Lawyer CEOs*

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We examine the value of CEOs with specialized professional skills by focusing on CEOs with law degrees and their effect on corporate litigation. We find that lawyer CEOs are associated with both lower litigation frequency and less severe litigation. This relation is observed for most of nine types of common corporate litigation. This reduction in litigation is achieved, in part, through a decrease in activities that can lead to litigation, such as earnings management, and an increase in legal oversight by directors with legal expertise. Moreover, CEOs with legal training are associated with higher value in firms with high litigation risk and growth firms.

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In 2004, Merck found itself amidst allegations that its blockbuster rheumatoid arthritis drug, Vioxx, was causing cardiovascular damage to its users. Merck pulled Vioxx off the market in September and subsequently embarked on a multi-year legal battle with lawsuits filed in nearly every jurisdiction. By 2007, Merck set aside a $4.85 billion legal reserve to settle product liability claims, abandoning its position that it would litigate every claim; in 2011 it plead guilty to a federal misdemeanor with a $0.95 billion penalty and, in 2016, agreed to a $0.83 billion securities class action settlement.

About the same time, similar concerns about Bextra and Celebrex - two drugs in the same class as Vioxx, but produced by Pfizer - started to surface. Similar to Vioxx, Bextra was pulled off the market, but Celebrex remained approved for cautious use with approval from the Food and Drug Administration. In 2008, Pfizer agreed to set aside $0.89 billion for a product liability settlement, followed by a $2.30 billion marketing settlement in 2009, a $0.16 billion securities class action in 2012 and another $0.49 billion securities settlement in 2016.

Both scandals were accompanied by CEO turnover. At Merck, CEO Raymond Gilmartin stepped down and was replaced by its former president of manufacturing Richard Clark. Pfizer went a different route by selecting its General Counsel Jeff Kindler to succeed Henry McKinnel, explicitly to deal with this wave of litigation. These scandals created a unique setting in which two large pharmaceutical firms simultaneously faced similar problems related to similar drugs and replaced their top managers; however, one hired a CEO with a set of skills tailored to guide the firm through litigation.

Pfizer's strategy of hiring a CEO with legal expertise illustrates the central research question of the paper: do CEOs with legal training have an advantage in managing the litigation environments of their firms? Intuitively, legal expertise of the CEO can affect firm litigation through several channels. First, the CEO can reduce risky firm activities that lead to subsequent litigation by instituting more conservative policies, better compliance and disclosure practices, and more effective gatekeeping. Second, the CEO can take actions to lower the probability of wrongdoing detection or prevent its escalation to a costly and publicly observable lawsuit through arbitration and out-of-court settlements. Further, litigation prevention and management can be facilitated by the careful choice of external counsel. Anecdotally, CEOs with law degrees are hired by firms either in regulated industries or those with a potential for costly litigation, suggesting that CEOs with legal training are valuable. For example, CEOs of Goldman Sachs, MetLife, FirstEnergy, Consolidated Edison, WellPoint, Southwest Airlines and Wyeth all had law degrees.

We find that firms run by CEOs with legal expertise are indeed associated with less corporate litigation. In our baseline analysis of nine types of common corporate litigation, these firms exhibit lower frequency of antitrust, employment civil rights, contract, labor, securities and personal injury litigation.[1] Further, CEOs with legal expertise, conditional on experiencing litigation, are also associated with a lower proportion of lost and settled litigation. These results are robust to different specifications and controls such as firm characteristics, CEO characteristics, presence and influence of other gatekeepers such as directors and in-house legal counsel, as well as year and industry fixed effects.

We recognize that our empirical finding may not be fully due to the active management of litigation by the CEO with legal expertise. Rather, lower levels of litigation in firms ran by lawyers could result from CEOs matching to firms with low long-run litigation risk. In one potential type of matching, CEOs with legal expertise, who are risk averse and better at evaluating firm litigation risk, may take jobs with firms with lower litigation frequency. Another type of matching can occur when firms experience an unexpected spike in litigation and hire a CEO with legal background purely as window dressing. Barring any future recidivism, litigation levels ultimately mean-revert to their normal low levels, thus creating a negative relation between legal expertise of the CEO and litigation volume.

We pursue several identification strategies to determine whether our results are driven by the active management of the CEO or induced by passive CEO-firm matching. While these explanations need not be

[1] In univariate analyses and some regression specifications we observe higher incidence of product liability litigation in firms with lawyer CEOs. We attribute this to high volume product liability lawsuit waves, much like in the case of Merck or Pfizer. After excluding the pharmaceutical industry from our analyses, the coefficient estimate on the variable measuring legal expertise of the CEO in product liability litigation loses its statistical significance. [****I feel we should leave this to the main text. Seems somewhat confusing and too much detailed for Intro****]

mutually exclusive, we find that litigation reduction is, at least in part, consistent with active management by the CEO. First, we use an instrumental variable regression, in which CEO type is instrumented with the variable that is independent of the firm litigation risk and is based on the potential pool of executives with legal expertise located in the 50-mile radius of the firm's headquarters. The instrumented CEO type remains a strong predictor of litigation frequency. Our second identification strategy exploits the differential effect of a shock to the litigation environment on firms with and without lawyer CEOs. We use the passage of the Sarbannes-Oxley Act in 2002 as a shock that increases compliance and litigation. The act was designed to curb financial malfeasance by improving financial disclosure, increasing personal accountability of top managers and other firm monitors, in addition to setting more severe criminal penalties for white-collar crime. We find that during the key events of the Act's passage, firms with lawyer CEOs experience a positive market reaction while firms without lawyer CEOs experience the opposite. This finding confirms the greater value of CEO legal expertise during the periods of high compliance standards and more stringent legal enforcement.

