Bommarito Consulting

WORKING PAPER
July 15, 2026

AN INDEPENDENT STUDY OF STRUCTURAL CHANGE IN THE PROFESSIONS

The Restructuring of the Professions

How Investment Banking, Audit, and Tax Rebuilt Themselves — and What Their Transitions Predict for Legal Services

WORKING PAPER Comments welcome — subject to revision.

Between 1970 and 1999, every major Wall Street investment bank abandoned the partnership form that had governed the industry for a century — Goldman Sachs last among the bulge bracket, with Lazard following in 2005. Between 1989 and 2002, the Big Eight accounting firms consolidated to four, built and then divested consulting arms larger than their audit practices, and were re-regulated after the collapse of Arthur Andersen; two decades later, private equity acquired majority stakes in much of the profession's next tier. Legal services — the largest professional market, at roughly one trillion dollars globally — is now entering the same passage, propelled by artificial intelligence and institutional capital and constrained by ownership rules the other professions shed or engineered around decades ago. This report assembles the history of all three transitions; identifies the recurring mechanism — a capital and technology shock that breaks the economics of the human-capital partnership — through both qualitative institutional analysis and a simple formal model; profiles the businesses, people, regulations, and failures involved; and draws out what the completed transitions predict for the one now under way.

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SUBJECT Structural transitions in professional services: investment banking, audit & tax, and legal

METHOD Historical synthesis · institutional analysis · formal economic model

STATUS Working paper · July 15, 2026

A Reliance and Disclaimer follows on page 2. Material factual assertions carry citations; sources are listed at the end of the report.

Reliance and Disclaimer

This document is a desk study based on published histories, academic literature, regulatory materials, court records, financial press reporting, and market data compilations. Material factual assertions are sourced to identified publications; where a figure recurs, the citation appears at first use. Where figures differ across sources — as they often do for market sizes, deal counts, and private-company valuations — the report states the range and identifies the source for each endpoint.

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The report proceeds in four movements: the economics of the professional partnership (Section 3); three histories — investment banking (Section 4), audit and tax (Section 5), and legal services (Section 6); a synthesis and formal analysis of the common mechanism (Section 7); and an outlook (Section 8). A consolidated timeline appears in Appendix A.

Contents

1 Executive Summary

Legal services — a roughly trillion-dollar global market still organized, in most American states, as lawyer-owned partnerships behind an absolute ownership rule — is entering a structural transition that two other professions have already completed. Between 1970 and 2005, every major Wall Street investment bank abandoned the private partnership for public or corporate ownership. The accounting profession consolidated from eight global firms to four by 2002, built and shed and rebuilt a consulting industry, lost Arthur Andersen to a single indictment, watched software and offshoring commoditize tax compliance, and then, from 2021 to 2025, sold much of its middle tier to private equity. This report reconstructs all three histories, extracts their common mechanism through a formal economic lens, and states what the completed transitions predict for the one under way.

Finding 1

The professional partnership is an equilibrium with four stability conditions, all of which are now moving in law. The form persists where quality is opaque to clients, skills are tacit and apprenticed, capital needs are small, and regulation excludes outside owners (Section 3). Investment banking converted when computing and financial economics codified its skills and trading consumed more capital than partners could supply; the last bulge-bracket holdout, Goldman Sachs, floated in 1999 at a valuation near $29 billion, with Lazard following in 2005. Accounting's mid-market sold to private equity when technology costs and partner retirement obligations outran partner capital. Artificial intelligence now codifies law's junior work directly, while the succession overhang and platform consolidation supply the capital pressure — and, more speculatively, machine evaluation may make professional quality benchmarkable. That combination is why the *volume* segments of law should convert faster than banking's thirty-year arc, even as judgment practices resist (Section 7.3).

Finding 2

The transitions follow a six-stage sequence, and law is in stages three through four. Stable equilibrium; shock; boundary experiments in permissive jurisdictions; a conversion wave running from volume segments to judgment segments; regulatory accommodation or blockade; and a barbell end-state of scaled platforms plus premium boutiques (Section 7.1). Law's boundary experiments are Arizona's alternative business structures (ABS; 151 licensed entities by early 2026, including KPMG's entry into American law practice), the management services organization (MSO) blessed by Texas in 2025, and technology-licensing structures like Norm Law. The first conversion wave — personal injury, consumer, volume contracting — began in late 2025, in the segments the model identifies as first movers.

Finding 3

The United Kingdom already ran law's experiment, and its evidence cuts both ways. Eighteen years of the Legal Services Act produced a thousand-plus outside-owned firms, a third of the personal-injury market by 2014, more than double traditional firms' innovation and technology-investment rates, and £1.2 billion of private equity in the five years to 2024 — with no market-level quality collapse. It also produced Slater & Gordon, Axiom Ince, and SSB Law: governance failures in which acquisition velocity outran controls and a regulator supervised the new form with old tools (Section 6.2). The failure signature is velocity plus supervisory lag, not outside ownership itself.

Finding 4

The distributional ledger repeats across all three transitions. The converting generation of seniors captures a windfall — the capitalized rents of every generation before them. Clients gain on price and choice, and take on a new agency exposure whose realized cost varies sharply by industry. Capital providers earn platform returns and absorb the failures. Juniors lose the tournament that financed their training: the pyramid's base is automated before any new apprenticeship exists, a problem banking has already met (analyst classes cut as AI drafts "95 percent" of a prospectus) and no industry has solved (Section 7.5).

Finding 5

Specific, falsifiable expectations for 2026–2035 (Section 8.1). Majority outside capitalization of American volume-law segments within five to seven years, driven by partner succession. A squeezed mid-market and a split top: a few Am Law 50 platform conversions alongside premium judgment boutiques that never convert. Regulatory bifurcation — more Arizonas *and* more California-style blockades — with the flat-fee MSO, not the ABS, as the modal structure. A first significant capital-backed-firm failure by roughly 2030, with client-money custody the likeliest exposure. And structural redesign of the entry-level legal role by 2028–2030. The first half of 2026 has already begun scoring these expectations — the first marquee American MSO deals closed in the predicted segment, two more states enacted or passed blockades, and major banks began cutting junior cohorts on explicit AI grounds — though six months of confirmation is weather, not climate.

The report's implications are addressed to four audiences in Section 8.2: regulators (supervise the new form — entity-level, financially, at the speed of acquisition-driven growth); firm leaders (choose a barbell end and move early; the record punishes running the old pyramid unchanged); investors (the durable returns accrue to re-engineered delivery, not leveraged status quo; the UK failure list is the diligence checklist); and young professionals (seek early responsibility — judgment formation is the asset automation cannot yet produce). A consolidated three-industry timeline appears in Appendix A, and supporting data tables in Appendix B.

2 Introduction: Three Professions, One Pattern

In November 2025, within a span of two weeks, a top-twenty global law firm with revenue approaching $3 billion confirmed it was exploring private equity investment; Blackstone put $50 million behind a newly launched law firm's technology provider; and four of the country's largest personal-injury practices retained investment banks to structure outside investment [1, 2, 3]. Each announcement was reported as news. None of it was new. Investment banking ran the same passage between 1970 and 1999. Accounting has been running it since the late 1980s and is nearly done. What the legal industry is experiencing is not a novelty but a recurrence — the third instance of a structural transformation whose mechanics, casualties, and endpoints are already on the record.

This report assembles that record and analyzes it. The question it answers is one that practitioners, investors, and regulators are all asking in different vocabularies: *what actually happens when the economic foundations of a human-capital profession shift?* The partners ask whether to sell; the investors ask what they are buying; the regulators ask what breaks. The historical answer to all three is unusually complete, because two full experiments have already run to conclusion, with named firms, dated conversions, measured outcomes, and well-documented failures.

2.1 Scope and Method

We examine three industries. **Investment banking** (Section 4) is the completed case: an industry of private partnerships in 1970, an industry of public corporations by 1999 (Lazard, the coda, in 2005), with consequences — good and catastrophic — that played out through 2008 and after. **Audit and tax** (Section 5) is the nearly completed case: consolidation from eight global firms to four, a consulting boom and forced divestiture, re-regulation after Arthur Andersen's collapse, the quiet commoditization of tax compliance, and a private equity wave that since 2021 has recapitalized much of the profession's middle tier. **Legal services** (Section 6) is the case under way: ownership liberalization in the United Kingdom and a handful of American states, capital flowing through engineered structures where liberalization has not arrived, and artificial intelligence attacking the leverage pyramid at its base. Management consulting appears at points as a boundary case — an unregulated profession that converted early and quietly, and therefore shows what the regulatory dam does by its absence (Section 7.1 draws the comparison explicitly).

The method is threefold. First, *history*: each case section reconstructs the sequence of events — the firms, people, transactions, statutes, and failures — from primary and contemporaneous sources. Second, *qualitative institutional analysis*: each case is read against the economics of the professional partnership developed in Section 3, asking which stability condition failed and in what order. Third, a *simple formal treatment* (Section 7): we compose results from the economics literature — Morrison and Wilhelm on skill codification, Levin and Tadelis on quality observability, Fama and Jensen on capital intensity, Garicano on knowledge hierarchies — into a threshold model of the partnership-to-corporation conversion decision, and use it to generate predictions about the legal transition that are falsifiable on a five- to ten-year horizon.

2.2 The Argument in Brief

Three claims organize everything that follows.

First, **the professional partnership is an equilibrium, not a tradition**. It persists where work is judgment-intensive and opaque to clients, skills are tacit and taught by apprenticeship, capital needs are small, and regulation keeps outside owners away. These conditions are variables. When they move, the form moves.

Second, **the transitions follow a common sequence**. A shock — technological, regulatory, or competitive — raises the capital the business requires or codifies the skills it runs on. Boundary experiments appear at the industry's periphery (a first IPO, a first outside investment, an offshore center, a regulatory sandbox). First movers convert and are condemned by incumbents. The economics compound; the holdouts follow within a decade or two; the last conversions are the most reluctant and the most celebrated. Regulation then accommodates what has already happened — or, in the failure cases, discovers too late that it supervised the old form while risk migrated to the new one.

Third, **the distributional outcomes repeat** — a ledger of winners, losers, and recurring failure modes that Section 7 presents in full. The one-sentence version: the converting generation captures the windfall, clients trade agency exposure for price, juniors lose the tournament that financed their training, and the characteristic casualty is the firm that scales on outside capital faster than its governance can absorb.

None of this is an argument that the current transition is safe, or that it is doom. It is an argument that the transition is *legible* — that the professions' repeated claim of exceptionalism ("law is different," as audit and banking each said of themselves in their turn) has a track record. What that record shows, strictly speaking, is that the *private* economics of conversion win, slowly: the incumbents who decide are the ones who capture the gains, which is not the same as a demonstration that conversion is efficient for clients or the public. The casualties are determined largely by governance and regulatory preparedness. The report's purpose is to make that legibility useful.

3 The Partnership Equilibrium

Before the histories, the baseline. For most of the twentieth century, every major profession — law, audit, investment banking, consulting, medicine — organized itself the same way: as a private partnership of senior practitioners who owned the firm, managed it, staffed it with salaried juniors, and split the profits among themselves. That convergence was not accident or tradition. It was an equilibrium, and the economics literature has mapped its load-bearing walls with some precision. Understanding why the partnership form was stable is the prerequisite for understanding what, in each of our three cases, knocked it down.

3.1 Why Professions Were Partnerships

The professional firm's defining economic fact is that its productive assets are people. The firm owns almost nothing: no factories, little equipment, modest working capital. Its inventory rides the elevator down every evening. Four classic results explain why this asset structure selects for the partnership form.

Monitoring. Professional output is hard to measure. A brief, an audit opinion, a fairness opinion, or a strategy memorandum can conceal weeks of diligence or hours of improvisation, and the client often cannot tell the difference for years. Alchian and Demsetz showed that team production with unmeasurable individual output requires a monitor who is paid with the residual profit [4]; in professional teams, the only competent monitors are other professionals. Spreading the residual claim across the senior practitioners — making the monitors the owners — is the partnership's first function. Fama and Jensen generalized the point: where the critical decisions require agent-specific expertise that outsiders cannot evaluate, it is efficient for the decision agents to bear the residual risk themselves, and the predictable cost of that arrangement is a firm that cannot raise outside capital [5].

Quality assurance. Levin and Tadelis supplied the modern formal treatment: when clients cannot observe quality before purchase, a profit-maximizing corporation has an incentive to over-hire and dilute talent, while a profit-*sharing* partnership makes every admission dilutive to the existing partners and therefore admits only candidates who raise the average [6]. The partnership form is a commitment device to be choosy. The model's comparative static matters for everything that follows: partnerships dominate precisely where quality is opaque, and anything that makes professional quality more observable — league tables, benchmarking data, or machine evaluation of work product — erodes the form's reason for existing.

Training. Morrison and Wilhelm modeled the partnership as an intergenerational bargain for transmitting tacit skill [7]. Partners hold illiquid stakes that they can cash out only by selling to the next generation at a price that reflects the firm's reputation; mentoring the next generation well is therefore not altruism but portfolio maintenance. The apprenticeship system that every profession runs — associate, engagement team, analyst pool — is financed by this structure.

