 For example, one lawyer from the New York office of a global firm is quoted as follows:

[B]y and large it's traffic that goes from us to them and not to us from them. So what most people are interested in is the US aspects of how you do something So the person handing out the knowledge [in the US] might hand out five units and get one unit back, and I think that's to be expected If I was in Madrid having this conversation I would say it's incredibly important because I need these guys to help me to do what I do, and I think that's true of most offices around the world. (Faulconbridge, 2007a, 936–937)

home markets. Yet, these same firms also take a disproportionate share of corporate work that originates in China/Hong Kong, France, Germany, Italy and Japan.

While it is not the primary aim of this study to test the validity of these theories, it is reasonable to ask how proximity and agglomeration economies might relate in shaping law firm growth. As critics of cluster theory (e.g. Martin and Sunley, 2003) have pointed out, scholarly focus on agglomeration economies has tended to conceal the internal heterogeneity of cluster theory itself and of the firms and industries said to be advantaged by them. For example, in his study of management consulting firms in Frankfurt, Glückler (2007) found that a key locational advantage for such firms was reputational, generating opportunities for them with clients far afield from Frankfurt. In a similar fashion, it is not unreasonable to suspect that in making locational decisions, law firms are doing more than following clients who are themselves increasingly clustering in global cities; they are situating themselves at global crossroads which expand their reach to trans-local clients.

3. Summary of data and methodology

As developed above, our theoretical framework for large U.S. law firm growth focuses on (i) geographic proximity to prosperous corporate clientele, both within the USA and abroad and (ii) positive externalities from highly specialized agglomeration economies, which are present to varying degrees within a global hierarchy of cities. We assess below the direction, magnitude and speed of these changes and thus develop a solid empirical basis for exploring the likely collateral effects on labor markets and various legal institutions. To accomplish these objectives, we assembled several distinctive datasets.

3.1. Corporate headquarters and law firms branch offices

The geographic proximity theory posits that law firms will open branch offices in conjunction with the growth or relocation of important clientele. To assess this linkage, we gathered data on law firms and their clientele. Using metropolitan areas and multistate regions as the units of analysis, we compare the geographic growth patterns of large corporations and large U.S. law firms.

For the client dataset, we include all companies listed in the Fortune 500 in 1984, 1994, 2004 and 2014, which is an annual ranking of the 500 largest U.S. corporations ranked by total company revenues (CNNMoney.com, 2008). Location of company headquarters is drawn from the print version for each year. In turn, each geographic location is coded based on metropolitan area rather than municipal boundaries. Under the system adopted by the Census Bureau in 2003, metropolitan areas are delineated by core-based statistical areas (CBSA). Where one CBSA is adjacent to another and commuting patterns suggest interrelated labor markets, CBSAs are bundled into a single consolidated statistical area (CSA). If the location fell within a CSA, it was coded accordingly; otherwise, we used the CBSA code.

As shown in Table 1, companies in the Fortune 500 have generally flourished economically in recent decades. Between 1984 and 2014, total revenues increased by 718% while total profits increased by 1340%.⁶ Yet the list itself reflects a changing cast

6 The consumer price index rose 128% between 1984 and 2014.

Table 1. Summary of Fortune 500 companies, by revenues and profits

Year	Revenues (million dollars)		Profits (million dollars)	
	Average	Total	Average	Total
1984	\$3373	\$1,686,697	\$141	\$68,802
1994	\$4740	\$2,370,164	\$129	\$62,633
2004	\$14,931	\$7,465,269	\$891	\$445,599
2014	\$24,147	\$12,073,348	\$1890	\$945,000

Table 2. Summary of Am Law 50, by revenues, number of lawyers, profits per partner

Year	Revenues (million dollars)		Number of attorneys		Avg. profits per partner
	Average	Total	Average	Total	
1984	\$66.39	\$3386.00	259	13,196	\$309,314
1994	\$209.51	\$10,475.50	469	23,463	\$534,500
2004	\$644.61	\$32,230.50	889	44,473	\$1,260,300
2014	\$1177.73	\$58,886.50	1293	64,647	\$2,045,500

of characters. A total of 1199 corporations appeared on the list of 500 at least once during the 4 years sampled. Of the companies listed in the Fortune 500 for 2014, 57% appeared on the list in 2004, 38% in 1994 and 18% in 1984. These numbers presumably reflect a broader domestic transition from an industrial to an information and service economy (e.g. Pollard and Storper, 1996, 2–5; Atkinson and Gottlieb, 2001, 13–17).