We then focus on several channels that lead to lawyer CEO effectiveness. First, CEOs with legal training are associated with the greater future presence of directors with legal expertise, who may contribute to litigation reduction (Litov, Sepe and Whitehead 2014). Second, CEOs with legal training implement some cautious earnings management policies. We provide evidence that lawyer CEOs are associated with less earnings management, particularly in industries with high litigation risk. Moreover, firms with lawyer CEOs have a smaller reaction to earnings announcements consistent with better management of analyst expectations, more conservative investment firm policies measured by both R&D and tangible assets, and less total and idiosyncratic return volatility. These results are consistent with the active role of the CEO in firm and litigation management.

If litigation reduction is economically important to firms, why do lawyers represent such a small portion of the CEO pool? We find that CEOs with legal training are associated with higher firm value, but only in a subset of high litigation, high growth, or pharmaceutical industries. Outside of this setting, the benefits of litigation reduction are offset by their cautious firm investment policies that negatively affect cash flows and growth, which we confirm by documenting lower investment in intangible and tangible assets as well as lower risk of firm investment policies.

In summary, the implications of our findings are two-fold. First, we are among the first to document that CEO legal expertise executives results in variation in corporate policies. Second, our paper demonstrates that the legal training of the CEO is likely to be value enhancing when firms operate in an environment with higher litigation risk or high compliance standards. Currently, 9.1 percent of firms in our sample of Standard & Poor's 1500 firms are run by a CEO with a law degree.

The rest of the paper is organized as follows. The next section summarizes previous literature that links CEO style to various firm policies and outcomes. Section 3 describes data sources. In Section 4, we present our main empirical results and tests of causality. In Section 5, we report the effect of CEOs with legal training on firm value. We then conclude in Section 6 with a brief discussion.

2. Benefits of Legal Expertise

2.1 Professional Experience

Growing literature on the importance of CEO style provides evidence that CEO characteristics that are either endowed or developed through personal or professional experiences can affect firm policies and outcomes. For example, CEO overconfidence leads to distorted investment decisions due to overestimated cost of external financing (Malmendier and Tate 2005) as well as aggressive firm policies (Ben-David, Graham, and Harvey 2013). CEO's talent and characteristics such as execution, resoluteness and overconfidence are positively related to buyout success (Kaplan, Klebanov, and Sorensen 2012). Other features such as height, facial attractiveness (Halford and Hsu, 2013; Cook and Mobbs, 2016) or an appearance that suggests professional competence (Graham, Harvey and Puri, 2015), personal conservatism conveyed by political preferences (Hutton, Jiang and Kumar, 2014) or, in general, unquantifiable uniqueness captured by the individual CEO fixed effect (Bertrand and Schoar, 2003) have been shown to matter for firm policies. Life experiences such as the Great Depression (Malmendier and Tate, 2005) and trauma (Bernile, Bhagwat and Rau, 2015) also have a detectible effect on management style through changes in personal risk aversion.

In addition to personal characteristics, professional experiences have been shown to matter just as much for firm outcomes. Custodio, Ferreira, and Matos (2012) document that CEOs with broader professional experiences are viewed as more valuable to restructuring and M&A activities than those who are specialists. CEOs with military backgrounds are better equipped to guide firms during crisis (Benmelech and Frydman, 2011). Similarly, CEOs with finance training or experience (Custodio and Metzger, 2012) carry out more sophisticated financial policies and investment policies that are less sensitive to firm cash flows. Malmendier and Tate (2005) similarly find that investment policies of CEOs with financial education or background have less cash flow sensitivity.

Legal training is a form of human capital much like other types of professional training. Legal expertise can give CEOs an edge in managing and preventing corporate litigation as well as in the broader context of corporate governance, compliance, and risk management. In the words of Frank Blake, the CEO of Home Depot, “law school consists of taking normal people and getting them to worry about what no sane person would worry about.” Some existing evidence points to the usefulness of lawyers in executive or director positions. Morse, Wang, and Wu (2016) find that general counsel elevated in importance to the executive team is effective in curbing regulatory non-compliance, monitoring failures and promoting business development. Similarly, general counsel represented among top executives leads to more accurate earnings forecast disclosures (Kwak, Ro and Suk, 2012). Jagolinzer, Larcker, and Taylor (2011) find that general counsel have the ability to reduce the extent of insider trading based on private knowledge and rent extraction. Moreover, Litov, Sepe and Whitehead (2013) show that directors with legal education are useful in monitoring executives, managing litigation, and reducing regulatory costs. Similarly, Krishnan, Wen, and Zhao (2011) demonstrate that the presence of directors with legal backgrounds on the audit committee is associated with higher financial reporting quality through better monitoring. In related literature, Karsten, Malmendier, and Sautner (2015) show that legal advisors with more expertise are associated with a range of better contractual outcomes for their clients in acquisitions.

In our paper, we focus on the effect of the legal training of the CEO since, arguably, the CEO has a more profound impact on firm policies and outcomes than directors or general counsel. However, we acknowledge the important role of these gatekeepers and control for their presence.

2.2 Litigation Reduction

The cost of corporate litigation is not trivial. Lawsuits, especially those stemming from more egregious offences, lead to large losses in market value, legal costs, court penalties or settlement costs, reputational losses, and management time. Existing evidence suggests that the economic magnitude of these costs is quite large (Bhagat, Bizjak, and Coles (1998), Karpoff and Lott (1999), Haslem (2005), Karpoff, Lott, and Wehrly (2005), Karpoff, Lee, Martin (2008), and Bessen and Meurer (2008)). Even milder offences that go unnoticed by the market result in some legal costs.

