

Behavioral Economics

Tutorial 5

Starting a New Law Firm: Potential
for Surprise?

Tasks

- Consider what resources would be needed by a small group of lawyers if they wanted to start a law firm of their own
- What would they need to get right in order to ensure the firm rapidly became viable?
- What should they be worried about regarding things that could get in the way of the success of their venture?
- How might they guard against (a) worrying possibilities, and (b) being surprised by things they haven't imagined, as they try to start their firm?
- What is the opportunity cost of trying to start the new firm?

Things you might have considered

- Resources:
 - Office space, in an appropriate location and suitably fitted out, computing, legal library, secretarial, investigative and support staff
 - Personal legal expertise and reputation consistent with firm's strategy
 - Customers – have the lawyer any goodwill relationships and experience in marketing?
 - Financial backing (working capital until revenue comes in)
- Nasty potential surprises: we're in the legal world in this case, so they might be of a legal kind
- Importance of being able to surprise others when launching the new firm
- Opportunity cost: hard to specify, given uncertainties about what would have happened if they had stayed where they were or did something else.

Background to *The Good Wife* (season 5, episode 5)

- The series is about a lawyer, Alicia Florrick, in Chicago, who returned to the law after over a decade away bringing up her children.
- She had to do this due to her lawyer husband, Peter, being involved in a sex and corruption scandal. He has fought his way back professionally, after being State's Attorney and is now the new State Governor, aided by his spin doctor Eli Gold, but their marriage is still problematic (it is a bit like the Clintons...)
- Alicia had trouble getting a job, but was given one at Lockhart-Gardner by her old college friend Will Gardner, around the time the other main junior lawyer, Cary, was hired, and she beat Cary for a tenured position due to her political connections; Cary had a spell working in the State's Attorney office but is now back at Lockhart-Gardner
- Alicia and Cary have been thinking of starting their own company but she has just been offered a partnership in the firm, which requires her to commit some equity to it

The Good Wife, Season 5, Episode 5

- Show episode at this point, if you are able to do so without breaching copyright
- Otherwise, use Tutorial 5a instead

So, in hindsight..?

- What surprises did they have to deal with?
- How foreseeable were these surprises?
- What could they have done to prevent the problems, had they anticipated them?

Legitimacy of using TV programmes to illustrate economic behaviour?

- The ending we've just seen is all too neat and swift to represent reality, but it does perhaps approximate to the way that webs of influence work
- Legal dramas typically are written by, or in consultation with, those who have considerable experience in the sector
- Novelists and scriptwriters are frequently using their in-depth knowledge of particular contexts as a basis for their work
- Some (e.g. David Lodge in *Nice Work*) explicitly acknowledge assistance provided by business people when they were researching a context on which their work focuses
- Do writers' sources have incentives to misrepresent their situations?