Fortune 500 corporations typically hire lawyers from the nation's largest law firms (e.g. Press, 2003). For the corresponding years, we thus gathered data on the Am Law 50, an annual listing by *The American Lawyer* of the 50 largest U.S. law firms based on revenues.⁷ Virtually all Am Law 50 firms also appear in the National Law Journal 250 (NLJ 250), an annual ranking of the 250 largest U.S. law firms based on the number of lawyers. The NLJ 250 rankings include lawyer counts for each branch office of each NLJ 250 firm. To ensure comparability with the Fortune 500 dataset, we applied the same metropolitan-level geographic coding system to the Am Law 50. Table 2 provides a summary of the aggregate-level performance of these law firms.

Similar to their clients, Am Law 50 firms have prospered economically. Between 1984 and 2014, total revenues have scaled up to 1740% and average profits per equity partner have increased to 662%. The average Am Law 50 firm increased its number of attorneys nearly 5-fold. The elite status of the Am Law 50 is more stable than its corporate counterparts: Of the law firms listed in the 2014 Am Law 50, 70% appeared on the list in 2004, 56% in 1994 and 46% in 1984.⁸

7 In the late 1980s, the Am Law listing was expanded to the top 100 firms. Thus, for 1994, 2004 and 2014, we also collected and coded data for the Am Law 100.

8 Mergers account for some of the volatility in the year-to-year listing of both the Fortune 500 and the Am Law 50, but we do not have data that would allow us to compare merger rates.

3.2. Network analysis of NLJ 250 law firms and cities

The globalization/agglomeration theory posits that law firms will open offices or expand operations to develop and sustain a rich network of highly specialized human capital. In the largest global cities, high operating costs may actually reduce the number of corporate headquarters (Sassen, 2001, 2002; Strauss-Kahn and Vives, 2005). Further, high operating costs may serve as barrier to entry for outside law firms. However, the positive externalities of an agglomeration economy and well-developed network linkages with other global cities can also be an important source of competitive advantage that justifies premium legal fees.

To assess the impact of the globalization/agglomeration, we gathered data on NLJ 250 law firms for 1986, 1996, 2006 and 2015, including data on the number of lawyers at each branch office for all 250 firms. We followed the metropolitan-level coding system discussed above. Foreign offices were coded at the city level. A small number of ambiguous branch office designations were imputed to the country's largest legal center.

Table 5 in the Online Appendix details the top 20 markets by increase in the number of NLJ 250 branch offices. Change metrics for the 1986–2015 period suggest major structural shift in the market for corporate legal services. For example, the New York City CSA garnered the most NLJ 250 branch offices (136), far outdistancing the second-ranked San Jose-San Francisco CSA, which encompasses Silicon Valley. New York City also added the largest number of corporate lawyers (11,379). By a significant margin, the New York City CSA added more large firm lawyers than any other foreign or domestic market. The next closest metropolitan area, Washington, DC, added 8002 lawyers over a 30-year period. It is worth noting, however, that geographic expansion as measured by new office locations continued apace in many domestic locations (e.g. San Jose-San Francisco added 48 offices; Miami added 35; Houston added 31; Philadelphia 28; Chicago 27). Yet, over the same period, headcounts of lawyers in domestic offices were flat or declining, suggesting that geographic expansion was not necessarily economic expansion.⁹ The exceptions here are San Jose-San Francisco, Miami and Charlotte, which may be accounted for by the gateway features of these markets (respectively, Silicon Valley tech, Latin America commerce and commercial banking). The general flat or downward pattern among the remaining domestic cities suggests that firms are entering new markets to grow or preserve the relational advantages of particular corporate markets. If improved production capabilities were the driver of geographic expansion, we would expect to see corresponding growth in overall domestic lawyer headcount.

In contrast, foreign offices increased significantly both geographically and in absolute headcount. Although growth in the number of new offices was comparable for the top three markets of Beijing (49), Shanghai (48), and London (46), London dramatically outdistanced all other top markets in lawyer headcount growth, by adding 6187 lawyers, eight times more than any other foreign location. Arguably, this underscores the importance of London for U.S.-based law firms. Worldwide, only New York City and Washington, DC added more NLJ 250 lawyers. Yet, all of that expansion occurred by 2006. Indeed, since 2006, the only markets experiencing significant headcount

9 Indeed, firms have for some time been expanding geographically by recruiting partners from local markets they are entering (Galanter and Henderson 2008).

growth are San Jose-San Francisco in the USA and foreign markets outside of London. This is also consistent with the theory that geographic agglomerations are being driven by relational features. Indeed, since the global financial crisis, it may be the case that geographic agglomerations of law firms may be driven much more by relational advantages (e.g. business opportunities in Silicon Valley and China) rather than by production benefits (e.g. critical mass of specialized labor in London, New York, Brussels or Washington, DC).