In our initial sample of 153,344 lawsuits for 3,410 publicly traded firms over 20 years (prior to its merge with CEO education data), approximately 32% of lawsuits are settled and nearly 2% are lost. The penalty attached to an average lost lawsuit, including lawsuits with zero or unreported penalties, is $0.835 million and approximately $2 million if we exclude observations with no recorded or zero values. The average reported settlement amount is $1.7 million, although the data availability is sparse. Other types of penalties that are difficult to quantify include clean-up costs in environmental litigation and injunctive relief in intellectual property litigation. While monetary penalties may not always be awarded, legal counsel compensation is often significant. These costs are compounded in cases when the defendant is required to reimburse the plaintiff's legal costs.

In addition to the penalties and legal costs, firms lose market value around the announcement of malfeasance or litigation filing. The three-day abnormal market value loss around the filing date is -0.13%, which amounts to $8.3 million for an average company in our sample. Market value losses are significantly larger for more impactful litigation. For example, Fich and Shivdasani (2007) and Gande and Lewis (2009) report value market losses on the order of 15 percent around the filing of class action securities lawsuits. Furthermore, other indirect costs such as changes in corporate strategy, managers' time and other resources committed to repairing damaged reputation exacerbate litigation damage.

While all firms may experience routine lawsuits that may not be cost effective to preempt—such as slip-and-fall accidents—there are very costly lawsuits that arise from falsifying clinical trial data, discriminatory or unfair work place policies, fabricated financial data, and other similar types of malfeasance. CEOs with legal training should be effective at preventing and mitigating these types of failures.

3. Data

3.1. Data Sources

We use data from multiple sources to identify the education background of CEOs. Our main sample of firms and managers is from the ExecuComp database and covers the period from 1992 to 2012. ExecuComp provides the full name, title, and position of S&P 1500 firm executives for each fiscal year. We use these data as a starting point for a thorough web search of individual biographies, which includes Factiva and Lexis-Nexis searches. We record all undergraduate and graduate degree and major information as well as the name of the educational institution. While, we believe, our searches yield a cleaner outcome, we cross-reference our data against Boardex. We classify a CEO as a lawyer if he is reported to have a J.D. or another law degree. These cases account for 96 percent of all CEOs with legal training in our sample. The remaining 4 percent have a Ph.D. in Jurisprudence or an undergraduate degree in law such as an LLB. We assume that legal education is equivalent to legal expertise and use these terms interchangeably throughout the paper. In unreported analyses, we explore career paths of CEOs with legal training in our sample. Many of them spend years working for legal firms or legal departments of corporations before transitioning to management roles, meaning that the legal expertise of CEOs with law degrees is often extensive.

Our robustness checks use CEO age, gender and age at the first CEO appointment, which we source either from ExecuComp or by hand collection. We obtain firm-level accounting variables from Compustat. The firm-level return volatility measures and stock returns are computed using data from the Center for Research in Security Prices (CRSP). Earnings announcements and analyst forecasts are sourced from I/B/E/S.

5.1. Firm Policies

Thus far, our results indicate that CEOs with legal expertise are effective at reducing most types of corporate litigation, but their efforts enhance firm value only among the subset of firms most affected by litigation or the need for legal guidance. In other types of firms, lawyer CEOs are associated with lower firm value. One potential explanation for this result is that lawyers pursue risk management through more conservative firm policies at the expense of future growth and cash flows.

In this section, we examine the effect of lawyer CEOs on firm investment policies. Specifically, we consider: (i) firm investment in tangible assets, as measured by investment in tangible capital (INV), (ii) firm investment in intangible assets, as measured by R&D expenditures scaled by sales (R&D), and (iii) the riskiness of corporate investments as measured by the total return volatility (TVOL) and idiosyncratic return volatility (IVOL). TVOL is defined as the standard deviation of daily returns computed over one year and IVOL is the standard deviation of residual returns from regressions of daily returns on the Fama and French (1993) three factors over the same period.

In Table 10 regressions we focus on the investment spending on tangible assets (INV), as measured by capital expenditures divided by net tangible assets and R&D. In both regressions we control for firm characteristics and industry and year fixed effects. Our results indicate that lawyer CEOs are associated with more conservative spending of both types. The coefficient on *Lawyer CEO* is negative and significant at the 5% level in the tangible investment regression and one percent in the R&D regression. Relative to the unconditional rate of tangible (coeff.=-0.015) and R&D investment (coeff.=-0.027), a lawyer CEO is associated with 6.3% and 46.6% lower investment, respectively, all else equal. This finding highlights the conservatism of financial policies carried out by CEOs with legal training.

In Table 11 we examine the outcome of the firm's investment and other corporate policies as measured by the total volatility and idiosyncratic volatility of the firm's returns. Consistent with our conjecture, firms ran by CEO's with legal expertise have lower return volatility, regardless of the measure. The effect of lawyer CEOs is significant at one percent in the total volatility regression and five percent in the idiosyncratic volatility regression. The estimates suggest an 2% approximately reduction in firm volatility, relative to the average volatility level.

To summarize, risk management policies of CEO's with legal backgrounds come at the expense of lower and more cautious investment that produces a more moderate effect of firm value compared to peer firms. This finding explains at least partially why lawyer CEOs in firms operated in a less litigious environment are associated with lower firm valuations. Thus, the value of a lawyer CEO to a firm is contingent on the litigation environment of the firm's businesses.