Reputation. Klein and Leffler showed that when quality cannot be contracted, sellers deliver it only if they earn a stream of rents whose capitalized value exceeds the one-time gain from cheating [8]. Partner profits are exactly such quality-assuring rents, and unlimited personal liability historically served as the hostage that made the promise credible. A Goldman Sachs partner before 1999, or an Andersen partner before 2002, stood to lose personal wealth for the firm's failures — a bond no public shareholder posts.

THE PARTNERSHIP BARGAIN

Each constituency got something. **Partners** received quality-assuring rents, governance control, and a valuable exit annuity. **Juniors** accepted below-product wages in exchange for training and a tournament ticket — a chance at the partnership prize. **Clients** received quality assurance they could not verify themselves, bonded by partner wealth and reputation. **Regulators and the public** received gatekeeping: professionals with personal liability standing between clients and misconduct. The form's weakness was the flip side of its strength: a firm owned only by its working seniors can raise capital only from them, and can make strategic decisions only by their consensus.

3.2 The Leverage Engine

Inside the partnership, profits are manufactured by a pyramid. Maister's classic formalization — still the industry's working mental model — decomposes profit per partner into three factors: margin, revenue per professional, and *leverage*, the ratio of salaried professionals to partners [9, 10]. The archetypal roles are finders (partners who win the work), minders (managers who run the engagements), and grinders (juniors who execute). A firm prices the junior's hour at a multiple of the junior's wage, and the partner pockets the spread across every junior in the pyramid.

Leverage differs enormously by profession, and the difference explains much of what follows. Elite law runs lean — Am Law 100 leverage remains well under 3:1 — because bespoke judgment does not industrialize easily. The Big Four run leverage of roughly 15:1 to 20:1, because audit and tax compliance decompose into procedures that juniors, and increasingly offshore centers, can execute. Investment banks before automation ran armies of analysts building pitch books and running comparables. In every case the pyramid does double duty: it is simultaneously the *production* system (juniors do the work) and the *selection* system (the tournament identifies the next partners).

Galanter and Palay demonstrated the dynamic consequence for law firms: a credible promotion tournament forces growth, because each cohort's winners become partners who must themselves be leveraged with new associates [11]. Gilson and Mnookin supplied the contract-theory reading: up-or-out with a large deferred prize is a second-best solution to two-sided moral hazard — the firm cannot verify associate quality in advance, the associate cannot verify the firm's promise to promote [12]. They also identified the partnership's chronic internal instability, the "grabbing and leaving" problem: a partner whose clients are currently hot can always defect with them, so profit-sharing arrangements survive only where firm-specific capital, lockstep norms, or reputational glue make defection costly [13]. Ribstein later built his "death of big law" thesis on precisely this fragility: the large firm's only real asset is a weakly-owned reputational franchise, and under enough profit pressure rational partners unravel it from the inside [14].

3.3 The Regulatory Buttresses

The partnership equilibrium was never purely private. In each profession, regulation reinforced the form — sometimes by design, sometimes as a side effect of gatekeeping.

In law, American Bar Association Model Rule 5.4 and its state implementations prohibit sharing legal fees with nonlawyers and prohibit nonlawyer ownership of law firms, foreclosing outside equity entirely; the rule's stated rationale is professional independence. In accounting, state accountancy statutes following the Uniform Accountancy Act require CPA firms performing attest work to be majority-owned by licensed CPAs — a weaker constraint than law's, with consequences we will trace in Section 5. On Wall Street, the New York Stock Exchange until 1970 barred member firms from public incorporation altogether, freezing the industry in partnership form by rule rather than by economics. And across all professions, occupational licensure restricts entry: roughly 29 percent of the American workforce is licensed, and licensing carries an estimated 18 percent wage premium [15, 16].

The professions' own account of these rules deserves stating before the economists' critique of it. Ownership restrictions are defended as independence protections: a professional whose firm answers to outside shareholders may trim judgment to a return target, and in the gatekeeping professions the client is not the only principal — the auditor is, in the Supreme Court's phrase, a "public watchdog," and the lawyer an officer of the court. That rationale is not empty; the consequences of gatekeeping eroded by commercial pressure run through this report's failure cases. Economists have nonetheless long read the arrangements less charitably. Hadfield argues that lawyer control over the organization and financing of legal services suppresses process innovation and capital investment, and that the access-to-justice crisis is substantially an organizational-regulation problem [17, 18]. Winston, Crandall, and Maheshri put the annual rents from legal licensing restrictions in the tens of billions of dollars [19]. And the one direct test of the quality claim outside the regulated professions — advertising, a knowledge-intensive industry whose agencies converted to public ownership decades ago — found no measurable performance or creativity penalty from outside ownership at scale, though small agencies fared worse [20]. For present purposes the normative debate matters less than the positive point: ownership rules are a dam. Where the dam is absolute (law's 100 percent rule), capital pressure builds until it finds engineering workarounds. Where it is partial (accounting's majority rule), capital seeps through the permitted crack. Where it is removed (the NYSE in 1970, the United Kingdom in 2007, Arizona in 2020), the reservoir empties fast.

3.4 What Can Break the Equilibrium

Assemble the pieces and the partnership's stability conditions become a checklist. The form survives while four things remain true: the work is judgment-intensive and hard to evaluate from outside (Levin-Tadelis); the skills are tacit and transmitted by apprenticeship (Morrison-Wilhelm); the business needs little financial capital (Fama-Jensen); and regulation or custom keeps outside owners away. Each condition is a dial, not a switch. The histories that follow are, in analytical terms, three experiments in what happens when technology and markets turn the dials.

Two of the dials deserve advance emphasis because they recur in every case. The first is **capital intensity**: trading positions in banking, technology platforms in accounting, and now artificial intelligence infrastructure in law each raised the capital the business required past what partner balance sheets could supply. The second is **codification**: whenever tacit craft becomes embedded in systems — block-trading models, audit methodologies, document-review software, large language models — the apprenticeship rationale weakens, the quality-opacity rationale weakens, and the pyramid's base becomes automatable. Morrison and Wilhelm's study of investment banking, to which we now turn, showed that partnerships converted to corporations in almost exactly the order that their core skills were codified [21]. That is the template result of this report: the other two professions are running the same program with a lag, and the lag is set by the height of the regulatory dam.

4 Case I — Investment Banking: The First Conversion

Investment banking is the completed experiment: the one profession that has run the entire arc from private partnership to public corporation to crisis to partial re-partnership. It is also the best-theorized case — Morrison and Wilhelm's work on the conversion is the formal spine of this report's synthesis — and the source of the most vivid evidence on what outside ownership does to professional risk-taking. Every element of the transitions now under way in accounting and law appears here first: the regulatory dam, the defiant first mover, the conversion wave, the holdout, the windfall, the governance failures, and the boutique counter-trend.

4.1 The Dam and the Defector, 1953–1970

Until 1970, the New York Stock Exchange required that member firms be partnerships or closely held corporations; public ownership was prohibited. The membership had voted down incorporation repeatedly in the 1930s and 1940s, and the 1953 compromise that finally permitted corporate members — by a vote of 594 to 538 — required that every voting stockholder be active in the business, which excluded the public by construction [22]. Wall Street's partnerships thus rested on the same tripod as law's and accounting's: unlimited personal liability as the client's bond, apprenticeship as the training system, and partner capital as the only capital.

The tripod broke on operations, not ideology. The back-office "paperwork crisis" of 1967–1970 — trading volumes that overwhelmed manual settlement, Wednesday market closures to clear backlogs, more than a hundred firm failures and forced mergers — demonstrated that the business now required computers and permanent capital that partner accounts could not fund [22]. Donaldson, Lufkin & Jenrette, a research boutique founded in 1959 with about half a million dollars, forced the issue: in May 1969 it announced it would sell shares to the public in open defiance of exchange rules. Facing a choice between expelling a profitable member and amending its constitution, the exchange amended. In April 1970 DLJ became the first publicly owned member firm [23] — and its prospectus, in a detail that prefigures every later transition, disclosed that the partnership had been earning returns on equity above 50 percent [24]. The rents were real, and now they had a market price.

4.2 The Conversion Wave, 1970–1999

What followed took thirty years, and the order of conversion is the theoretically interesting fact. Merrill Lynch — retail, operationally intensive — went public in 1971. Roughly sixteen retail-oriented firms followed in rapid succession, because settlement processing was exactly the kind of capital-intensive, codified activity for which public capital is suited [21]. The wholesale advisory and trading houses came later, and by sale as often as flotation: Salomon Brothers to the commodities house Phibro in 1981 for $554 million — sixty-two partners dividing the proceeds; Lehman Brothers to Shearson/American Express in 1984 for $360 million after an internecine war between its trading and banking factions [25]; Bear Stearns by initial public offering in 1985; Morgan Stanley in 1986, raising $163.8 million at a price that jumped about a quarter on the first day [26].

Goldman Sachs held out for thirteen more years, and its internal debate is the best-documented record of a partnership arguing with its own economics [27]. A proposal to float in 1986 died without a formal vote; a detailed 1996 plan was declined; the partners finally endorsed an offering in June 1998, withdrew it that September when Russia's default and the Long-Term Capital Management collapse crushed valuations, and completed it on May 4, 1999: $53 a share, 12.6 percent of the firm, $3.66 billion raised at a price valuing the firm near $29 billion — then the second-largest American IPO ever, and a market value that crossed $33 billion by the first day's close [28, 29]. At the offering, 221 former partners held 48.3 percent of the company. A private partnership dating to 1869, the last of the bulge bracket, had converted, and the generation in the room when it happened captured the capitalized value of every prior generation's restraint. Lazard, the most purely advisory house of all, followed in 2005 and closed the era.

Morrison and Wilhelm's explanation, developed formally in Section 7, fits this sequence tightly: partnerships exist to transmit tacit skill, and they convert when technology codifies the skill and raises the capital stakes [21, 7]. Mainframe computing codified settlement; financial economics — the Black-Scholes revolution — codified trading and valuation, moving skills that had been "learned through lengthy on-the-job apprenticeships" into the classroom; the firms that converted first were those whose businesses codified first, and the last holdouts (Goldman, Lazard) were the firms where tacit relationship capital mattered most. The industry's capitalization tells the same story: the top ten banks' inflation-adjusted capital rose from roughly $1 billion in 1960 to $194 billion in 2000.

4.3 May Day, Big Bang, and the Death of the Cross-Subsidy

Running underneath the ownership story was a pricing story, and it supplies the cleanest analogy to professional fee structures. From the Buttonwood Agreement of 1792 until 1975, brokerage commissions were fixed by rule — a price floor that funded, among other things, the entire sell-side research profession as a bundled free good. The SEC abolished fixed commissions effective May 1, 1975. Institutional rates, measured as a share of principal, fell 26 percent within four months and nearly half within three years; a per-share commission that exceeded eighty cents in the early 1970s fell toward four cents over the following three decades; some twenty brokerage houses merged or failed within a year; and the discount broker arrived within months — Charles Schwab opened his first branch that September [30, 31]. London ran the same experiment in one year rather than a decade: the cap on outside ownership of member firms was lifted in March 1986, and the Big Bang of October 27, 1986 abolished fixed commissions and ended the broker-jobber separation in a single day; within months, of roughly two hundred exchange member firms, more than half had been absorbed by larger groups, most of them banks [32].

The research profession's fate is the cautionary coda. Unbundled from commissions, equity research never found a standalone price. The 2003 Global Analyst Research Settlement — $1.4 billion in penalties, disgorgement, and mandated research funding, levied on ten firms for research corrupted by banking fees — severed its other subsidy [33], and global research budgets fell from roughly $8.2 billion in 2008 to $3.4 billion in 2017 [34], with Europe's MiFID II unbundling mandate finishing the job. A professional deliverable that had employed thousands at premium compensation was revealed, once its cross-subsidies died, to command almost no market price of its own. Any profession whose junior labor is cross-subsidized by a billing convention — the law firm associate hour prominently included — should read that history closely.

4.4 Consequences: Other People's Money

The conversion's consequences arrived on schedule. John Gutfreund, who sold Salomon, put the mechanism in one sentence decades later: turning a partnership into a corporation transfers the financial risk to the shareholders — "when things go wrong, it's their problem" [35]. Michael Lewis's gloss — that no bank owned by its employees would have levered itself 35 to 1 or warehoused $50 billion of mezzanine collateralized debt obligations — is the popular statement of what the agency literature predicts formally: remove the partners' personal wealth from the loss position and risk appetite rises.