The importance for foreign offices is reflected in data on average profits per equity partner (PPP) and revenue per lawyer (RPL) for the 374 markets worldwide with at least 500 Am Law 200 lawyers.¹⁰ New York City is the most lucrative market based on PPP (\$2.15 million) and RPL (\$1.04 million). However, in terms of PPP, the next five cities are all major hubs of foreign commerce in Europe or Asia (i.e. Hong Kong, Frankfurt, Paris, London and Tokyo). Their RPL figures are similar or higher than in other major U.S. markets, such as Los Angeles, San Francisco, Chicago and Washington. The high PPP and RPL for first-tier global cities suggest that the network effects and positive externalities of agglomeration justify premium fees, thus offsetting higher operating costs. These data also suggest a separation between new economy cities associated with financial services and technology (e.g. Charlotte, San Diego, Austin, Miami, Houston, Dallas, Atlanta and Phoenix) and older industrial cities (e.g. Cleveland, Milwaukee, Minneapolis, St. Louis, Kansas City, Detroit). If proximity to clients is an important driver of large law firm growth, we would expect to see differential growth rates in corporate lawyers based on growth and relocation patterns of large corporation clients. This topic is addressed below.

4. Results and discussion

We now draw on our data to interrogate our drivers of geographic change. In Section 4.1, we present data on the geography of the Fortune 500 and Am Law 50 between 1984 and 2014 and find evidence in support of all three theories, indicating differential effects based on geographic region or status as global city. Section 4.2 presents our network analysis of NLJ 250 firms and cities in 1986, 1996, 2006 and 2015. We document changes in the centrality and interconnectedness of NLJ 250 firms, identifying a dramatic shift in the center of gravity from Washington, DC to a corridor of global cities both in and outside the USA. We also use blockmodeling techniques to identify *types* of firms that share structurally similar branch office configurations and *types* of cities that are structurally similar in the firms that they host.

4.1. Economic restructuring and corporate lawyers in the USA

Review of the Fortune 500 data reveals a shift in the center of gravity away from the Northeast, Mid-Atlantic, Midwest and Great Plains and toward cities in the Southeast, Southwest, West Coast and Rocky Mountain regions. Figure 1 summarizes change in the number of Fortune 500 headquarters by region. To assess how status as a global city

10 Authors' calculations (not shown). To be included, firms had to be listed in both the 2015 Am Law 200 (for financial data) and the 2015 NLJ 250 (for geographic breakdowns). The averages were weighted by the number of lawyers working in each branch office. Thus, a 10-lawyer office of a firm with \$1.5 million in PPP was accorded less weight than a 150-lawyer office with PPP of \$750,000.

Figure 1. Change in number of Fortune 500 headquarters by region, 1984–2014.

affects the changing concentrations of corporation headquarters versus large law firm offices and lawyers, Table 6 in the Online Appendix summarizes the same data as Figure 1, but includes subcategories for the five largest U.S. legal markets: New York City CSA, Washington, DC CSA, Chicago CSA, San Francisco CSA and the Los Angeles CSA.¹¹

Figure 1 and Table 6 (in the Online Appendix) reveal several marked trends. First, the Southeast, Southwest and West/Rockies have all gained Fortune 500 headquarters at the expense of the Northeast/Mid-Atlantic and Midwest/Great Plains regions. Second, although Washington, DC, Los Angeles and San Francisco gained a combined total of 21 Fortune 500 headquarters, presumably due to technology companies that did not exist in 1984, these increases were more than offset by very large declines in New York City (−48) and Chicago (−17). Overall, the 5 global cities lost 44 headquarters between 1984 and 2014. When the analysis focuses on total share of Fortune 500 revenues (not shown), a substantively similar pattern of regional change emerges.

Figure 2 presents the comparable data for the Am Law 50 and reveals a pattern that only partially overlaps change in the Fortune 500, yet these differences strongly corroborate both the client proximity and agglomeration theories.