6. Conclusion

In this paper, we study the effectiveness of CEOs with legal training in reducing and mitigating corporate litigation. We find that lawyer CEOs not only reduce the frequency of most types of common corporate litigation, but also their severity. We show that this result is at least partially causal rather than pure driven by passive lawyer CEOs mapping with firms with low litigation risk. Our identification of the causal impact is through an instrumental variable based on the local pool of potential CEOs with legal expertise and an analysis of an exogenous shock, the passage of SOX in 2002, to the litigation environment. Moreover, our result is not driven by omitted variables like CEO talents or the presence of other parties with legal training like the firm's General Counsel or lawyer Directors. Our results demonstrate that the reduction in litigation is consistent with the implementation of more cautious risk management firm policies, such as careful earnings management, management of analyst and investor expectations and increased oversight by additional directors with legal training. This risk management pays off in a subset of firms with high litigation risk and high growth firms as it leads to higher firm value. However, in all other firms, this conservatism negatively affects other firm policies and tempers firm value.

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Appendix A. Variable Definitions

Variable Name	Definition
Lawyer CEO	Indicator variable that equals 1 if the CEO has a J.D. degree, Ph.D. in Jurisprudence or an undergraduate degree such as LLB, and 0 otherwise. Source: hand collected.
Antitrust	Number of antitrust lawsuits filed in a fiscal firm-year. Antitrust litigation deals with monopolization, price fixing and price discrimination and similar offenses. Source: NACJD.
Civil	Number of employment civil rights lawsuits filed in a fiscal firm-year. Employment civil rights litigation deals with intimidating acts or discrimination based on race, ethnicity, national origin, religious beliefs, gender, sexual orientation, or disability. Source: NACJD.
Contract	Number of contract lawsuits filed in a fiscal firm-year. Contract litigation deals from contract breaches or contract disputes. Source: NACJD.
Environmental	Number of environmental lawsuits filed in a fiscal firm-year. Environmental litigation deals with air, land, and water supply pollution. Source: NACJD.
Intellectual Property	Number of intellectual property lawsuits filed in a fiscal firm-year. Intellectual property rights lawsuits deal with patent, copyright, and trademark infringements, false advertising, licensing, false marking, and trade secret matters. Source: NACJD.
Labor	Number of labor lawsuits filed in a fiscal firm-year. Labor litigation deals with union and labor disputes and other similar employee matters. Source: NACJD.
Securities	Number of securities lawsuits filed in a fiscal firm-year. Securities litigation deals with activities unfairly influencing security prices, or otherwise benefiting from insider knowledge about security prices, such as earnings manipulation, opportunistic merger and acquisition activities, security issuances, insider trading, option backdating, and other related events. Source: NACJD.
Personal Injury	Number of personal injury lawsuits filed in a fiscal firm-year. Personal injury lawsuits deal with policies, conditions, or faulty products that caused injury or harm. Source: NACJD.
Product Liability	Number of product liability lawsuits filed in a fiscal firm-year. Product liability lawsuits deal with faulty products that caused injury or harm. Source: NACJD.
All	Number of all lawsuits (across all nine types) filed in a fiscal firm-year. Source: NACJD.
All w/o Product Liability	Number of all lawsuits filed in a fiscal firm-year excluding product liability. Source: NACJD.
Log TA	Natural logarithm of a firm's total book assets (AT). Source: Compustat.
ROA	Return on total assets defined as net income (NI) over total assets (AT). Source: Compustat.
MB	Market to book ratio defined as market value of equity (PRCC F) over book value of equity (BKVLPS). Source: Compustat.
Leverage	Debt in current book liabilities (DLC) and long-term book debt (DLTT) divided by total book assets (AT). Source: Compustat.
Return	Market-adjusted monthly return (RET) compounded over the fiscal year. Source: CRSP.
Volatility	Standard deviation of monthly stock returns (RET) computed over the fiscal year. Source: CRSP.
Age	Age of the CEO (AGE). Source: Execucomp.
Tenure	Number of years in the current CEO position defined as current year (YEAR) minus the year of appointment (BECAMECEO). Source: Execucomp.
Log Incentive	Natural logarithm of the sum of a CEO's incentive-based option and equity grants (OPTION_AWARDS_BLK_VALUE and RSTKGRNT) compensation. Source: Execucomp.