The record bears it out. By 2007 the five major independent investment banks operated at leverage of roughly 26 to 33 times equity by conventional measures — by some measures 40 — much of it borrowed overnight; Bear Stearns carried $11.8 billion of equity against $383.6 billion of liabilities [36, 37]. In 2008 all five ceased to exist in their prior form within six months: Bear sold to JPMorgan in a rescue; Lehman filed the largest bankruptcy in American history, at $639 billion of assets; Merrill sold itself to Bank of America the same weekend; and Goldman Sachs and Morgan Stanley became regulated bank holding companies by emergency approval on a Sunday [38]. The culture critique traveled the same arc, from Ellis's elegy for the client-first partnership through a departing Goldman executive's 2012 complaint that clients had become "muppets" [27, 39, 40]. The organizational form the conversion wave created — the publicly traded pure investment bank — lasted thirty-eight years from DLJ's offering and nine from Goldman's.

> The banking case supplies the transition's distributional ledger in its starkest form. The converting partners captured the windfall (Goldman's 1999 partners; Salomon's sixty-two in 1981). Shareholders absorbed the 2008 losses. Taxpayers backstopped the system. And the juniors inherited a changed bargain: analyst programs that had been apprenticeships for partnership became, in the public-company era, high-turnover production lines — a change whose endpoint is examined below.

4.5 The Counter-Trend and the New Automation

Two later developments complete the case, and both bear directly on law's present. First, the partnership form returned just where theory says it should. Beginning with Evercore in 1995 and accelerating after the crisis — Centerview in 2006, Moelis in 2007, Qatalyst in 2008, PJT in 2015 — senior advisory talent walked out of the public banks and rebuilt boutiques on quasi-partnership economics. The independents' share of the global merger-and-acquisition fee pool reached roughly 13 percent by 2016 and has grown since [41]; Centerview, still private, was already generating revenue on the order of ten million dollars per partner by the mid-2010s; the public boutiques pay out 63 to 84 percent of revenue as compensation [42, 43] — the old partnership payout norm, reborn. Where the product is tacit, senior, relationship-based judgment, and the capital requirement is a desk and a reputation, the partnership remains the efficient form. The barbell — scaled capital-intensive platforms at one end, talent partnerships at the other — is the stable end-state the other professions should expect.

Second, the automation of the analyst floor previews the AI shock now hitting law. Goldman's cash-equities desk employed six hundred traders in 2000 and two by 2017, supported by engineers [44]. By 2025 the firm's chief executive was saying publicly that artificial intelligence could draft "95 percent" of an IPO prospectus in minutes — work that had occupied a six-person team for two weeks — and that "the last 5 percent now matters because the rest is a commodity" [45]. By 2026 the restructuring was explicit: consultants advising the banks described junior cohorts being cut by as much as two-thirds, and JPMorgan planned to move its junior-banker staffing ratio from six-to-one toward four-to-one, with roughly half of the remainder offshored — managed through attrition and smaller entering classes rather than layoffs [46]. The junior analyst's document work, in other words, went the way of the trader's voice execution. The structural paradox, which Section 7 takes up formally, is that the tasks being automated *were the apprenticeship*: the mechanism by which the industry transmitted tacit skill to its next senior generation. Banking has not solved that problem. It has simply begun living with it — and it is the first industry to do so, roughly three years ahead of law.

5 Case II — Audit and Tax: Consolidation, Scandal, and the Private Equity Wave

Accounting ran a different experiment than banking. Where Wall Street's partnerships died of capital hunger in a single generation, the audit firms kept the partnership shell and transformed everything inside it — through three rounds of consolidation, the building and forced shedding of a consulting industry, a felony conviction that erased one of the world's great firms, and, in the 2020s, a private equity wave that has done to the profession's middle tier what the New York Stock Exchange's 1970 rule change did to banking. Accounting matters to this report doubly: it is a completed transition in its own right, and it is the immediate template — in deal structure, regulatory workaround, and rhetoric — for the legal transition now under way.

5.1 Big Eight to Big Four, 1987–2002

For most of the postwar era, eight firms dominated public-company auditing: Arthur Andersen, Arthur Young, Coopers & Lybrand, Deloitte Haskins & Sells, Ernst & Whinney, Peat Marwick Mitchell, Price Waterhouse, and Touche Ross. They had been built by relentless absorption of local practices — Haskins & Sells alone completed nineteen mergers between 1952 and 1960 [47, 48]. The modern consolidation began in 1987, when Peat Marwick combined with the multinational KMG Main Hurdman to form KPMG, and broke open in 1989, when two mergers collapsed the Big Eight to the Big Six: Ernst & Whinney with Arthur Young (Ernst & Young), and Deloitte Haskins & Sells with Touche Ross (Deloitte & Touche) [48]. Price Waterhouse and Coopers & Lybrand merged effective July 1, 1998, to form PricewaterhouseCoopers, then the industry leader at roughly $12 billion in revenue; a contemporaneous Ernst & Young–KPMG combination was abandoned, leaving five.

The drivers were the same list that will reappear in every case in this report: globalizing clients demanding seamless coverage; a shrinking population of large clients after the 1980s merger boom; fee pressure after the profession's bans on advertising and competitive bidding fell in the late 1970s; rising litigation exposure; and the race to fund technology-heavy consulting practices [48, 49]. Notably, consolidation did not immediately produce pricing power: Sullivan's study of the 1989 mergers found cost reductions that flowed to large audit clients, with audit fees *declining* through the mid-1990s [50]. Audit was becoming what it remains: a mature, price-competitive, regulated annuity — respectable economics, but not growth. Growth lived next door, in consulting.

5.2 The Consulting Engine and the Independence Fight

In 1975, management advisory services averaged about 11 percent of Big Eight revenue [49]. Audit was roughly 70 percent of major-firm revenue in 1977, 34 percent by 1998, and about 30 percent by 2000 [51]. The 1980s information-technology wave drove the shift: the firms built systems-integration practices on the audit franchise's client relationships, and Andersen Consulting — formalized as a separate business unit of Arthur Andersen in 1989 — became the largest consultancy in the world. By 1999 the Big Five's American management-advisory revenue exceeded $15 billion [52].

The conflict was structural, and the Securities and Exchange Commission named it. Chairman Arthur Levitt's "Numbers Game" speech in September 1998 attacked earnings management and the auditors who tolerated it, and opened a two-year campaign against the consulting entanglement [53]. The profession fought back hard — three of the Big Five publicly opposed the SEC, and Congress threatened the agency's budget — and the November 2000 independence rule that emerged was a compromise: restrictions on systems design and internal-audit outsourcing, plus mandatory disclosure of audit versus non-audit fees in proxy statements [52]. The disclosure turned out to matter most. It made the conflicts arithmetic public just in time for Enron.

Market forces resolved what regulation had only chipped at. Within thirty months, four of the Big Five shed their consulting arms. Andersen Consulting won its arbitration against Arthur Andersen in August 2000, paying roughly $1 billion — not the $14.5 billion Andersen sought — surrendering the name, relaunching as Accenture on January 1, 2001, and listing on the New York Stock Exchange that July [54]. Ernst & Young sold its consulting practice to Cap Gemini in a stock transaction worth roughly $11 billion, announced in February 2000 and closed that May [55]. KPMG floated KPMG Consulting on Nasdaq in February 2001, raising about $2 billion [56]; the business renamed itself BearingPoint in 2002 and failed in 2009. PwC sold PwC Consulting — about 30,000 consultants — to IBM for $3.47 billion in October 2002, after earlier talks with Hewlett-Packard near $17 billion [57]; the collapse in price between 2000 and 2002 measures how fast consulting valuations fell. Deloitte was the exception that proved decisive: it announced a spin-off of Deloitte Consulting in 2002, cancelled it in March 2003 citing market conditions, and rode the retained practice to industry revenue leadership for the next two decades.

5.3 Andersen, Enron, and Sarbanes-Oxley

Enron announced a $618 million loss and a $1.2 billion equity reduction on October 16, 2001, restated four years of earnings three weeks later, and filed what was then the largest bankruptcy in American history on December 2 [58]. Arthur Andersen had earned about $52 million from Enron in 2000, more of it from consulting and other non-audit work than from the audit. Between mid-October and the arrival of the SEC's subpoena on November 8, Andersen's Houston engagement team shredded documents under cover of the firm's "retention" policy. The Department of Justice indicted the firm — the firm, not merely the partners — for obstruction of justice in March 2002; a Houston jury convicted in June; and because the SEC cannot accept audits from a felon, Andersen surrendered its licenses and ceased auditing public companies on August 31, 2002. A partnership of roughly 85,000 people dissolved in months, its practices parceled out among the surviving four and a scattering of successors — seven American offices to Grant Thornton, consulting staff to BearingPoint, risk professionals to the newly formed Protiviti — with its tax partners seeding what became Andersen Tax. The Supreme Court reversed the conviction unanimously in 2005, for defective jury instructions — three years too late to matter [59].

> Andersen is this report's starkest illustration of the reputation mechanism in Section 3: a professional firm is a Klein-Leffler bond, and a bond can be called. No industrial company of comparable size could be destroyed by a single indictment. A firm whose only asset is credibility can be.

Sarbanes-Oxley, signed July 30, 2002, ended a century of professional self-regulation [60]. Title I created the Public Company Accounting Oversight Board — registration, standards, inspections, enforcement. Section 201 prohibited nine categories of non-audit services to audit clients, including, notably for Section 6 of this report, *legal services*; Section 202 left tax services permissible with audit-committee pre-approval; Section 404's internal-control audits drove a step-change in audit fees from 2004 onward. The Big Four emerged more concentrated than ever: by 2003 they audited over 78 percent of American public companies and 99 percent of public-company sales [49].

Then the cycle restarted. Sarbanes-Oxley barred selling consulting *to audit clients*, not owning a consulting business, and as the divestiture-era non-compete agreements expired around 2005–2007, PwC, Ernst & Young, and KPMG rebuilt what they had just sold — organically and by acquisition (Booz became PwC's Strategy&; Deloitte bought Monitor; EY bought Parthenon). Big Four non-audit revenue — advisory plus tax — grew from $51 billion in 2009 to $65 billion in 2013, reaching 57 percent of global revenue, with advisory growing at roughly 10 percent annually against audit's 4 percent [51]. The American firms' advisory line alone, which stood at $11 billion in 2000, reached roughly $40 billion by 2022 [61], and researchers began asking whether the revival was recreating the pre-Enron pattern [62]. By the mid-2020s the combined firms booked over $210 billion globally [63, 64] — Deloitte, the one firm that never sold its consultancy, in the lead.

5.4 Tax: The Quiet Commoditization

Tax practice ran the same transition at retail speed and industrial scale, and it did so decades earlier — which makes it the profession's best natural experiment in what commoditization does and does not destroy.

The retail layer industrialized first. H&R Block, founded in Kansas City in 1955, turned individual tax preparation into a storefront franchise system that today prepares on the order of twenty million returns a year [65]. Software then commoditized the next layer: TurboTax, created in 1984 and acquired by Intuit in 1993, now processes over forty million American returns annually — and its maker spent two decades lobbying to prevent the Internal Revenue Service from offering free filing alternatives, a case study in incumbents defending a commoditized but profitable compliance market [66]. The professional-tools layer consolidated into an information duopoly — Wolters Kluwer (which absorbed CCH in 1995) and Thomson Reuters — so that tax research and calculation became vendor infrastructure rather than firm craft. Production itself then moved offshore: outsourced American return preparation in India scaled from roughly six thousand returns in 2003 to hundreds of thousands within three years, and global delivery centers are now standard at every large firm [67].

Here is the instructive part: none of this killed professional tax practice. It moved the profession's value claim up the stack — to planning, controversy, and structuring — while the commoditized layers ran at volume under different ownership (franchises, software companies, offshore centers). Tax remains the quiet giant inside the Big Four, on the order of $45 billion globally [64], with annuity-like revenue and the highest leverage in professional services. The lesson for the legal transition is precise: commoditization of the base of a professional pyramid does not eliminate the profession; it re-sorts who owns the volume business, and the owners of the volume business are rarely the incumbent partnerships.

5.5 The Private Equity Wave, 2021–2025

The capital constraint identified by Fama and Jensen finally bound in the 2020s, and the middle of the profession sold. The opening transaction was TowerBrook Capital Partners' August 2021 investment in EisnerAmper — the first private equity stake in a top-twenty American accounting firm [68]. The deal established the template that every subsequent transaction, and now every legal-industry imitator, has copied: the *alternative practice structure*. Because state accountancy law requires CPA majority ownership of firms performing attest work, EisnerAmper split in two — a CPA-owned attest firm and a private-equity-owned advisory company holding everything else, with the advisory entity leasing staff to the attest side.

The wave then moved up-market fast. New Mountain Capital took a majority of Citrin Cooperman in late 2021 at a valuation near $500 million; Hellman & Friedman, investing alongside Valeas Capital Partners, paid about $1 billion for just over half of Baker Tilly in February 2024; New Mountain acquired 60 percent of Grant Thornton's American operations — a top-ten firm with $2.4 billion in revenue — in 2024 [69]. January 2025 brought the proof of the exit path: Blackstone bought New Mountain's Citrin Cooperman stake at roughly $2 billion — around fifteen times EBITDA, on revenue that had grown from $350 million to $850 million under private equity ownership through serial acquisitions [70]. Baker Tilly and Moss Adams announced their merger in April 2025, a combination valued near $7 billion [71]. Deal counts tell the tempo (Figure 1): 22 private-equity-backed accounting transactions in 2023, 65 in 2024, 104 in 2025 [72]; by late 2025, more than half of the thirty largest American firms had private equity capital or were negotiating for it.