All regions gained in the number of Am Law 50 lawyers, and the relatively large gains in the Southeast (+2780), Southwest (+1267), West/Rockies Region (+1551) appears to track the gain in the number of Fortune 500 headquarters. Contrary to the client proximity theory, however, the increase in the number of attorneys in the global cities of New York, Washington, DC, San Francisco, Chicago and Los Angeles generally exceeds that of the non-global markets.

11 Here, we define global cities based on concentrations of advanced producer services, which includes law firms (see e.g. Taylor et al., 2002; Sassen, 2002; Taylor et al., 2002).

Figure 2. Change in Am Law 50 attorneys by region, 1984–2014.

The disparate effects of client proximity and agglomeration can be observed by focusing on the Midwest/Great Plains versus the Northeast/Mid-Atlantic, two regions that experienced decline in both Fortune 500 headquarters and share of Fortune 500 revenues. In the Midwest/Great Plains, the global city of Chicago added 2337 Am Law 50 lawyers. Yet, the remainder of the region, including many cities with great industrial traditions, added just 434. In contrast, all parts of the Northeast/Mid-Atlantic region flourished in the market for corporate legal services, adding 16,308 attorneys in total.¹² This number reflects 54% of the total growth of Am Law 50 lawyers in the USA between 1984 and 2014. For Am Law 50 firms, network effects and positive externalities from agglomeration appear to be driving robust growth in global cities. The 19,769 new Am Law 50 attorneys in foreign branch offices by 2014 reflects a more than 20-fold increase over 1984.

The disproportionate growth in Am Law 50 lawyers in foreign and U.S. global cities suggests that the network and positive externalities of agglomeration are the dominant driver of growth, at least for firms seeking to be competitive in the market for transnational legal services. These data are consistent with Sassen's (2001) hypothesis that global cities are primarily agglomerations of advanced producer services rather than corporate headquarters and Taylor et al.'s (2014, 270) conceptualization of such cities as 'strategically important places ... defined in terms of both the global influence and connectedness of markets and the extent to which work in these places is cutting edge in terms of innovation and thus global profile'. Proximity to corporate clients may be a more important driver for firms that lack the reputational or financial capital to compete for clients and lawyers in the large U.S. markets.

To begin to assess the relative importance of geographic proximity versus agglomeration, we examine the ratio of a region's or global city's share of 2014 Am Law 200

12 In addition to New York and Washington, DC, which are the first and second largest legal markets in the USA, the Northeast/Mid-Atlantic region includes Boston and Philadelphia, which are also in the top 10 based on number of Am Law 200 attorneys.

lawyers to its share of 2014 Fortune 500. If law firms depend primarily on proximity to clients to generate work, we would expect the ratio to be very close to 1.0. We use Am Law 200 law firm data because it includes a larger group of corporate law firms, including many that are highly regionalized. Our results are summarized in Table 7 in the Online Appendix.

Comparison of the geography of large corporate clients and large firm lawyers suggests the profound importance of agglomeration for the growth of large law firms. Indeed, with the exception of San Francisco, global cities and their non-global counterparts appear to be mirror images of each other. New York, Washington, DC, Chicago and Los Angeles each display larger agglomerations of lawyers than corporate activity, ranging from 1.25 for Chicago to 3.81 for Washington, DC. Conversely, the five non-global regions, which encompass many large and important U.S. cities, have more corporate activity than large firm lawyers. Yet, the vitality of the corporate sector appears to have an effect on the relative proportion of corporate lawyers, as the 0.40 ratio for non-global Midwest/Great Plains is considerably smaller than that for the non-global North East/Mid-Atlantic (1.22), West Coast/Rockies (1.04), Southeast (0.88) or Southwest (0.52) regions. It is easy to anticipate that deindustrialization leads to fewer factories and blue-collar jobs, but an important second-order effect appears to be a concomitant decline in the corporate law sector. Despite similar declines in corporate activity, however, the Northeast/Mid-Atlantic corridor has emerged as the dominant agglomeration of corporate lawyers.

As the process of globalization continues, regional disparities among corporate lawyers are likely to grow larger. For example, drawing the NALP Directory of Legal Employers for 2005, containing detailed office-level information for 613 corporate law firms, Henderson (2007) calculated expected 2005 entry-level hiring patterns by metropolitan area. Although New York City accounted for only 18.8% of the attorneys, it hired 27.3% of all entry-level associates. Overall, offices located in the top markets (New York City, Washington, DC, Chicago, Los Angeles, San Francisco, Boston, Atlanta, Dallas, Philadelphia and Houston) accounted for 64.2% of the attorneys in these firms but 74.8% of the entry-level hiring, while offices in other cities reported lower levels of expected hiring relative to their share of the total market.