Female	Indicator variable equal to 1 if the CEO is female (GENDER) and 0 otherwise. Source: Execucomp.
MBA	Indicator variable equal to 1 if the CEO holds an MBA and 0 otherwise. Source: hand collected.
Science	Indicator variable equal to 1 if the CEO holds a degree in a STEM field and 0 otherwise. Source: hand collected.
PhD	Indicator variable equal to 1 if the CEO holds a Ph.D. or M.D. and 0 otherwise. Source: hand collected.
Ivy	Indicator variable equal to 1 if the CEO holds an undergraduate or graduate degree from an Ivy League institution broadened to include Chicago and Stanford and 0 otherwise. Source: hand collected.
First CEO	Age (AGE) at first CEO appointment (BECAMECEO). Source: Execucomp.
Pharma	Pharma is an indicator equal to 1 if a firm is in a 2-digit SIC code 28 (pharmaceutical) and 0 otherwise. Source: Compustat.
High Lit. Ind.	Indicator variable equal to 1 if a firm is in an industry within the top 10th percentile of litigation frequency over the sample period and 0 otherwise. Source: NACJD.
High Growth Ind.	Indicator variable equal to 1 if a firm is in an industry that is in the top 25th percentile of revenue growth and combined investment in R&D and CAPEX and 0 otherwise. Source: Compustat.
General Counsel	Indicator variable equal to 1 if a firm has an executive general counsel, elevated to the firm's top 5 officers in pay rank (EXECRANKANN)and 0 otherwise. Source: Execucomp.
Lawyer Directors	Lawyer Directors is an indicator variable equal to 1 if the firm has at least one director with legal background and 0 otherwise. Source: ISS and Boardex.
% Lawyers	Percentage of lawyer directors on a firm's board. Source: ISS and Boardex.
Discretionary Accruals	Industry-adjusted accruals calculated using the modified Jones (1991) model.
Cash Flow REM	Industry-adjusted effect of real earnings management (REM) on the firm's cash flow, calculated following Roychowdhury (2005).
Discretionary Expenses REM	Industry-adjusted effect of real earnings management on the firm's discretionary expenses, calculated following Roychowdhury (2005).
Production Costs REM	Industry-adjusted effect of real earnings management on the firm's production costs, calculated following Roychowdhury (2005).
Total REM	The sum of Cash Flow REM, Discretionary Expenses REM, and Production Costs REM, where Cash Flow and Discretionary Expenses are multiplied by -1 so that higher values indicate greater real earnings management.
Tobin's Q	Ratio of market values of debt (AT-SEQ) and equity (CSHO*PRCC_F) to total book assets (TA). Source: Compustat.
INV	Capital expenditures (CAPX) divided by net tangible assets (PPENT). Source: Compustat.
R&D	Research& Development expense (XRD) divided by sales (SALE). Source: Compustat.
TVOL	Standard deviation of daily returns (RET) computed over one year. Source: CRSP.
IVOL	Standard deviation of residual returns from regressions of daily returns (RET) on the Fama and French (1993) three factors computed over one year. Source: CRSP and Kenneth French's Data Library.
Negative earnings	Indicator variable equal to 1 if the announced earnings (VALUE) is negative and 0 otherwise. Source: I/B/E/S.
SUE	Standardized unexpected earnings defined as the difference between reported earnings and the mean analyst estimate (SURPMEAN) divided by the standard deviation of analyst estimates (SURPSTDEV). Source: I/B/E/S.
Q4	Indicator variable equal to 1 if the announced earnings (VALUE) is in the fourth fiscal quarter and 0 otherwise. Source: I/B/E/S.

Table 1. Summary Statistics

Panel A presents summary statistics for the firms and CEOs used in our sample. Panel B presents *t*-tests for the difference in the annual number of litigation filings in firms ran by lawyer CEOs versus non-lawyer CEOs. Lawyer is defined as for a CEO with legal expertise. Variable definitions are provided in Appendix A. In Panel B, the *t*-statistics are reported in parentheses below the estimates. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

Panel A. Summary Statistics

	Mean	Std. Dev.	10%	50%	90%	No. Obs.
CEO characteristics						
Lawyer	0.091	0.288	0.000	0.000	0.000	3,499
CEO Birth Year	1947	9.988	1935	1947	1959	3,499
Tenure	7.277	7.690	2.000	5.000	17.000	18,027
Litigation (1992-2012)						
Antitrust	0.068	1.178	0.000	0.000	0.000	18,027
Civil	1.017	3.698	0.000	0.000	2.000	18,027
Contract	0.423	1.600	0.000	0.000	1.000	18,027
Environmental	0.053	2.825	0.000	0.000	0.000	18,027
Intellectual property	0.199	0.643	0.000	0.000	1.000	18,027
Labor	0.209	1.790	0.000	0.000	1.000	18,027
Securities	0.128	1.469	0.000	0.000	0.000	18,027
Personal Injury	0.672	6.671	0.000	0.000	1.000	18,027
Product Liability	1.155	19.951	0.000	0.000	0.000	18,027
Firm characteristics						
Total Assets (millions)	6,401	14,848	211	1,434	15,294	18,027
Leverage	0.225	0.191	0.000	0.208	0.458	18,027
Market to Book	3.022	4.552	1.023	2.164	5.767	18,027
Return on Assets	0.033	0.157	-0.034	0.043	0.125	18,027
Volatility	0.115	0.077	0.049	0.096	0.200	18,027
Stock Return	0.111	0.994	-0.422	0.006	0.609	18,027

Panel B. Differences in Total Annual Litigation Filings for CEOs with and without Legal Training											
	All	All w/o Prod. Liab	Antitrust	Civil	Contract	Environ.	Securities	Labor	Intel. Property	Personal Injury	Product Liability
Lawyer CEO	4.555***	1.483***	0.026***	0.286***	0.639***	0.025***	0.113***	0.072***	0.153***	0.348***	2.894***
	(4.64)	(14.58)	(2.95)	(9.97)	(12.74)	(5.13)	(10.44)	(5.23)	(10.57)	(8.36)	(3.05)
	1,848	1,848	1,848	1,848	1,848	1,848	1,848	1,848	1,848	1,848	1,848
Non-Lawyer CEO	3.936***	2.691***	0.073***	0.447***	1.084***	0.055***	0.221***	0.143***	0.204***	0.722***	0.986***
	(23.88)	(32.13)	(8.12)	(35.48)	(36.90)	(2.57)	(16.12)	(12.56)	(41.38)	(13.94)	(7.51)
	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720	17,720
Difference	0.619	-1.208***	-0.048***	-0.161***	-0.445***	-0.030	-0.108***	-0.071***	-0.051***	-0.374***	1.907*
	(0.54)	(6.51)	(2.66)	(3.91)	(5.60)	(1.13)	(4.42)	(2.84)	(2.64)	(4.00)	(1.76)

Table 2. Lawyer CEO and Litigation

This table presents OLS regression estimates of the effect of CEO legal training on annual firm litigation in Panels A, B, C and D. In these panels, the annual firm litigation is measured by the total number of lawsuits, natural log of total number of lawsuits, the total number of lost and settled lawsuits and the proportion of lost and settled lawsuits conditional on litigation, respectively. Lawyer CEO is an indicator variable for a CEO with legal expertise. All control variables are defined in Appendix A and are lagged by one year. The *t*-statistics are computed using standard errors corrected for clustering of observations by firm and are reported in parentheses below the estimates. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