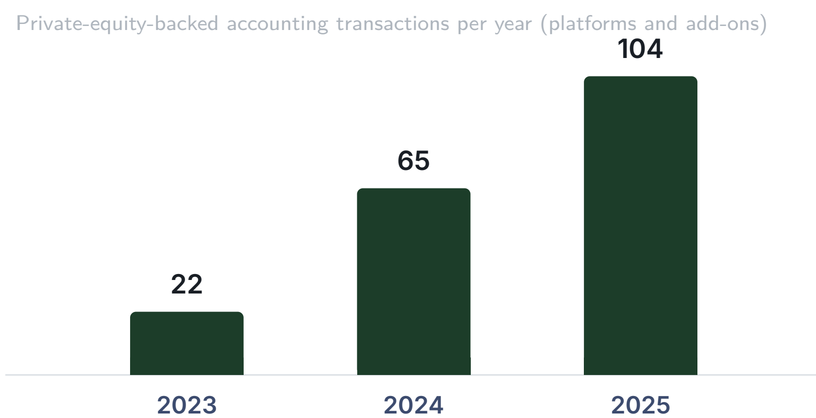

Figure 1: The accounting private equity wave accelerates: deal counts, 2023–2025. Source: Cornerstone/CPA Trendlines deal tracker [72].

The economic logic is unglamorous and general. Partner capital accounts and unfunded partner-retirement obligations starve professional firms of growth capital; private equity buys out the retirement overhang, funds technology and acquisitions, and arbitrages multiples by rolling small firms bought at four to eight times earnings into platforms sold at twelve to fifteen. What private equity purchased, in other words, was the right to replace the partnership's intergenerational bargain with a capital market.

The wave's own maturation is now visible. January 2026 alone brought more than two dozen transactions — roughly a quarter of the prior year's total in one month — before the pace decelerated visibly in the spring; venture capital began entering alongside private equity; and no platform has yet failed, leaving deceleration, not distress, as the first stress signal [73]. The regulator's anxieties echo 1998 almost verbatim. The SEC's chief accountant warned in 2022 and again in 2024 that complex alternative practice structures can breach auditor independence and that investors "not historically grounded in a public interest mindset" could erode audit culture [74, 75]; the AICPA proposed the most significant revision of its independence rules for alternative practice structures since 2000 in December 2025, with adoption pending [76]. Whether exit-driven capital is compatible with public-interest attest work is Levitt's 1998 question, asked of a new owner.

5.6 Everest: The Failure That Mapped the Constraint

The Big Four themselves could not use the private equity route — they are too large — and EY's Project Everest showed what happens when a partnership tries the public-market route instead. Announced in September 2022, the plan would have split EY into an audit partnership and a publicly listed consulting corporation, raising roughly $30 billion in total — an offering of about 15 percent of the consulting company plus some $17 billion of borrowing — with audit partners receiving cash multiples of annual income and consulting partners stock [77]. The rationale was Section 201 itself: independence rules increasingly blocked EY's consultants from working for the world's largest companies, most of which someone in the Big Four audits.

Everest died in April 2023 when EY's American executive committee — whose member firm produced about 40 percent of global revenue — refused to proceed, after months of infighting over how much of the tax practice each side would keep and how much debt the audit firm could carry. The firm had spent roughly $600 million on the attempt. The post-mortem reads as a clinic on partnership capital constraints: a private partnership cannot tap public equity, so transformation must be financed against partner income; member-firm governance gives internal constituencies veto power no corporate board would tolerate; unfunded retirement obligations act as a hidden debt overhang; and the arithmetic only worked at frothy consulting multiples that the 2022–2023 rate cycle erased, just as the 2000–2002 downturn had gutted PwC Consulting's price before the IBM sale. Everest is the control case for this report's mechanism: the same capital pressure that converted Wall Street and sold the accounting mid-market, applied to a firm too big to sell and too partnership-bound to list, produced — nothing.

THE ACCOUNTING CYCLE, COMPRESSED

Build consulting inside the audit platform (1970s–1990s). Shed it under regulatory and market pressure (2000–2002). Rebuild it once non-competes expire (2005–2022). Attempt to shed it again and fail (Everest, 2022–2023). Sell the mid-market to private equity instead (2021–2025). Three structural facts drive every turn of the wheel: the audit franchise is a regulated, low-growth annuity; consulting growth conflicts with that franchise; and the partnership form cannot raise the capital that either building or separating requires.

6 Case III — Legal Services: The Transition Under Way

Law is the largest professional market — on the order of one trillion dollars globally — and the last one still governed, in most of the United States, by an absolute ownership rule: American Bar Association Model Rule 5.4 and its state counterparts prohibit nonlawyers from owning any part of a law firm or sharing in its fees. Banking's dam broke in 1970; accounting's was always partial. Law's dam is being breached three ways at once: by demolition (the United Kingdom, Arizona), by engineering around the rule (management structures and licensing), and — least noticed — by relabeling work so the rule no longer reaches it. This section reconstructs the attempts in sequence: the failed frontal assault of the 1990s, the British natural experiment, the industrial interlude that quietly declassified law's volume work, the American liberalization and backlash, the financial workarounds, and the arrival of artificial intelligence capital.

6.1 The First Assault: Multidisciplinary Practice, 1993–2002

The first attempt on law's ownership rule came not from investors but from the accounting firms of Section 5, at the height of their consulting-era confidence. Arthur Andersen established its allied English law firm, Garretts, in 1993, the opening move in what it intended as a globally dominant multidisciplinary practice; its rivals followed, and by 2001 the accountants' legal networks were among the largest in the world: KLegal (KPMG) claimed 3,000 lawyers across sixty countries, Ernst & Young's network 2,700 across seventy, Landwell (PwC) 2,800 across forty, and Andersen Legal more than 2,800 lawyers in thirty-six countries — comparable in headcount to Baker & McKenzie and Clifford Chance, the era's largest law firms [78, 79]. They hired stars — Andersen Legal's worldwide practice was run by the former managing partner of Clifford Chance — and they were explicit about the endgame: one-stop professional shops with law inside.

The American bar met the assault at the gate. The ABA created a Commission on Multidisciplinary Practice in 1998; the Commission — chaired by a tax lawyer, informed by two years of hearings — recommended in 1999 and again in 2000 that Rule 5.4 be relaxed to permit fee-sharing partnerships with other regulated professionals. The House of Delegates rejected the recommendation twice, the second time, in July 2000, by a vote of 314 to 106, resolving that nonlawyer ownership is "inconsistent with the core values of the legal profession" and disbanding its own commission [80]. Of the dozens of state bars that studied the question, none amended Rule 5.4. Only the District of Columbia, which since 1991 has allowed nonlawyer *partners* in firms whose sole purpose is practicing law, offered even a partial exception — one whose "sole purpose" clause forecloses exactly the accountants' model, and which has seen negligible uptake.

What the bar's vote began, Enron finished. Sarbanes-Oxley's Section 201 made it unlawful for an audit firm to provide legal services to audit clients [60], and the networks unwound in sequence: Andersen Legal evaporated with its parent in 2002; KPMG announced the dissolution of KLegal in November 2003; Ernst & Young spun off its London firm in 2004; only PwC's Landwell survived, camouflaged as an "independent" correspondent network until it was quietly rebranded PwC Legal in 2006. Garth's contemporaneous verdict proved exactly right: Sarbanes-Oxley "eliminated a competitor but not the competition" [81, 82]. The Big Four rebuilt legal practices through the 2010s — roughly 8,500 lawyers collectively by 2017, over ten thousand legal professionals across eighty-five countries by 2018, this time positioned in managed services and volume work rather than head-on competition with elite firms [83, 78]. The re-entry culminated, as we will see, in Arizona.

6.2 The British Experiment: The Legal Services Act, 2007–2025

The United Kingdom did what no American jurisdiction would: it demolished the dam by statute. The Legal Services Act 2007 created the "alternative business structure" — a licensed law firm with nonlawyer owners, up to and including full outside ownership — with licensing effective from 2011 [84]. Eighteen years on, the British experiment is the richest available dataset on what outside capital does to a legal market, and it supports neither the catastrophists nor the cheerleaders.

The scale results first. Over a thousand ABS firms have been licensed — roughly 12 percent of all firms in England and Wales — and they concentrate exactly where the economics of scale bind: by 2014 ABS firms already controlled about a third of the personal-injury market by turnover [85]. The regulator's innovation surveys find outside-owned firms investing at roughly twice traditional firms' rates — 28 percent versus 12 percent in new or improved services, and 72 percent versus 31 percent in technology, in the most recent comparison [86]. Private equity invested roughly £1.2 billion in British law firms over the five years to 2024, £534 million of it in 2024 alone [87]. The Big Four took ABS licenses beginning in 2014 and rebuilt British legal practices worth £45–100 million each in revenue within five years [78]. Consumer harm at the market level did not materialize in the regulator's evaluations, which found improvements "emerging slowly" — while an estimated 3.6 million people in England and Wales still go without legal help annually, a reminder that ownership reform alone does not solve access.

The failures are equally instructive, because each is a governance story, not an ownership story. **Slater & Gordon** — an Australian firm, the world's first publicly listed law firm (2007) — entered the United Kingdom in 2012, acquired its way to seventh-largest by revenue, and destroyed roughly a billion Australian dollars of value by 2016 through one over-priced acquisition and the public market's growth expectations [88]. **Axiom Ince** grew from 80 to 1,400 employees in two years of acquisitions and collapsed in 2023 with a client-money shortfall of roughly £64 million; the Solicitors Regulation Authority had flagged it as a high-risk "accumulator" months earlier and failed to act, a failure the Legal Services Board formally sanctioned [89]. **SSB Law** entered administration in 2024 with £200 million of debts after the regulator ignored a five-year pattern of more than a hundred complaints; the government responded by stripping the SRA of its anti-money-laundering enforcement authority. Alongside these, a quieter attrition: Parabis, a private-equity-backed pioneer, failed outright; the AA and Saga abandoned their legal ventures.

The successes are quieter but equally documented, and they share a governance signature as distinct as the failures'. Keystone Law, a capital-light dispersed-lawyer platform listed in 2017, has compounded revenue and profit steadily and returned several multiples to its IPO investors [90]. Knights, a 2018 listing, survived a bruising 2022 profit warning to reach £162 million of revenue by 2025 — operationally durable, equity-market humbled [91]. Stowe Family Law ran the clean private equity life cycle: bought by Livingbridge in 2017 at roughly £10 million of turnover, grown nearly fourfold, and sold to Investcorp in 2024 [92]. And Lawfront, the Blixt-backed consolidator launched in 2021, reached over £130 million in group fee income across sixteen acquisitions by 2025 [93] — buying healthy firms, leaving local managing partners running the law, and centralizing only infrastructure. The contrast with Axiom Ince is the whole lesson: pace matched to integration, professional authority left intact, governance built before scale.

WHAT EIGHTEEN YEARS OF ABS DATA ACTUALLY SHOW

Outside ownership changed market structure — consolidation in consumer segments, more innovation, more capital — without producing either the quality collapse the bar predicted or the access revolution reformers promised. The catastrophic failures cluster where growth velocity outran governance and where the regulator supervised the new form with old tools. The same pattern — acquisition-driven "accumulators," complaint patterns ignored, client-money custody as the fatal exposure — will reappear in any American replication.

6.3 The Industrial Interlude: ALSPs and the Disassembly of the Grinder Layer, 2000–2021

While Britain ran its ownership experiment in the open, a quieter transition — contemporaneous with it, and needing no rule change at all — was industrializing the bottom of law's pyramid on both sides of the Atlantic. It supplies the cleanest proof that law's grinder layer can be owned by outside capital without touching Rule 5.4, because the work simply stops being classified as law.

Electronic discovery ran the experiment first. Document review — the archetypal associate task — was decomposed into software (Relativity, whose maker was founded in 2001, eventually serving 198 of the Am Law 200 and valued at roughly $3.6 billion in a 2021 Silver Lake investment [94]), staffing agencies, and offshore centers, in a discovery market that approached $17 billion worldwide by 2024 [95]. Two judicial decisions mark the arc. In 2012, *Da Silva Moore v. Publicis Groupe* gave the first judicial approval to predictive coding — machine review of documents in place of human review [96]. In 2015, *Lola v. Skadden* closed the loop: a contract attorney reviewing documents for $25 an hour argued he was owed overtime because his work was not the practice of law, and the Second Circuit agreed — work that "a machine could have provided" is not legal practice [97]. A federal court had formally stripped professional status from a layer of legal work precisely because it had become automatable. The grinder layer's declassification was not a prediction; it was a holding.