4.2. Network analysis of the field of U.S. law

We construct four 2-mode firm $\times$ city networks (1986, 1996, 2006, 2015), recording the presence of firm i in city j . We begin their analysis by asking three fundamental firm- and city-level questions:

1. Who are the central actors (firms)?
2. Which are the central cities?
3. How has the distribution of such centrality changed over the 30 years?

We address these in Table 3, reporting the top 10 firms and cities in terms of their degree, the median degree of firms and cities in each year, and a measure of inequality in the distribution of degree (i.e. the mean log deviation or MLD). In a 2-mode network, normalized degree is the proportion of all cities/firms that a given firm/city is located in/hosts. So, for example, Baker & McKenzie's degree of 0.237 in 2015 means that it was located approximately 24% of the cities in the 2015 network while

Table 3. Degree centrality of firms and cities by sample year

1986 firms	Degree	1996 firms	Degree	2006 firms	Degree	2015 firms	Degree
Baker & McKenzie Hyatt Legal Services	0.222 0.215	Baker & McKenzie White & Case	0.267 0.134	Baker & McKenzie DLA Piper Rudnick Gray Cary UK White & Case	0.264 0.227	Baker & McKenzie DLA Piper	0.237 0.227
Coudert Brothers	0.111	Skadden, Arps, Slate, Meagher & Flom Jones Day	0.107	Jones Day Little Mendelson	0.149	Dentons	0.188
Sidley Austin Brown & Wood	0.074 0.074	Graham & James	0.102 0.096		0.116 0.116	Norton Rose Fulbright Littler Mendelson	0.171 0.168
White & Case	0.074	Coudert Brothers	0.091	Squire, Sanders & Dempsey	0.107	Jackson Lewis	0.151
Hayt, Hayt & Landau	0.074	LeBoeuf, Lamb, Greene & MacRae	0.091	Ogletree, Deakins, Nash, Smoak & Stewart	0.095	K&L Gates	0.141
Gibson, Dunn & Crutcher	0.067	Dorsey & Whitney	0.086	Greenberg Traurig	0.087	Ogletree, Deakins, Nash, Smoak & Stewart	0.141
Graham & James	0.067	Shearman & Sterling	0.080	Skadden, Arps, Slate, Meagher & Flom Jackson Lewis	0.087	Squire Patton Boggs	0.132
LeBoeuf, Lamb, Greene & MacRae	0.059	Bryan Cave	0.075		0.083	White & Case	0.128
Median	0.022	Median	0.021	Median	0.025	Median	0.030
MLD	0.221	MLD	0.242	MLD	0.259	MLD	0.286
1986 cities	Degree	1996 cities	Degree	2006 cities	Degree	2015 cities	Degree
Washington, DC	0.606	Washington, DC	0.627	Washington, DC	0.684	Washington, DC	0.716
New York	0.363	New York	0.464	New York	0.624	New York	0.668
Los Angeles	0.243	Los Angeles	0.306	Los Angeles	0.396	Los Angeles	0.480
London	0.151	London	0.234	San Francisco	0.364	San Francisco	0.444
Miami	0.147	San Francisco	0.194	London	0.296	London	0.336
San Francisco	0.131	Chicago	0.163	Chicago	0.224	Chicago	0.332
Chicago	0.120	Hong Kong	0.139	Houston	0.180	Houston	0.292
Dallas	0.096	Miami	0.131	Miami	0.172	Miami	0.240
Philadelphia	0.080	Houston	0.119	Atlanta	0.168	Boston	0.228
Boston	0.076	Dallas	0.115	Boston	0.160	Atlanta	0.208
Median	0.008	Median	0.008	Median	0.008	Median	0.008
MLD	0.923	MLD	0.895	MLD	0.996	MLD	1.008

Washington, DC's degree of 0.716 in the same year means that it hosted about 72% of the NLJ 250 firms.

In all sample years, the degree distribution is notably skewed, with the pattern growing over time. Among firms, Baker & McKenzie was located in 24% of the cities in the 2015 network while the median firm was located in just 3%. More formally, inequality in the degree distribution by the MLD was 221 in 1986 and 0.286 in 2015. The MLD equals zero when all units are equal, so this means that inequality among firms in their geographic spread or reach was marginally higher in 2015 than it was in 1986. Inequality among cities is far higher than inequality among firms. While Washington DC hosted 72% of the NLJ 250 firms in 2015, the median city hosted just under 1%. The MLD rose from 0.923 in 1986 to 1.008 in 2015.