Panel A. Total Number of Lawsuit Filings per Year

	All	All w/o Prod. Liab.	Antitrust	Civil	Contract	Environ.	Intel. Property	Labor	Securities	Personal Injury	Product Liability
Lawyer CEO	1.561	-0.964***	-0.050**	-0.320***	-0.162***	-0.033	0.020	-0.080***	-0.098**	-0.254*	2.538
	(0.85)	(-3.47)	(-2.29)	(-2.91)	(-3.20)	(-1.30)	(0.78)	(-3.38)	(-2.51)	(-1.79)	(1.43)
Log TA	3.988***	2.156***	0.058***	0.881***	0.355***	0.043***	0.126***	0.157***	0.085***	0.621***	1.663***
	(6.76)	(8.56)	(4.20)	(9.49)	(6.10)	(3.01)	(10.29)	(6.28)	(5.06)	(4.41)	(3.48)
ROA	-1.162	-1.989***	0.044	-0.488**	-0.218**	-0.080	-0.051	-0.122***	-0.520	-0.685**	0.959
	(-1.12)	(-3.98)	(0.99)	(-2.39)	(-2.21)	(-0.86)	(-1.15)	(-2.77)	(-1.60)	(-2.53)	(1.22)
MB	0.132***	0.047**	0.004*	0.012	0.008**	-0.001	0.006***	0.005*	0.013***	0.005	0.081**
	(3.16)	(2.53)	(1.76)	(1.37)	(2.38)	(-0.87)	(4.27)	(1.76)	(3.31)	(0.65)	(2.42)
Leverage	-3.877*	-1.498*	-0.085	-0.703**	-0.032	0.113	-0.208***	-0.073	0.011	-0.616	-2.283
	(-1.95)	(-1.90)	(-1.55)	(-2.23)	(-0.25)	(0.57)	(-4.15)	(-0.76)	(0.09)	(-1.58)	(-1.38)
Return	-0.029	0.002	-0.007	-0.011	-0.001	-0.002	-0.004	-0.000	-0.014	0.034	-0.025
	(-0.46)	(0.07)	(-1.47)	(-0.98)	(-0.12)	(-1.01)	(-1.29)	(-0.10)	(-1.22)	(1.24)	(-0.52)
Volatility	1.280	0.398	0.032	-0.037	0.401*	-0.106	-0.021	-0.006	0.884***	-0.877	1.009
	(0.63)	(0.32)	(0.49)	(-0.10)	(1.82)	(-0.39)	(-0.26)	(-0.06)	(3.36)	(-1.04)	(0.77)
Age	0.013	0.005	-0.000	0.008	-0.002	-0.003	-0.003***	0.000	-0.003	0.002	0.014
	(0.43)	(0.40)	(-0.06)	(1.54)	(-0.83)	(-0.86)	(-3.17)	(0.00)	(-1.30)	(0.33)	(0.57)
Tenure	-0.043	-0.043**	-0.001	-0.024***	-0.005**	-0.000	0.001	-0.006***	0.001	-0.007	-0.001
	(-1.37)	(-2.41)	(-0.77)	(-3.43)	(-2.51)	(-0.52)	(0.63)	(-2.59)	(0.72)	(-0.61)	(-0.02)
Industry F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027
R-squared	0.09	0.18	0.01	0.23	0.14	0.00	0.14	0.04	0.03	0.10	0.03

Panel B. Total Number of Lawsuit Filings per Year (Log Transformed)

	All	All w/o Prod. Liab	Antitrust	Civil	Contract	Environ.	Intel. Property	Labor	Securities	Personal Injury	Product Liability
Lawyer CEO	-0.040	-0.096***	-0.011**	-0.050**	-0.060***	-0.006*	0.006	-0.025***	-0.023***	-0.031*	0.062*
	(-0.98)	(-2.99)	(-2.47)	(-2.15)	(-4.00)	(-1.69)	(0.52)	(-2.69)	(-3.42)	(-1.77)	(1.90)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027
R-squared	0.39	0.38	0.04	0.35	0.20	0.08	0.15	0.16	0.04	0.30	0.19

Panel C. Number of Lost and Settled Lawsuits

	All	All w/o Prod. Liab.	Antitrust	Civil	Contract	Environ.	Intel. Property	Labor	Securities	Personal Injury	Product Liability
Lawyer CEO	-0.253	-0.420***	-0.008**	-0.145***	-0.080***	-0.025	0.008	-0.034**	-0.021***	-0.131*	0.183
	(-1.17)	(-3.32)	(-2.23)	(-2.99)	(-3.40)	(-1.17)	(0.67)	(-2.53)	(-4.11)	(-1.94)	(1.19)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027
R-Squared	0.10	0.16	0.01	0.21	0.09	0.00	0.09	0.01	0.01	0.11	0.02

Panel D. Proportion of Lost and Settled Lawsuits, Conditional on Litigation

	All	All w/o Prod. Liab.	Antitrust	Civil	Contract	Environ.	Intel. Property	Labor	Securities	Personal Injury	Product Liability
Lawyer CEO	-0.427	-0.801***	-0.206	-0.467***	-0.220**	0.618	0.083	-0.268*	-0.342**	-0.698	1.419
	(-1.05)	(-3.19)	(-0.88)	(-2.92)	(-2.40)	(0.35)	(1.16)	(-1.74)	(-2.39)	(-1.51)	(0.99)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	9,226	8,121	430	5,101	3,747	355	2,393	1,868	645	2,665	1,616
R-Squared	0.116	0.184	0.136	0.248	0.123	0.118	0.083	0.026	0.155	0.182	0.059