Around that industrialized core grew the alternative legal services industry. Axiom — the flexible-lawyer pioneer founded in 2000, no relation to the later British failure Axiom Ince — built that model, filed confidentially for an IPO in 2019, and sold to Permira instead — the most prominent New Law firm choosing private capital at the decisive moment [98]. UnitedLex took a majority investment from CVC in 2018 reported at $500 million, then the largest capital commitment ever made to a legal services business [99]. Pangea3, an Indian legal process outsourcer founded in 2004, passed from Thomson Reuters (2010) to Ernst & Young (2019) — the offshore grinder layer migrating from an information conglomerate to the Big Four in fifteen years [100, 101]. On the consumer side, LegalZoom, founded in 2001, reached a Nasdaq listing in 2021 at a valuation above $7 billion [102]. The segment's growth is the quiet counterpart of the loud ownership debates: the Thomson Reuters ALSP series measures the market at $8.4 billion in mid-2010s revenue and $28.5 billion by 2023 — a roughly 3.4-fold expansion at a compound rate near 17 percent, now itself bifurcating into scaled leaders and also-rans [103, 104].

The interlude also buried two premature revolutions, and their graves mark the threshold conditions. Clearspire, a Washington firm launched on a two-entity structure — lawyer-owned practice beside an investor-funded service company, an MSO in all but name a decade early — dissolved in 2014 after burning through its platform investment [105]. Atrium, Justin Kan's hybrid law-firm-plus-software startup, raised $75 million led by Andreessen Horowitz in 2018 and shut down within two years, returning capital, after concluding it could not deliver efficiency better than a traditional firm [106]. Both had the thesis; neither had the technology (pre-LLM automation could not do the grinder work) nor, fully, the professional trust wrapper. Their failures are why the timing argument matters: the 2025 cohort is not the first to try, only the first to try after the codification threshold was crossed.

The interlude matters analytically because it shows the transition's sequence operating *within* the ownership dam. Everything the model in Section 7.3 predicts for a rising-θ, rising-k segment happened to law's volume work between 2000 and 2019 — industrialization, outside ownership, offshore production, even a Permira- and CVC-financed consolidation round — with the sole difference that the converted work was relabeled "not law" rather than the rules being changed. The current wave is not a new phenomenon; it is the same process reaching layers that cannot be relabeled.

6.4 American Liberalization and Backlash, 2020–2026

The American breach came through two small jurisdictions in the summer of 2020. Utah opened a regulatory sandbox in August; Arizona went further, becoming the first state to eliminate Rule 5.4 outright — by a supreme court order adopted in August 2020, with licensing of alternative business structures beginning in January 2021 [107]. The trajectories diverged sharply. Utah's sandbox, narrowed in 2023 to entities serving underserved populations, contracted from 39 participants to 11. Arizona's program compounded: 19 licensed entities in 2022, more than 136 by April 2025, with 59 percent of the 2024 cohort wholly owned by nonlawyers [108]. LegalZoom and Rocket Lawyer took licenses; so did private-equity-backed platforms; and in February 2025 the Arizona Supreme Court licensed **KPMG Law US** — the first Big Four entity authorized to practice law in the United States, twenty-five years after the House of Delegates vote, with the Sarbanes-Oxley lesson written into its license: it may not serve KPMG audit clients [109]. Puerto Rico followed with a 49 percent nonlawyer-ownership rule effective January 2026; Tennessee's supreme court opened a formal comment period on reform; the European Court of Justice, by contrast, upheld Germany's restrictions in December 2024, closing the European route [110].

Then came the counterattack, and it came from the profession's plaintiff wing rather than its corporate one. California's AB 931 — sponsored by the Consumer Attorneys of California and signed in October 2025 — prohibits California lawyers from sharing fees with nonlawyer-owned firms in ABS states, on penalty of $10,000 per violation or treble damages, from 2026 through a 2030 sunset [111, 112]. The bill was widely read as a blockade of KPMG Law's national expansion. The ABA had already reaffirmed its position in 2022 [113]. And in the first half of 2026 the blockade became a wave: Colorado enacted a statutory ban in June — reaching not only ABS structures but management fees tied "directly or indirectly" to firm revenue, with a private right of action [114]; Illinois passed a similar bill through both chambers, now before its governor [115]; and California's plaintiff bar returned with follow-on legislation aimed at the remaining loopholes [116]. KPMG Law, a year into its Arizona license, pressed on regardless — naming a veteran tax leader to run its American legal services and declaring high-volume "unglamorous" work, and eventually litigation finance, its road map [117]. The federal antitrust agencies pulled the other way: in Tennessee's reform docket, FTC and Justice Department staff filed a joint letter urging the court, on competition grounds, to end its reliance on the American Bar Association's law-school accreditation monopoly — liberalization pressure aimed at the profession's entry gate rather than its ownership rule, with federal competition authorities and the restrictive states now openly pulling in opposite directions [118]. The American regulatory map is therefore not converging but bifurcating: a liberalizing pole (Arizona, at 151 licensed entities by early 2026 [119]; Utah; Puerto Rico; the District), a hardening restrictive pole (California, Colorado, Illinois, and the Model Rule majority), and a large middle where the action has moved to structures that need no rule change at all.

6.5 Engineering Around the Dam: MSOs, Litigation Finance, and Licensing Structures

Where accounting's majority-ownership rule let capital in through the front door, law's absolute rule has produced a generation of side doors, each with a healthcare or accounting pedigree.

The workhorse is the **management services organization**: the law firm remains lawyer-owned and holds the client relationships and professional judgment, while an investor-owned MSO acquires everything else — technology, back office, marketing, leases — and provides it back under a management agreement at flat or cost-plus fees. The structure is a direct import from medicine and dentistry, where corporate- practice-of-medicine rules spawned dental service organizations managing thousands of practices, and from accounting's alternative practice structure (Section 5.5). Texas blessed the MSO in the legal context in February 2025, in the first state ethics opinion on the subject, while prohibiting percentage-of-revenue management fees [120]; California's AB 931 explicitly exempts flat-fee MSOs [111]; and by late 2025 the leading advisory practice reported more than a dozen law-firm MSO transactions completed [121].

Litigation finance opened a second channel. Burford Capital took a 32 percent equity stake in a London litigation boutique in 2020 — the first litigation funder to own part of a law firm, via the British ABS regime [122] — and announced in 2025 that it would pursue minority stakes in American firms through MSO structures. And the technology-licensing model supplied a third: when Norm Ai launched Norm Law in November 2025, Blackstone's $50 million went into the technology company, not the lawyer-owned firm, which pays licensing fees for the platform — a structure that works in all fifty states precisely because the capital never touches the practice [2].

The client side of the ledger completes the picture. By November 2025 the capital had reached the industry's core: McDermott Will & Schulte — a top-twenty firm globally whose combined revenue reached nearly $3 billion in 2025 [123] — confirmed it was exploring private equity investment through an MSO [1]; Cohen & Gresser entered talks for a $40 million convertible note; and four of the largest American personal-injury firms retained investment banks to structure outside investment — the personal-injury segment leading, as it did in Britain, because contingency-fee economics are closest to an investable cash-flow business [3]. The succession overhang supplies the sellers: roughly 40 percent of law-firm partners expect to retire within a decade [3], and a partnership, unlike a corporation, has no stock to sell on the way out.

The marquee American MSO transactions closed in the opening months of 2026, and in the predicted segment. In January, Orion Legal — a newly formed private equity vehicle — acquired the non-legal operating platform of Louisiana's Dudley DeBosier, the attorneys keeping the practice and a minority stake in the management company [124]. In March, Phoenix's Rafi Law Group closed the largest disclosed deal of the kind: a $125 million minority investment in its newly separated back-office company, Rafi Law Services, at a valuation near $450 million [125]. By June, Morgan & Morgan — the largest American personal-injury firm, at roughly $2.4 billion of revenue — had retained J.P. Morgan to explore a minority stake sale of more than a billion dollars, with a public listing as the stated long-term possibility [126]. Law's volume segment is no longer contemplating its 1970 moment; it is executing it.

6.6 The AI Shock

Everything above might have played out slowly — Britain's experiment took a decade to matter — but for the arrival of a technology that attacks the leverage pyramid directly. The empirical record assembled since 2023 is unusually consistent about where large language models bite: they compress the bottom of the skill distribution. In randomized and field experiments across professional writing, consulting, customer support, and legal drafting, generative AI produced large productivity gains concentrated among junior and lower-skilled workers, with speed gains of 25 to 130 percent on in-scope tasks and quality effects ranging from neutral to strongly positive [127, 128, 129, 130, 131]. The tasks these systems perform best — first-draft documents, review, research memoranda, diligence summaries — are precisely the grinder layer that law-firm leverage monetizes at a multiple of cost. The equilibrium evidence, it must be said, has not caught up with the experiments: the best economy-wide estimate — Danish administrative data across eleven AI-exposed occupations — finds precisely null effects on earnings and hours two years after adoption [132], a result as consistent with "early" as with "overstated." The transition thesis does not require mass displacement; it requires only that the marginal associate hour stop being the profit engine, and that shift is visible in the capital flows already described. But the null is a genuine hostage: if it persists through the late 2020s while adoption saturates, the timing claims in Section 8.1 fail.

The capital knows it. Legal technology absorbed several billion dollars in 2025 — roughly 80 percent of it into AI-focused companies — and the escalation continued into 2026 — entry prices, it bears repeating, not exits: Harvey reached an $11 billion valuation on a $200 million round in March [133]; Legora tripled to $5.55 billion within six months [134]; Norm Ai raised $120 million at a unicorn valuation in early July 2026, its lawyer-owned firm now fielding dozens of attorneys on outcome-based pricing [135]; Eve, the plaintiff-side platform, had crossed a billion-dollar valuation the previous fall; and the first quarter of 2026 alone absorbed $2.3 billion across a hundred deals [136]. Eudia, the first AI-native Arizona ABS firm, raised up to $105 million from General Catalyst with $75 million earmarked for acquiring traditional practices — venture capital buying law firms to feed an AI platform [137]. The two capital models articulated in the market — replace the pyramid's labor with AI (the venture thesis) versus optimize existing labor with AI (the private equity thesis) — correspond exactly to the two conversion routes the earlier cases ran: new-entrant displacement and incumbent recapitalization. Law, unusually, is running both at once.

7 Synthesis: The Mechanism of Professional Restructuring

Three industries, three timelines, one repeated shape. This section makes the shape explicit: first as a stage sequence the histories share; then through the demand-side engine the supply-side story obscures — the institutional buyer; then as a simple formal model composed from the results surveyed in Section 3, tested against the two professions that ran the experiment without ownership rules; and finally as a distributional and failure-mode analysis: who wins, who loses, and what breaks.

7.1 The Common Sequence

Laid side by side, the three histories run through the same six stages. One caveat before the list: the stages are analytical, not strictly chronological. They can interleave and repeat — law's fiercest reaction (the ABA's rejection of multidisciplinary practice in 2000) came two decades *before* its decisive boundary experiments, because the 1990s accountants' networks were themselves an early boundary experiment that provoked an early reaction. What repeats is the repertoire, not the calendar.

Stage 1: Stable equilibrium. A regulated or customary dam holds outside capital out (the NYSE member rule; CPA majority-ownership statutes; Rule 5.4), and the partnership's economics — quality rents, tournament, apprenticeship — operate as described in Section 3. Returns on partner capital are high and invisible: DLJ's pre-conversion above-50 percent return on equity had no public price until a prospectus disclosed it.

Stage 2: Shock. Something moves the dials. In banking it was a double shock: operational capital intensity (the paperwork crisis) and skill codification (computing, financial economics). In accounting it was the consulting opportunity — growth that required technology investment the audit annuity could not fund — and, later, the succession overhang. In law it is artificial intelligence and the same succession overhang, arriving together.

Stage 3: Boundary experiments. Capital probes the dam's edges. DLJ announces a public offering in defiance of exchange rules; Andersen charters a law firm in England where the rules permit it; litigation funders buy into London boutiques; investors build management services organizations one ethics opinion at a time. The experiments concentrate in the most permissive jurisdiction available — which is why small jurisdictions (Arizona, Utah, 1990s continental Europe) matter far beyond their market size: they are where the industry runs its pilots.

Stage 4: The conversion wave. A first mover legitimizes; the economics compound; and *among the firms free* *to transact*, the wave runs from the most capital-intensive, most codified segments to the least. Banking, where every firm could sell or float after 1970, is the clean case: retail houses first (1970–71), wholesale traders next (1981–86), pure advisers last (1999, 2005). Accounting is the qualified case: the mid-market sold first (2021–25) while the Big Four — the *most* codified and capital-hungry firms — remain unconverted, because for them no feasible transaction exists: too large to sell, and, as Everest showed, unable to separate the regulated franchise from the salable one. Ordering by capital intensity and codification, in other words, holds *conditional on* regulatory tolls and deal feasibility. Law, on that conditioned logic, should convert volume practices first — personal injury, consumer, high-volume commercial contracting — and bet-the-company advisory last; the 2025 movers (personal-injury firms and contracting platforms, while Wachtell is nobody's acquisition target) are consistent with it. The professions that never had an ownership rule ran the same sort faster still — Section 7.4 reads them as the experiment's controls.