We next abstract from information on *individual* firms and cities to identify *types* of firms and cities using a blockmodeling technique (White et al., 1976; Wasserman and Faust, 1994). From the four 2-mode networks, we created square co-affiliation matrices for firms, F , and cities, C , in which F_{ij} gives the number of cities that firms i and j have in common and C_{ij} gives the number of firms that cities i and j have in common. We then blockmodel F and C in each year to identify (approximately) structurally equivalent firms/cities; that is, sets of firms that relate to other firms (through cities) and sets of cities that relate to other cities (through firms), in very similar ways. The structural equivalence criterion we employ partitions firms into sets that have the same pattern of ties to cities, and partitions cities into sets that have the same pattern of ties to firms. Two actors are perfectly structurally equivalent when they have the same exact pattern of ties to others in the network. This can be contrasted with another commonly utilized definition of equivalence, perfect regular equivalence, which requires two actors to have only the same exact *profile* of ties to other regularly equivalent sets, rather than the exact same ties. In other words, where structurally equivalent actors are connected to the same alters, regularly equivalent actors are connected to the same *types* of alters.

The blockmodeling is done through a tabu search optimization procedure that iteratively minimizes the sum of the within-block variance and, thereby, minimizes the overall variance in tie profiles among members of a candidate block. This produces a manageable reduction of the data that approximates ideal structural blockmodels reasonably well (i.e. the R^2 s between the ideal blockmodels of perfectly structurally equivalent actors and the solutions that we settle on vary between 0.661 and 0.818). More elaborate partitions—partitions specifying more column or row blocks—suggest a substantively identical interpretation of the law firm network and its evolution in the past two decades. For ease of presentation, we report only the results for 1986 and 2015. In 1986, we identify six clusters of firms and five clusters of cities. In 2015, we identify six clusters of firms and seven clusters of cities. A complete list of the firm and city assignments in those years appears in Tables 8a and b in the Online Appendix.

In Figures 3–6, we present the 2-mode networks and their blockmodeling in 1986 and 2015. Cities are represented with circles, firms with squares. Thus, in Figure 3, structurally equivalent cities in 1986 are indicated as circles of the same color while firms are gray squares and, in Figure 5, structurally equivalent firms in 1986 are indicated as squares of the same color while cities are gray circles. Firms and cities are positioned relative to one another using a spring embedder, which treats the graph as a physical system and assumes that vertices that are close (i.e. smallest path length) pull on each other, whereas those that are distant push one another apart. Thus, firms are near each other if they are located in the same city and cities are near each other if they

Figure 3. Structurally equivalent cities, 1986.

Figure 4. Structurally equivalent cities, 2015.

host the same firms. To aid visual interpretation, we also specify that distances between adjacent objects be of similar length and we jitter objects that would otherwise overlap.

A comparison of Figures 3 and 4 reveals the transition of the U.S. legal market from a series of regional markets tied together by the commonality of an office in

Figure 5. Structurally equivalent firms, 1986.

Figure 6. Structurally equivalent firms, 2015.

Washington, DC (Figure 3) to a legal market that is presently centered around a set of key global cities (Figure 4). In Figure 3, both Washington, DC and New York City are singletons (colored black and red, respectively) with the next most central position comprised of Chicago, Los Angeles, San Francisco/SanJose, London, Paris and Miami

Table 4. 2015 firm-level data by blockmodel grouping

Cluster	Avg. size	Percentage foreign firms	Avg. gross revenue	Avg. centrality	Avg. profits per partner	Percentage of lawyers in HQ office	<i>N</i>
Red	1170	21.1	\$974,338,983	0.080	\$1,540,169	36.6	59
Black	431	5.1	\$392,705,479	0.031	\$1,217,671	47.6	87
Brown	301	1.1	\$228,357,143	0.024	\$971,571	54.2	55
Blue	225	0.2	\$284,642,857	0.015	\$2,051,429	72.0	17
Green	242	0.5	\$164,875,000	0.021	\$755,625	60.5	12
Orange	210	0.1	\$161,714,286	0.017	\$817,143	63.7	20

(brown). By 2015, many of these cities (black) are structurally equivalent. The black nodes in the center of the graph in Figure 4 include Washington, DC, New York, San Francisco/San Jose, Los Angeles, Chicago and London. Arguably, these are centers of legal expertise related to global commercial dealings. The red nodes, in contrast, are a mix of important foreign cities and U.S. cities (Atlanta, Boston, Dallas, Denver, Philadelphia, Beijing, China, Brussels, Belgium, Dubai, United Arab Emirates, Hong Kong, Moscow, Paris, Shanghai, Singapore, Tokyo, Austin, Miami, San Diego). These locations are more central because they are politically and commercially important to large corporate clients, thus causing firms to expand into these markets to protect and grow their increasingly national and global client base.