Table 3. Alternative Explanations

This table presents results on the effect of lawyer CEOs and alternative gatekeepers on annual firm litigation and litigation outcomes. The dependent variable is the total number of lawsuits in all regressions. Lawyer CEO is an indicator variable for a CEO with legal expertise. All control variables are defined in Appendix A and are lagged by one year. The t-statistics are computed using standard errors corrected for clustering of observations by firm and are reported in parentheses below the estimates. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

Panel A. Influence of General Counsel and Lawyer Directors

	All	All w/o Prod. Liab	Antitrust	Civil	Contract	Environ.	Intel. Property	Labor	Securities	Personal Injury	Product Liability
Lawyer CEO	1.263	-0.870***	-0.046**	-0.273***	-0.153***	-0.020	0.021	-0.057**	-0.088**	-0.254*	2.132
	(0.63)	(-3.27)	(-2.25)	(-2.64)	(-3.22)	(-1.10)	(0.76)	(-2.56)	(-2.47)	(-1.71)	(1.10)
Gen. Counsel	-2.079	0.055	-0.059	-0.264	0.456	0.036	0.159	0.156	0.070	-0.303	-2.331
	(-0.69)	(0.04)	(-0.71)	(-0.39)	(1.09)	(0.40)	(0.81)	(1.06)	(1.58)	(-0.38)	(-1.08)
Lawyer Dir.	1.288	-0.389	-0.015	-0.190	-0.051	-0.055	-0.009	-0.098**	-0.042	0.006	1.741
	(0.86)	(-0.69)	(-0.64)	(-1.09)	(-0.89)	(-1.34)	(-0.34)	(-2.39)	(-1.45)	(0.02)	(1.28)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027
R-squared	0.09	0.18	0.01	0.23	0.14	0.00	0.14	0.04	0.03	0.10	0.03

Panel B. Influence of Other CEO Attributes

	All	All w/o Prod. Liab	Antitrust	Civil	Contract	Environ.	Intel. Property	Labor	Securities	Personal Injury	Product Liability
Lawyer CEO	1.604	-0.734**	-0.046**	-0.267**	-0.136**	-0.047	0.013	-0.095**	-0.060***	-0.130	2.373
	(0.92)	(-2.44)	(-2.19)	(-2.15)	(-2.16)	(-1.41)	(0.44)	(-2.47)	(-3.13)	(-0.92)	(1.43)
PhD	-0.642	0.487	-0.001	0.237	0.059	-0.104	0.013	-0.013	0.027	0.178	-1.038
	(-0.61)	(1.23)	(-0.03)	(1.19)	(0.89)	(-1.11)	(0.40)	(-0.29)	(0.54)	(1.14)	(-1.20)
Science	0.252	0.253	0.015	0.035	0.112***	-0.069	-0.005	-0.000	-0.006	0.098	0.073
	(0.37)	(0.78)	(0.95)	(0.23)	(2.69)	(-1.35)	(-0.26)	(-0.01)	(-0.31)	(0.57)	(0.13)
MBA	-0.420	0.285	-0.037*	0.202	-0.047	0.068	-0.021	-0.000	0.024	0.143	-0.752
	(-0.41)	(0.65)	(-1.77)	(1.40)	(-0.59)	(1.15)	(-0.93)	(-0.00)	(0.97)	(0.51)	(-0.89)
Ivy	-0.567	0.013	-0.015	0.015	-0.008	-0.035	-0.008	0.068	0.047*	-0.095	-0.537
	(-0.84)	(0.04)	(-0.94)	(0.12)	(-0.16)	(-0.93)	(-0.41)	(1.08)	(1.95)	(-0.77)	(-0.91)
Female	0.841	0.728	0.016	0.113	-0.019	0.020	-0.060	0.015	0.005	0.598	0.154
	(0.84)	(0.91)	(0.58)	(0.48)	(-0.30)	(0.83)	(-0.88)	(0.33)	(0.08)	(1.03)	(0.32)
First CEO	-0.194	-0.057	-0.010***	-0.049	-0.014	-0.008	0.002	-0.007	-0.004	0.026	-0.132
	(-1.15)	(-0.75)	(-2.83)	(-1.39)	(-0.84)	(-1.16)	(0.34)	(-0.94)	(-0.79)	(0.78)	(-0.93)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	14,861	14,861	14,861	14,861	14,861	14,861	14,861	14,861	14,861	14,861	14,861
R-squared	0.09	0.18	0.01	0.24	0.15	0.01	0.14	0.04	0.03	0.10	0.03

Panel C. Excluding First Two Years of Tenure

	All	All w/o Prod. Liab	Antitrust	Civil	Contract	Environ.	Intel. Property	Labor	Securities	Personal Injury	Product Liability
Lawyer CEO	0.641	-0.937***	-0.045**	-0.317***	-0.165***	-0.005	0.030	-0.080***	-0.096**	-0.233	1.552
	(0.45)	(-3.46)	(-2.32)	(-3.09)	(-2.81)	(-0.62)	(1.08)	(-3.32)	(-1.97)	(-1.62)	(1.18)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	14,333	14,333	14,333	14,333	14,333	14,333	14,333	14,333	14,333	14,333	14,333
R-squared	0.08	0.17	0.02	0.22	0.13	0.08	0.13	0.03	0.02	0.10	0.03

Table 4. Instrumental Variable Regression

This table reports the results of instrumental variable regressions. Lawyer CEO is an indicator variable for a CEO with legal expertise. In panel A, Lawyer CEO is instrumented by the supply of potential CEO candidates with legal expertise within a 50-mile radius of a firm (Lawyer CEO Pool). In Panel B, the instrumented Lawyer CEO is used to predict firm litigation. Lawyer CEO is an indicator variable for a CEO with legal expertise. The control variables are the same as in the baseline regression reported in panel A of Table 2. The *t*-statistics are reported in parentheses. Robust standard errors are adjusted for clustering at the firm-level. ***, **, * indicate the coefficient is statistical significance at the 1%, 5%, and 10% level, respectively.