Stage 5: Reaction. Incumbents and regulators respond — with accommodation where the shock is accepted as irreversible (the NYSE amending its constitution; Texas blessing the MSO), and with blockade where a coalition can still hold the dam (the ABA's 314-to-106 vote in 2000; California's AB 931 in 2025; the European Court of Justice in 2024). The blockades matter — they set the transition's geography and pace — but in neither completed case did they hold the economics back permanently; they redirected the capital into engineered structures and adjacent jurisdictions.

Stage 6: New equilibrium — the barbell. The end-state in both completed cases is not the partnership's extinction but a barbell: scaled, capital-backed, technology-intensive platforms own the volume end; small, judgment-intensive partnerships persist — and command premium economics — at the other (advisory boutiques with 63–84 percent compensation ratios [42, 43]; tax controversy and planning practices above the commoditized compliance stack). The middle, where firms are too big for pure judgment economics and too small for platform scale, is where the casualties concentrate.

7.2 The Institutional Buyer

The stage sequence has a demand-side engine that the supply-side story — capital, technology, regulation — tends to obscure, and it operated in all three professions: *the client stopped being a person and became an institution*. The classic partnership sold to an individual — a chief executive with a trusted advisor, a board that took the audit on faith, an investor who took the broker's price. Over two generations, each of those buyers acquired professional staff, procurement machinery, and data, and a sophisticated buyer converts relationship rents into competed, benchmarked, unbundled purchases.

In law, the buyer built a rival profession inside the corporation. Ben Heineman's tenure as General Electric's general counsel (1987–2005) is the canonical marker: he recruited sitting partners from elite firms in-house and made the legal department, not the law firm, the seat of judgment — a model he later codified as the "inside counsel revolution" [138]. The buyers' guild (the Association of Corporate Counsel) organized in 1982; DuPont ran the first great convergence program in the 1990s, cutting some 350 outside firms to roughly forty [139]; task-based billing codes (1995) turned invoices into data; and rate analytics built on billions of dollars of paid invoices now give buyers market-wide visibility into pricing [140]. The headcount tells the structural story: American in-house lawyers roughly tripled from 34,750 in 1997 to 115,770 by 2020 — more than the entire Am Law 200 employs domestically [141] — and corporate legal spend now splits roughly evenly between inside and outside resources [142]. The scholarship finds the relationships more durable than the "death of the relationship firm" story implies, but with the chief legal officer firmly in control of allocation [143, 144].

Audit's buyer was reconstructed by statute: Sarbanes-Oxley moved the purchase decision from management to the independent audit committee [60], and Europe went further, mandating rotation of the audit firm itself after ten years and capping non-audit fees [145, 146]. The results measure both the power and the limits of procurement: mandatory tendering produced measurable first-year fee discounts, while concentration barely moved — most FTSE 350 tenders simply rotated one Big Four firm to another. And in banking, the buyer institutionalized itself: institutions' share of American equity ownership rose from under a tenth in 1950 to roughly two-thirds by the late 2000s [147], and it was those institutional clients who forced May Day, built index funds, and ultimately — through Europe's unbundling rules — repriced sell-side research to its market value.

For the model that follows, the institutional buyer is a hand on two of its terms. What buyers benchmarked for decades was price and allocation — competition that steadily eroded the rents funding the reputation bond B. The one dial they could not turn was ρ itself: the client of Section 3's bargain, who "could not verify" quality, remained unable to verify it even with procurement machinery, because work-product quality stayed opaque — which is why the model below still treats ρ as the last dial to move, and why machine evaluation of work product, not rate benchmarking, is the event that would finally move it. The professions like to narrate their transformations as things done *to* them by capital and technology. A full accounting says their clients did much of it.

7.3 A Threshold Model of Conversion

The stage sequence can be stated as a simple decision model, composed from four published results. Consider a professional firm choosing between partnership (P) and outside-capital corporate form (C). Let the technology of the practice be summarized by two parameters: k, the financial capital the practice requires per partner, and $\theta \in [0, 1]$, the *codification* of the practice's skills — the share of value produced by procedures, systems, and data rather than tacit individual judgment. Let ρ denote the client's ability to observe quality directly, and let R denote the regulatory cost of admitting outside owners ($R = \infty$ under an absolute ownership ban; R moderate where engineering structures like the MSO are available; $R \approx 0$ in Arizona or post-1970 New York).

The value of the partnership form is the sum of the four functions it uniquely performs:

$$V_P = \underbrace{Q(\rho)}_{\substack{\text{selectivity commitment} \\ \text{(Levin–Tadelis)}}} + \underbrace{T(1-\theta)}_{\substack{\text{tacit-skill transmission} \\ \text{(Morrison–Wilhelm)}}} + \underbrace{M}_{\substack{\text{peer monitoring} \\ \text{(Alchian–Demsetz, Fama–Jensen)}}} + \underbrace{B}_{\substack{\text{reputation bond} \\ \text{(Klein–Leffler)}}}$$

where Q falls as quality becomes observable (ρ rises), T falls as skill codifies (θ rises), M is the value of expert peer monitoring, and B is the quality-assuring bond posted by partner wealth and rents — the term whose quiet erosion, we will argue below, defines one whole family of failures. Against this stands a single *capital wedge* $K(k)$: the net financing advantage of outside ownership, rising in the capital the practice requires and in the partnership's internal frictions (partner buy-ins, the unfunded-retirement overhang, succession liquidity, and the governance friction that blocks coordinated self-funding). Conversion also carries the agency cost of outside ownership G — the risk-shifting whose realized price appears in Section 4.4 — and the regulatory toll R. The deciding partners convert when

$$K(k) > Q(\rho) + T(1-\theta) + M + B + G + R.$$

Three honesty notes before using it. The additive form is a tractability device, not a claim of independence — the whole point of the AI shock is that its arguments move together, and M and B surely decay as ρ and θ rise. The inequality is the *deciding partners'* calculus, not a welfare statement: juniors, clients, and the public appear only inside G and B, which is precisely why privately rational conversions can be socially ambiguous. And with functional forms unspecified, the model is an organizing device, not a testable structure: it disciplines the mechanism, while the dated predictions in Section 8 come from the historical analogies, not from fitted parameters.

Figure 2 draws the resulting geometry: a conversion frontier in the plane of codification and capital intensity, with the regulatory toll shifting the frontier outward and each profession's segments plotted where their histories place them.

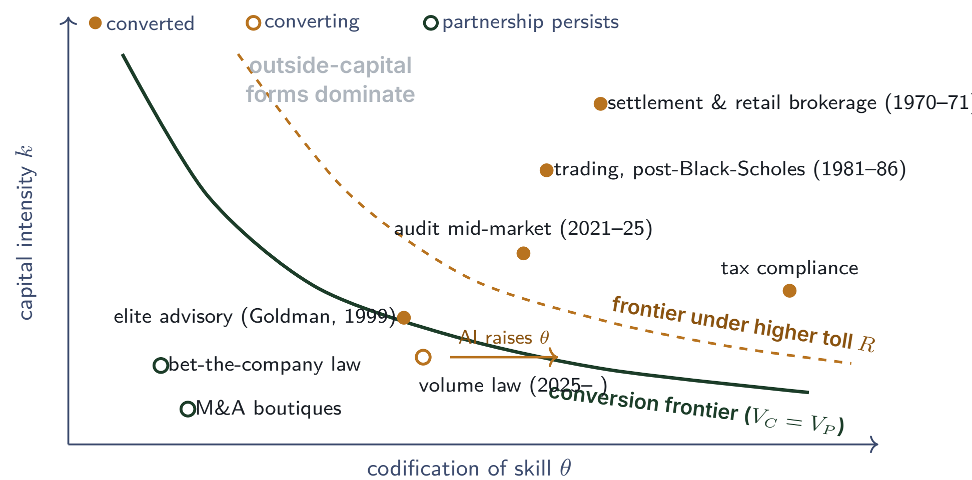

Figure 2: The conversion frontier. Segments convert where codification θ and capital intensity k carry them past the frontier; the regulatory toll R shifts the frontier outward, which is why law's volume segments sat below it until Arizona, the MSO, and the AI shock. Positions are illustrative, not estimated.

So disciplined, the comparative statics organize the record well. Rising k (the paperwork crisis, technology platforms) and rising θ (Black-Scholes, audit methodology, document automation) push toward conversion, and where firms are free to transact — banking after 1970 — conversion runs segment by segment in order of (k, θ), Morrison and Wilhelm's sequencing result [21]. Where transactions are blocked or infeasible, high (k, θ) firms can be the *last* to move: accounting's Big Four, as Everest showed, are conversion-constrained by size and by the inseparability of the regulated franchise, whatever their parameters say. High R delays conversion without changing the sign of the pressure — law's four-to-five-decade lag behind banking is, in this reading, mostly a statement about R — and the toll can be escaped two ways: *lowered*, by engineered structures (MSOs, licensing models, alternative practice structures) that admit capital short of statutory reform, or *exited*, by reclassifying the work so the rule no longer reaches it — the route the ALSP industry ran when a federal court held that automatable document review is not the practice of law at all (Section 6.3). The model also locates the survivors: practices with low k, low θ, and low ρ — bespoke judgment sold to clients who cannot benchmark it — retain V_P dominance indefinitely, which is the boutique barbell end observed in banking and predicted here for law.

What does the current shock move? Artificial intelligence raises θ directly and unambiguously, by codifying drafting, review, and research — the empirical signature is exactly Garicano's: when machines answer the routine questions, the optimal organization needs fewer layers and fewer juniors per senior [148], and the experimental literature finds productivity gains concentrated at the bottom of the skill distribution, the layer the pyramid monetizes [129, 128, 127]. The capital wedge K is widening too, but honesty requires locating the pressure correctly: for most law firms the AI tooling itself is rented, not owned, and the binding capital demands are the succession overhang — roughly 40 percent of partners retiring within a decade, with no internal buyer — and the acquisition capital of platform roll-ups. AI raises the stakes of that consolidation; it did not create the overhang. Finally, machine evaluation of work product *may* raise ρ, eroding the Levin-Tadelis rationale from the client side. This dial has moved from pure conjecture to early evidence: since February 2025, public benchmarks have scored commercial legal AI systems and human lawyers on the same rubrics — making professional work product *commensurable* across providers for the first time, with vendors now marketing on their measured scores [149, 150]. The audit profession supplies the precedent for what benchmarked quality does to a market — and for how it is fought. The PCAOB now publishes firm-by-firm inspection deficiency rates [151], and in late 2024 it adopted standardized firm and engagement metrics over the profession's objection that audit quality could not be reduced to indicators [152] — only to withdraw the rules months later, unapproved, after Washington's regulatory leadership changed [153]. The objection *is* the Levin-Tadelis mechanism asserted as a defense, and the withdrawal is a reminder that ρ is contested terrain, not a one-way ratchet. What does not yet exist in the public record is the final step: corporate clients systematically machine-grading their own firms' deliverables. Until it does, ρ remains the least-moved of the three dials — but no longer an article of faith. The honest summary: one dial (θ) is moving fast and measurably, one (k, via succession and consolidation) is moving for reasons AI amplifies, and one (ρ) is plausible but unproven. That combination — pressure on the pyramid and on the capital structure at once — is why this report expects law's *volume* segments to convert on accounting's five-year mid-market clock rather than banking's thirty-year arc, while its judgment segments, where θ and ρ remain low, hold out indefinitely. Banking, after all, faced no ownership rule after 1970 and still took three decades; the speed claim here is segment-specific, not profession-wide.

7.4 The Controls: Consulting and Advertising

Two professions ran the experiment with the regulatory dial set to zero, and their histories discipline the causal claims.

Management consulting never had an ownership rule — and its elite firms chose partnership economics anyway. McKinsey has been a private corporation owned by its partners since 1956; Bain and BCG remain private; all three sit at the judgment end of the barbell with economics no public market ever priced. The segment that converted was the scale end: Accenture's 2001 listing raised \$1.7 billion without the professional-identity rupture the regulated professions feared [154], and Booz Allen supplied the cleanest within-firm test in 2008 when it split — Carlyle took the scaled government business, which thrived through a 2010 public listing, while the partner-owned strategy half struggled for scale and sold itself to PwC within six years [155]. The two attempts to run strategy consulting inside public corporations both failed and reverted: A.T. Kearney shrank steadily inside EDS before its partners bought it back in 2006 [156], and Arthur D. Little round-tripped through a 2002 bankruptcy and a public parent back to a partner buyout completed in 2011 [157]. Both reversions were precipitated by parent-company distress — itself evidence that the judgment end of the business fits poorly inside corporate balance sheets. With $R = 0$, the sorting ran largely on the technology of the work, exactly as the model predicts.