The results of the blockmodeling for law firms suggests that broad geographic reach is becoming the norm among large U.S. law firms. Figure 5 is a depiction of the 1986 large law firm market, which consists of six positions. Four of the six (red, black, blue and brown) are centered around Washington, DC. Each position reflects regional concentrations (or a burgeoning extra-regional profile in the case of the black position). The remaining positions (green and orange) are regional firms with a distinctively regional profile. Figure 6 displays the 2015 market. In contrast to 1986, most law firms are located much closer to the center of the graph (and thus in closer proximity to key U.S. and foreign cities). Remarkably, the most central positions (black and red) account for nearly 80% of the lawyers of the 250 largest law firms. The most central positions of law firms (again, black and red) are also the most significant economically, accounting for 87.5% of firm revenue in 2014.¹³

Table 4 details key attributes of the six types of firms identified in the blockmodeling of the 2015 network. As one can note, law firm size is closely associated with ties to the most central clusters of cities. The average size of firms in the red and black positions are 1170 and 431, respectively, versus a range of 210–201 for firms in the other four. In turn, size translates into a greater geographic reach (% foreign) and higher average revenue. Interestingly, however, firms with the greatest reach are not always the most profitable. The cluster of firms with the highest profits per partner (blue) is also the cluster with the lowest average centrality score and the highest concentration of attorneys in its headquarters office. These firms tend to have one or two dominant practice areas that override geographic consideration, including foreign office locations.

13 Lawyer counts are based on the NLJ 250. Revenues are based on the AmLaw 200. Virtually every firm in the AmLaw 200 is included in the NLJ 250.

Figure 7. 2015 reduced graph, firm clusters represented as squares, city clusters represented as circles, lines connect elements with above average density (density criterion $\alpha = 0.044$).

Among all firms, a concentration of lawyers in a firm's headquarter office is positively correlated with profitability (0.291, $p < 0.001$) while centrality is unrelated to profitability (-0.055 , $p = 0.454$).

Figure 7 presents the reduced graph of the 2015 network, abstracting from the information on individual firms and cities to uncover the overall structure of the field of law. In this figure, clusters of firms and cities are arrayed using the same spring embedder described above. As such, clusters of firms are near each other to the extent that they are located in the same city clusters and clusters of cities are near each other to the extent that they host the same firms. Firms and cities are connected if the density of the relations between them exceeds the average density in the network as a whole. This criterion, known as the α density criterion, leaves the orange firms (squares) and the orange and green cities (circles) disconnected from the rest of the graph, indicating that each plays a peripheral role in the network (see again the Online Appendix for details on their content). Consistent with this interpretation, the orange firms have the lowest average firm size, percentage of lawyers in foreign locations, gross revenue and the second lowest profits per partner (Table 4). At the other extreme, firms in the red cluster span the most central groups of cities—black, red and brown, respectively (see Figure 4)—and play a distinctive role in knitting the blue cluster of U.S. and important foreign cities into the field. As already touched on, firms in this position are very large, internationally oriented, highly profitable, and have a comparatively small

proportion of their lawyers in the firm's headquarter office. Figure 7 also provides additional insight into the highly profitable group of firms in blue. This type of firm services the small pink cluster of cities (containing just eight cities which are mainly second- and third-tier U.S. cities) *and* the most central (black) cluster of cities which contains London and key global cities in the USA such as New York.