Advertising ran the full conversion two decades before Wall Street. Agencies began listing in 1962 [158]; Ogilvy followed in 1966; the holding company — Interpublic (1961), WPP (from 1985), Omnicom (1986), Publicis — became the dominant form; and the consolidation logic reached its terminus in November 2025 when Omnicom absorbed Interpublic itself [159]. The industry also supplied the ledger's cleanest entries: von Nordenflycht's panel study found public ownership associated with worse performance for *small* agencies but not large ones, and with no measurable effect on creativity [20] — outside ownership did not destroy the professional product at scale. Saatchi &

Saatchi supplied the velocity failure — serial share-financed acquisitions to world's-largest status, client conflicts, collapse, shareholders sacking Maurice Saatchi in December 1994, and the founders re-forming next door within a month — with British Airways and some £40 million of revenue following over the ensuing months [160]: a clean demonstration that shareholders own the stock while partners own the clients. And the boutique end persists on schedule: the largest independent creative agencies still market their independence as the product. Everything the regulated professions experienced, the unregulated ones experienced too — sorted faster, with less ceremony, and to the same barbell.

7.5 The Tournament Problem

One consequence deserves its own treatment, because it is underappreciated in the current debate and the banking case has already lived it. The professional pyramid finances training through the tournament: juniors accept below-product wages against a lottery ticket on partnership, and the firm's clients pay for the juniors' learning through leveraged billing [12, 11]. Automating the junior layer breaks both sides of that contract at once. The firm no longer needs the juniors' hours; the juniors no longer get the apprenticeship; and the profession loses the mechanism by which tacit skill — the part that is *not* yet codified — reaches the next generation. Goldman's trading floor is the completed natural experiment: the analyst class that once learned by doing execution work that machines now perform has been shrunk and re-tasked, and the industry has begun cutting entry classes — by as much as two-thirds in some accounts. The jagged-frontier evidence complicates but does not cancel the problem: knowing where the machine's competence ends is itself tacit skill [128], and it is learned through exactly the supervised doing that is disappearing. A profession can survive the commoditization of its junior work — tax proved that — but only by rebuilding training on some other financing basis: simulation, rotation, explicit investment. Which institutions will pay for professional formation when clients will not is, on this report's reading, the least-solved problem of the transition, in every one of the three industries.

7.6 Failure Modes: The Recurring Casualty List

Each transition produced casualties, and they rhyme. Arrange them by mechanism rather than by industry and three families emerge.

Velocity failures. Firms that used outside capital to acquire faster than their governance could integrate: Slater & Gordon (a billion Australian dollars of value destroyed by acquisition pace and public-market growth pressure), Axiom Ince (80 to 1,400 employees in two years, then a client-money hole of roughly £64 million), the accounting roll-ups' still-untested integration debt — and, in the unregulated control case, Saatchi & Saatchi (Section 7.4). The pattern has an instructive ancestor the current debate rarely cites: the physician practice-management industry of the 1990s, in which publicly funded roll-ups of a licensed profession — MedPartners, PhyCor, FPA Medical — consolidated thousands of practices under management agreements structurally identical to today's MSOs, and then collapsed en masse at the decade's end when acquisition accounting outran operating integration [161]. The signature is growth rate, not ownership per se — but outside capital is the accelerant that makes the fatal velocity reachable.

Bond failures. Firms whose quality-assuring rent stream was competed or regulated away while their risk exposure remained: Arthur Andersen, whose partners' incentives had migrated to consulting revenue while the audit signature still carried the liability; the pre-crisis banks, whose shareholders now bore risks the partners once priced with their own wealth. Klein-Leffler is the common epitaph: when the rents that fund honesty shrink, the bond quietly stops being posted, and the failure, when it comes, is total — because the asset was credibility. The new forms have noticed the vacancy. AI-native firms market compounding proprietary data and the human verification layer — institutional memory that does not walk out the door at night — as their substitute bond, which is also why firms and their investors fight to own data and workflow rather than rent them. Whether accumulated data and supervision infrastructure can bond quality the way partner wealth once did is among the transition's untested claims; the first capital-backed failure will test it.

Supervisory failures. Regulators who monitored the old form while risk lived in the new one: the Solicitors Regulation Authority flagging Axiom Ince as high-risk and not acting, then ignoring five years of complaints against SSB Law; the SEC's consolidated supervision of investment banks, discontinued as "fundamentally flawed" in the week the banks failed; the auditor-independence regime that disclosed the consulting conflict in 2000 and addressed it in 2002. In every case the transition outran the supervisor's tooling by roughly a decade. That lag, not outside ownership itself, is what the failure record most consistently indicts.

THE DISTRIBUTIONAL LEDGER

Across all three transitions, the accounts settle the same way. The **converting generation of seniors** captures a windfall — the capitalized rents of every generation before them (Goldman 1999; accounting's selling partners, 2021–25; the law firm founders now hiring investment banks). **Clients** gain on price and choice, and take on a new agency exposure — someone else's return target now sits inside the advisory relationship. How much that exposure costs is the ledger's most contested entry: banking's post-conversion decade says a great deal; the advertising industry's conversion, where public ownership left large-agency performance and creativity measurably unchanged [20], and the UK's market-level legal data say possibly little. **Juniors** lose the old tournament and its financed apprenticeship, and gain new institutions only with a lag. **Capital providers** earn the platform returns and absorb the failures. **The tool and platform vendors** quietly take a share no one budgets for at the outset: an information layer captured durable rents in every prior transition — Wolters Kluwer and Thomson Reuters atop the tax stack, Relativity atop discovery — and the AI platform layer is positioned to repeat the pattern. **The public** gains access and efficiency, and bears the supervisory gap — the window in which the new form operates under the old rules. Knowing the ledger in advance is the reason to study the completed cases: every constituency now negotiating law's transition has a counterpart who already lived it.

8 Outlook and Implications

The model in Section 7.3 and the completed cases yield predictions concrete enough to be wrong. We state them, then draw the implications for each constituency.

8.1 The Legal Transition, Mapped to Its Predecessors

Placed on the banking clock, legal services in 2026 sits at roughly 1975 — after the first defections (Arizona's 2020 order is law's 1970), in the middle of the pricing shock (AI is doing to the billable associate hour what May Day did to the fixed commission), with the bulge bracket still unconverted and insisting it never will be. Placed on the accounting clock, law sits at roughly 2021: the first platform-scale outside investments are closing, the alternative practice structure has been imported (as the MSO), and the deal count is doubling annually from a small base. Reading both clocks together, and adjusting for the breadth of the AI shock (Section 7.3), the following specific expectations follow for the period 2026–2035.

The first half of 2026 has already begun scoring them. On the conversion side: the first marquee American law-firm MSO deals closed in January and March — the latter at $125 million, in exactly the predicted segment — and the largest personal-injury firm in the country retained an investment bank to explore a stake sale above a billion dollars [124, 125, 126]. On the reaction side: Colorado enacted a statutory blockade in June, Illinois passed one, and California moved follow-on legislation [114] — while federal antitrust staff formally urged Tennessee toward competition-grounded reform of the profession's entry requirements [118]. On the training side: major banks began cutting junior cohorts and staffing ratios explicitly on AI grounds [46]. None of this proves the forecasts — six months is weather, not climate, and the accounting deal pace showed its first deceleration in the same window [73] — but the early returns run with the model, not against it.

Volume segments convert first and fast. Personal injury, consumer legal services, immigration, and high-volume commercial contracting — law's retail brokerages — should see majority outside ownership or MSO capitalization within five to seven years, led by the succession overhang: roughly 40 percent of American law-firm partners expect to retire within a decade, and the MSO is the only liquidity event on offer in most states. The 2025 personal-injury wave is the leading edge, as the retail houses were in 1970–71.

The middle is squeezed; the top splits. Mid-market full-service firms face the banking middle's fate: too little judgment premium to run boutique economics, too little capital to build platforms. Expect accelerating merger activity (up 21 percent in the first half of 2025, the most recent full series available) and the first distressed consolidations. At the top, expect a barbell within the decade: a handful of Am Law 50 firms take platform capital through MSOs (McDermott's exploration is the trial balloon), while bet-the-company advisory practices — law's Centerviews — spin out or stay private on premium partnership economics. The Wachtell model does not convert, on the same logic that Goldman's advisory franchise converted last and Lazard later still.

The regulatory map bifurcates, then re-converges through structures. On the UK and accounting precedents, expect five to ten more American jurisdictions to liberalize in some form by 2030 (Tennessee's comment process and Puerto Rico's 49 percent rule are the current wave), while the blockade wave that began with California, Colorado, and Illinois in 2025–26 extends to a comparable number of states. The blockades will redirect rather than stop the capital: AB 931 itself exempts the flat-fee MSO, which is why the MSO — not the ABS — is the modal American structure. Law's R falls not by repeal of Rule 5.4 in fifty states but by the accumulation of ethics opinions, no-action postures, and deal precedents that make the engineering routine. That is how accounting's alternative practice structure normalized in the years before the 2021 wave.

A first failure, likely by 2030. If the UK record generalizes, the American market should expect its first significant capital-backed-firm failure — an accumulator that grew by acquisition past its governance, or a client-money custody breach — within roughly five years of the capital wave's start, i.e., by about 2030. Whether it becomes law's Axiom Ince (a regulatory scandal that tightens supervision) or law's Andersen (a collapse that remakes the rules) depends mostly on whether state supervision has been re-tooled for entity-level risk by then. On present evidence — state bars equipped to discipline individual lawyers, not to monitor leveraged platforms — the supervisory gap identified in Section 7.6 is open.

The training problem surfaces by mid-decade. Entry-level legal hiring should follow banking's analyst-class trajectory with a two- to three-year lag: visible compression beginning now, structural re-design of the first-year role by 2028–2030. The institution that solves professional formation without tournament financing — whether

AI-simulation-based training, client-funded residencies, or platform academies — earns a durable talent advantage. No industry has solved this yet; law will not be the exception by default.

8.2 Implications

For regulators, the completed cases converge on one directive: supervise the new form, not the old one. The failures that defined each transition were supervisory-lag failures — the SRA with desk-based tools against accumulator firms, the SEC's consolidated supervision discontinued the week it was tested. Concretely: entity-level supervision with financial monitoring wherever outside capital enters; client-money custody as the first-order exposure; complaint-pattern surveillance with intervention triggers; and growth-velocity itself treated as a risk factor, because in the record assembled here, velocity — not ownership — is the best single predictor of collapse.

For firm leaders, the strategic question is position on the barbell, and the histories are unsentimental about the middle. A firm that intends to remain a judgment partnership should be shrinking toward its premium core, not defending its pyramid; a firm that intends to be a platform needs capital, and the record says the converting generation that moves early sells at the multiple, while the one that moves late sells at the restructuring. Self-funded transformation, the third option, fails less on arithmetic than on politics: the investment curve dips before it recovers, and a partnership that must vote annually on its own distributions rarely survives the dip. Everest — killed by a member-firm veto rather than by arithmetic — is the nearest completed case, and it is why the capital wedge in Section 7.3 counts governance friction alongside balance-sheet capacity. What the record does not support is the default plan — running the existing leverage model unchanged while the base of the pyramid deflates. That was the sell-side research plan after 1975, and the mid-market audit plan before 2021.

For investors, the accounting wave supplies the playbook and the UK supplies the risk memo. The returns to date have come from multiple arbitrage and succession liquidity, which are real but front-loaded; the durable returns, on the banking precedent, accrue to platforms that actually re-engineer delivery rather than merely financing the old model at leverage. And one caveat belongs in every model: the technology-style multiples now marked on AI-native legal assets are entry prices — as of this writing, no AI-native professional services firm has exited at them. The UK failure list prices the downside: governance capacity, integration pace, and client-money controls are the diligence items that separate a Lawfront from an Axiom Ince.

For young professionals, the honest reading of three transitions is neither reassuring nor apocalyptic. The professions survived; the pyramids did not. The tournament's implicit contract — years of grinding for a chance at rents — is being repriced in law as it was on trading floors, and the compensating asset is the one the automation cannot yet produce: judgment formed by responsibility. Seek the institutions that still confer responsibility early; they, not the largest platforms, are where the next generation of partners — under whatever ownership — will come from.

8.3 Open Questions

Three questions the completed cases do not answer. First, whether machine evaluation of professional work (rising ρ) eventually undermines the *boutique* end of the barbell too — banking's boutiques survived because relationships and judgment stayed opaque; large-scale AI benchmarking of legal outcomes could make even judgment comparable. Second, whether the public-interest functions embedded in law — the officer-of-the-court role, whose closest cousin is the auditor's "public watchdog" duty — constrain the end-state in ways the model's G term does not capture. The audit precedent cuts both ways: gatekeeping there eroded quietly under commercial pressure even *inside* the partnership form, which argues for treating this as a supervision-design problem rather than an ownership-prohibition problem; but law's gatekeeping is more diffuse than audit's, harder to inspect, and the question is genuinely open. Third, the training problem of Section 7.5: every prior transition externalized professional formation onto a pyramid that no longer exists at the end of it. Some institution will have to internalize it. Identifying that institution — firm, school, platform, or regulator — is the most consequential unsolved design problem in the professions, and it is common to all three of these histories.