5. Conclusions

The core question addressed in this article is that of the shape of the field of American law. What is the link between firms and places, and how is that evolving over time? How are firms distributing lawyers across space and what sorts of clues does that give us to the changing structure of the field of law? In our network analysis, we accordingly proceed in a descriptive vein: Making no assumptions about what the field of law *should* look like, we ask what types of firms and cities are emerging and what role they play in reshaping the field. By examining which firms are located/not located in which cities using a classic blockmodeling technique from network analysis, we uncover the underlying similarity/dissimilarity among firms in their stance toward internationalization. Similarly, by examining which cities host/do not host which firms, we uncover the underlying similarity/dissimilarity among cities in their position and role in the global legal market. In other words, while organizations such as law firms plainly constitute fields and niches, they are also constituted by them, such that we can use information on organizational space (e.g. cities) to define organizations (e.g. law firms), just as we can use information on organizations to define organizational space (e.g. DiMaggio, 1986; Hannan and Freeman, 1989). This way of identifying organizations and organizational fields rests on a fundamental relational metaphor: Individuals come together to create groups owing to shared interests, affinities, etc. while, at the same time, individuals are ultimately identifiable *as individuals* owing to their group memberships, by the intersection of groups to which the individual belongs (Breiger, 1974). Such a relational approach contrasts with the more typical view in sociology (Emirbayer, 1997, 281) that 'entities ... come first and relations among them only subsequently' or in economics (Bathelt and Glückler, 2003, 123) that 'space [is] a separate entity which can be described and theorized independently from economic action.' Inherent to our analysis—which could readily be applied to the locational dynamics of other industries (e.g. high-end financial services)—is the idea that, in the course of making location decisions, firms generate an inter-firm network *and* an inter-city network, one with distinct structural properties, that, in turn, influences location decisions and the course of future economic activities.

The proof, of course, is in the pudding. We find that U.S corporate law firms are becoming more national and international in character and more centralized around key cities and firms that, structurally, play a primary or central role in the field. On the one hand, expanded geographic platforms enable firms to service clientele with legal needs in multiple jurisdictions. On the other hand, the creation of a national/international marketplace has brought an end to the old comfortable regional oligarchy in which a handful of corporate law firms served the region's most significant corporate clients. These firms are now competing head-to-head for a finite supply of lucrative work from the world's largest corporations. The advent of a national/international

market gives these clients more choices and pricing power and, in turn, requires law firms to expand into locations that signal expertise and global relevance.

As this new competitive environment has evolved, geographic proximity has remained an important determinant of corporate law activity. As clients move both within the USA and abroad, law firms have followed. However, geographic expansion itself does not appear to be a strong determinate of overall firm profitability. Rather, firms with large concentrations in their headquarter cities (often a large global city) appear to fare best, presumably because they have assembled large teams of exceptional talent and handle matters of exceptional difficulty and importance to national and international clientele in those global cities and beyond. Likewise, high profits and revenues per lawyer are associated with a large presence in a handful of strategic foreign cities (e.g. Hong Kong, Frankfurt, Paris, London, Brussels, Tokyo).

Finally, our analysis indicates that the nature of law firm competition may have significantly changed after the financial crisis of 2008. Although geographic expansion continued apace over the three-decade observation period, headcount growth was essentially flat or declined in all major U.S. markets with the exception of San Jose-San Francisco, Miami and Charlotte. In contrast, both geographic office expansion and headcount growth was robust in foreign markets, with the exception of London, which added 10 large U.S. law firm offices between 2006 and 2015 but experienced an overall contraction in the number of lawyers working for U.S.-based law firms. These patterns suggest the relative advantages of agglomeration may be tilting in favor of relational benefits (e.g. improved access to key industries or powerful global networks) rather than the local benefits of specialized labor and allied professions that improve overall quality and value to the client. Specifically, New York and London appeared to be the prime movers of growing agglomeration prior to 2006. However, to the extent that lawyer headcount in local markets continues to grow, increases appear to be centered in locations that are gateways to important regions (Asia and Latin America) or industries (technology and finance).

The trends revealed by our analysis strongly suggest that the U.S. legal industry will continue to experience consolidation in the future. Although consolidation in other industries ordinarily comes in the form of larger, stronger companies acquiring smaller or weaker competitors, within the U.S. market, gradual realignment may occur via more powerful firms luring away their competitors more successful partners. This strategy is necessitated by the limited availability of capital for lawyers in the USA, as the profession's ethic rules prohibit lawyers from sharing an equity interest with nonlawyers. However, the same result can be achieved by peeling off the most desirable lawyers one at a time by offering them a share in a more lucrative law firm partnership.

Thirty years ago, the common hub of the U.S. legal profession was Washington, DC, primarily to serve the federal regulatory needs of regional clients. The future of the U.S. legal profession will be centered on several national and international markets that have become corridors of legal expertise and business opportunities. The influence and profits of law firms outside these corridors appear bound to shrink.

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Supplementary material

Supplementary data for this paper are available at *Journal of Economic Geography* online.

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