A Consolidated Timeline of Structural Events

The table below interleaves the principal structural events of the three transitions. Entries are dated to announcement unless noted; sources for each event appear in the corresponding case section.

Year	Industry	Event
1953	Banking	NYSE permits corporate members (594–538 vote) but bars public ownership
1955	Tax	H&R Block founded; retail tax preparation industrializes
1969	Banking	DLJ announces public offering in defiance of NYSE rules
1970	Banking	NYSE permits public ownership; DLJ becomes first public member firm
1971	Banking	Merrill Lynch goes public; listed on NYSE itself
1975	Banking	May Day: fixed commissions abolished; institutional rates fall 26% in four months
1981	Banking	Salomon Brothers sold to Phibro ($554M)
1984	Banking	Lehman sold to Shearson/American Express ($360M)
1984	Tax	TurboTax created (Chipsoft); consumer tax software era begins
1985–86	Banking	Bear Stearns and Morgan Stanley IPOs
1986	Banking	London: member-firm ownership cap lifted (March); Big Bang abolishes fixed commissions and single capacity in one day (October 27)
1987	Audit	Peat Marwick + KMG merger creates KPMG
1989	Audit	Big Eight → Big Six (Ernst & Young; Deloitte & Touche); Andersen Consulting formalized
1991	Legal	District of Columbia adopts limited nonlawyer-partner exception to Rule 5.4
1993	Legal	Arthur Andersen establishes Garretts (UK); accountants' law networks begin
1995	Banking	Evercore founded; boutique counter-trend begins
1998	Audit	Price Waterhouse + Coopers & Lybrand form PwC; Levitt's "Numbers Game" speech
1999	Banking	Goldman Sachs IPO (May 4): $3.66B raised at a ∼$29B pricing valuation; last bulge-bracket partnership converts
1999	Legal	ABA MDP Commission recommends relaxing Rule 5.4; KLegal launched
2000	Legal	ABA House of Delegates rejects MDP 314–106; disbands its commission
2000	Audit	SEC auditor-independence rule; Andersen Consulting separates (renamed Accenture, January 2001); E&Y sells consulting to Cap Gemini
2001	Audit	Enron collapses (December 2); KPMG Consulting IPO

Year	Industry	Event
2002	Audit/Legal	Andersen convicted, surrenders licenses; Sarbanes-Oxley §201 bans legal services to audit clients; accountants' law networks unwind; PwC Consulting sold to IBM
2003	Banking	Global Analyst Research Settlement ($1.4B); research economics collapse begins
2003	Audit	Deloitte cancels consulting spin-off — keeps the business
2005	Banking	Lazard IPO closes the partnership era
2005–07	Audit	Divestiture non-competes expire; Big Four rebuild advisory
2006–08	Banking	Centerview, Moelis, Qatalyst founded; boutique share climbs
2007	Legal	UK Legal Services Act creates the alternative business structure
2008	Banking	Bear, Lehman, Merrill fail or sell; Goldman and Morgan Stanley become bank holding companies; independent public investment bank extinct
2011–12	Legal	First UK ABS licenses; Slater & Gordon enters UK
2012	Legal	*Da Silva Moore*: first judicial approval of predictive coding
2014	Legal	Clearspire dissolves — two-entity structure a decade early
2014–15	Legal	PwC, KPMG, EY take UK ABS licenses; Big Four legal rebuild at scale
2015	Legal	*Lola v. Skadden*: automatable document review held not the practice of law
2016	Legal	Slater & Gordon destroys ~AU$1B of value and is recapitalized — the first listed-law-firm crisis
2017	Banking/Legal	Goldman equities desk: 600 traders (2000) → 2; Big Four employ ~8,500 lawyers; Keystone Law lists in London
2018	Banking	MiFID II unbundles research pricing in Europe
2018	Legal	CVC invests $500M in UnitedLex — then the largest legal-services capital commitment
2019	Legal	Axiom scraps IPO, sells majority to Permira; EY buys Pangea3
2020	Legal	Utah sandbox; Arizona eliminates Rule 5.4 (August); Burford takes 32% of PCB Litigation; Atrium shuts down, returning capital
2021	Audit	TowerBrook/EisnerAmper: first PE deal in a top-20 CPA firm; alternative practice structure template
2021	Legal	Arizona ABS licensing begins; LegalZoom licensed and lists on Nasdaq above $7B; Lawfront consolidator launches (UK)
2022	Audit	EY announces Project Everest split; ABA reaffirms Rule 5.4 (Resolution 402)
2023	Audit	Everest cancelled by US veto (April); $600M spent
2023	Legal	Axiom Ince collapses (~£64M client shortfall)
2024	Audit	New Mountain/Grant Thornton (60%); H&F/Baker Tilly (~$1B); 65 PE deals
2024	Legal	SSB Law fails (£200M debts); ECJ Halmer upholds EU restrictions; SRA stripped of AML authority
2025	Audit	Blackstone buys Citrin Cooperman stake (~$2B — the exit-path proof); Baker Tilly + Moss Adams ($7B); 104 deals
2025	Legal	KPMG Law US licensed in Arizona (February); first public legal-AI benchmarks score machines against lawyers (Vals, February); Texas Opinion 706 blesses MSOs; Eudia ($105M) and Norm Law (Blackstone $50M) launch; Harvey valued at $8B; California AB 931 blockade signed (October); McDermott explores PE; PI-firm MSO wave (November)

Year	Industry	Event
2026	Legal	AB 931 and Puerto Rico 49% rule effective (January); first marquee US law-firm MSO deals close: Orion Legal/Dudley DeBosier (January), Rafi Law Services \$125M (March); Harvey reaches \$11B and Legora \$5.6B valuations (March–April); Colorado enacts statutory blockade, Illinois passes one (May–June); Morgan & Morgan explores \$1B+ stake sale (June); Norm Ai \$120M Series C (July); FTC/DOJ urge competition-grounded reform of Tennessee's entry requirements
2026	Audit	Record January PE deal pace (25+), then spring deceleration; AICPA independence exposure draft pending
2026	Banking	JPMorgan plans 6:1 → 4:1 junior staffing; junior cohorts cut by as much as two-thirds, by consultant accounts

B Data Tables

B.1 Market Scale

Sector	Global market (∼2024–25)	Structure note
Legal services	∼\$1,050B	Am Law 100 ≈ \$160B; ALSP segment \$28.5B
Management consulting	∼\$450B	Unregulated ownership; converted early
Audit & assurance	∼\$240B	Audit-only; broader accounting ∼\$688B
Financial advisory	∼\$120B	Excludes capital markets revenue
Big Four combined (FY2024)	∼\$212B	Deloitte \$67.2B; PwC \$55.4B; EY \$51.2B; KPMG \$38.4B

Table 2: Professional services market sizes. Sources: Research & Markets and Grand View Research sector estimates (audit and accounting); Thomson Reuters ALSP series [104]; Am Law 100 reporting [162]; Big Four annual revenue announcements [63, 64]. Legal-market estimates range from roughly \$700B to \$1.05T; the table uses the upper-bound compilation.

B.2 Leverage and Profitability by Profession

Metric	Elite law (Am Law 100, 2024)	Big Four accounting
Leverage (staff : partner)	<3 : 1	∼15–20 : 1
Revenue	\$160B (+13.3%)	\$212B combined
Profit metric	PEP \$3.15M (+12.3%)	n/a (private; partner income)
Revenue per lawyer/professional	\$1.28M	lower; volume model
Non-equity tier	51% of partners (exceeds equity)	pyramid + offshore centers
Highest-margin outlier	Wachtell: 78% margin	advisory practices

Table 3: Comparative leverage economics. Law data: Am Law 100 reporting for fiscal 2024 [162]; accounting ratios: industry benchmarking surveys (see Section 5).

B.3 Conversion Events: Investment Banking

Firm	Year	Mode	Consideration / detail
DLJ	1970	IPO (first)	∼$12M; forced NYSE rule change
Merrill Lynch	1971	IPO	First member listed on NYSE
Salomon Brothers	1981	Sale (Phibro)	$554M; 62 partners
Lehman Brothers	1984	Sale (Shearson/AmEx)	$360M
Bear Stearns	1985	IPO	∼20% at $21.50
Morgan Stanley	1986	IPO	$163.8M raised
Goldman Sachs	1999	IPO (last bulge)	$3.66B; ∼$29B at pricing; 12.6% float
Lazard	2005	IPO	Closes the partnership era

Table 4: The conversion wave, 1970–2005 [21, 28].

B.4 Private Equity in Accounting, 2021–2025

Deal	Date	Structure	Scale
TowerBrook / EisnerAmper	Aug 2021	First top-20 APS	template deal
New Mountain / Citrin Cooperman	Oct 2021	Majority	∼$500M value
H&F–Valeas / Baker Tilly	Feb 2024	Majority (>50%)	∼$1B
New Mountain / Grant Thornton US	2024	60%	∼$2.4B revenue firm
Blackstone / Citrin Cooperman	Jan 2025	PE-to-PE flip	∼$2B (∼15× EBITDA)
Baker Tilly + Moss Adams	Apr 2025	Merger	∼$7B combination
Deal count	2023: 22	2024: 65	2025: 104

Table 5: The accounting private equity wave [68, 69, 70, 71, 72].

B.5 Legal Capital Events, 2020–2025

B.6 The ALSP Market Series

B.7 UK ABS Outcomes, 2011–2025

B.8 The AI Evidence Base

Event	Date	Structure	Scale
Burford / PCB Litigation	Jun 2020	UK ABS equity (32%)	first funder stake
Arizona eliminates Rule 5.4	Aug 2020	ABS regime	151 entities by early 2026
KPMG Law US	Feb 2025	Arizona ABS	first Big Four US law license
Eudia Series A	Feb 2025	AZ ABS + VC	up to $105M (GC); $75M for M&A
Harvey (platform)	Oct 2025	VC	$8B valuation
Legora / Eve	Sep–Oct 2025	VC	$1.8B / $1.0B valuations
Norm Law launch	Nov 2025	Tech licensing	$50M Blackstone (into Norm Ai)
McDermott exploration	Nov 2025	MSO (explored)	∼$3B-revenue firm
PI-firm MSO wave	Nov 2025	MSO	four large firms; banks retained
Legal tech funding, 2025	full year	VC	$2.4–4.3B; ∼79% AI-focused
Orion Legal / Dudley DeBosier	Jan 2026	MSO (closed)	first marquee PE law-MSO platform
Rafi Law Services	Mar 2026	MSO (closed)	$125M at ∼$450M valuation
Harvey round	Mar 2026	VC	$200M at $11B
Legora rounds	Mar–Apr 2026	VC	$600M at $5.6B
Morgan & Morgan exploration	Jun 2026	Stake sale (explored)	>$1B sought; IPO eyed
Norm Ai Series C	Jul 2026	VC	$120M at $1.2B

Table 6: Capital entering legal services [122, 108, 119, 109, 137, 2, 1, 3, 124, 125, 126, 133, 135].

Report edition	Revenue year (≈)	Market size
2017 (first)	2015	$8.4B
2021	2019	$13.9B
2023	2021	$20.6B
2025	2023	$28.5B

Table 7: Alternative legal services provider market, per the biennial Thomson Reuters/Georgetown/Oxford Saïd series [103, 104]. Roughly 3.4× growth over eight revenue years.

Indicator	Value
ABS firms licensed	1,000+ (∼12% of England & Wales firms)
Personal-injury market share (by turnover)	∼33% (2014)
New/improved-service investment	28% ABS vs. 12% traditional (LSB 2022)
Technology investment rate	72% vs. 31% (LSB 2022)
Private equity investment	∼£1.2B over five years; £534M in 2024
Major failures	Slater & Gordon (AU$1B); Axiom Ince (∼£64M); SSB (£200M)
Regulatory consequence	LSB directions to SRA; AML authority removed

Table 8: The UK experiment, from the 2007 Act through 2025 [84, 86, 89].

Study	Setting	Headline result
Noy & Zhang (2023) [127]	Professional writing RCT	−40% time, +18% quality; skill gap compressed
Dell'Acqua et al. (2023) [128]	758 BCG consultants	+12.2% tasks, 25% faster, +40% quality in-frontier; −19pp accuracy out-of-frontier
Brynjolfsson et al. (2025) [129]	5,172 support agents	+15% avg.; +30% novices; ∼0 for most experienced
Choi et al. (2024) [130]	Law-student RCT	Large speed gains; slight, inconsistent quality gains
Schwarcz et al. (2026) [131]	Reasoning models + RAG, legal tasks	+50–130% productivity; quality up on 4 of 6 tasks
Humlum & Vestergaard (2025) [132]	Danish administrative data	Precise null on earnings/hours two years post-adoption

Table 9: Experimental and observational evidence on generative AI and professional work.

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