Panel A. First Stage 2SLS & *F*-test

	Lawyer CEO
Lawyer CEO Pool	0.001**
	(2.49)
Controls	Yes
Industry FE	Yes
Year FE	Yes
Observations	18,027
R-squared	0.01
F-Test for Significance of Instrument	11.40***

Panel B. Second Stage 2SLS

	All w/o Prod. Liab.	All	Anti-Trust	Civil	Contract	Environ.	Intellectual Property	Labor	Securities	Personal Injury	Product Liability
Instr. Lawyer CEO	-10.226***	-14.108**	-0.279*	-3.822**	-2.164***	-0.327	-0.257	-1.096**	-0.515	-2.350*	-3.297
	(-2.63)	(-2.16)	(-1.80)	(-2.13)	(-3.08)	(-1.51)	(-0.83)	(-2.21)	(-1.43)	(-1.80)	(-0.79)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027	18,027
R-squared	0.01	0.00	0.00	0.02	0.00	0.00	0.01	0.01	0.00	0.03	0.00

Table 5. The Effect of Lawyer CEO on Market Reaction around Shocks to Litigation Environment

This table reports differences in cumulative abnormal returns (CARs) surrounding the passage of Sarbannes-Oxley Act (2002) between firms with and without CEOs with legal training. Lawyer CEO is an indicator variable for a CEO with legal expertise. The Cumulative Abnormal Returns (CARs) are computed by cumulating market adjusted returns on five key event dates on the timeline of the Act's passage following Karpoff, Lee and Martin (2008). The control variables are the same as in the baseline regression reported in panel A of Table 2. *t*-statistics are reported in parentheses below the estimates. ***, **, * indicate statistically significance at the 1%, 5%, and 10% level, respectively.

Panel A. T-tests

	CARs around Sarbannes-Oxley Passage	
	All	W/o Pres. Bush Signing
Lawyer CEO	0.014**	0.016***
	(2.19)	(2.89)
Non-Lawyer	-0.009***	-0.009***
	(-3.07)	(-3.48)
Diff.	-0.023***	-0.025***
	(-3.24)	(-4.09)

Panel B. OLS Regressions

	CARs around Sarbannes-Oxley Passage	
	All	W/o Pres. Bush Signing
Lawyer CEO	0.013**	0.015***
	(1.98)	(2.66)
Controls	Yes	Yes
Industry FE	Yes	Yes
Observations	939	939
R-squared	0.18	0.22

Table 6. Future Board of Directors Composition

This table presents the results of OLS regressions estimating the relation between the CEOs with legal training and the future proportion of lawyers on the board of directors. Lawyer CEO is an indicator variable for a CEO with legal expertise. All control variables are defined in Appendix A and are lagged by one year. *t*-statistics are computed using standard errors corrected for clustering of observations by firm and are reported in parentheses below the estimates. ***, **, * indicate the coefficient statistical significance at the 1%, 5%, and 10% level, respectively.

	% of Lawyers on Board		
	t + 3	*t* + 2	*t* + 1
Lawyer CEO	0.219***	0.223***	0.262***
	(3.98)	(4.75)	(4.81)
% Dir. Lawyers (*t* - 1)	0.433***	0.489***	0.503***
	(6.88)	(7.19)	(7.94)
Log TA	0.007	0.003	0.011
	(0.83)	(0.29)	(1.36)
ROA	0.016	0.033	-0.030
	(0.19)	(0.48)	(-0.46)
MB	-0.002	-0.002	-0.003
	(-0.98)	(-1.34)	(-1.56)
Leverage	-0.044	-0.014	-0.020
	(-0.68)	(-0.25)	(-0.35)
Return	0.017	0.005	0.002
	(0.68)	(0.28)	(0.10)
Volatility	0.394*	0.090	0.110
	(1.83)	(0.60)	(0.69)
Age	0.000	0.002	-0.002*
	(0.13)	(0.92)	(-1.69)
Industry FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	311	341	356
R-squared	0.58	0.58	0.61

Table 7. Market Reaction to Earnings Announcements.

This table reports the effect of CEO legal training on cumulative abnormal returns (CAR (-1,0) and SCAR(-1,0)) around earnings announcements. The returns are computed using the market model. Lawyer CEO is an indicator variable for a CEO with legal expertise. The control variables are defined in Appendix A and Log TA, ROA, MB and Leverage are lagged one year. *t*-statistics are reported in parentheses below the estimates. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	CAR (-1,0)	SCAR (-1,0)
Lawyer CEO	-0.002**	-0.063**
	(-2.31)	(-2.29)
Log TA	-0.001**	-0.010
	(-2.48)	(-1.54)
ROA	-0.002	0.013
	(-0.62)	(0.24)
MB	-0.000**	-0.005**
	(-2.08)	(-2.57)
Leverage	0.004**	0.110**
	(2.41)	(2.03)
Return	-0.008***	-0.209***
	(-10.70)	(-12.85)
Volatility	0.021***	0.147
	(2.71)	(1.30)
Age	0.000	0.000
	(0.96)	(0.26)
Tenure	-0.000	-0.001
	(-1.61)	(-1.18)
SUE	0.003***	0.114***
	(27.91)	(30.10)
Q4	0.001	0.043**
	(0.95)	(2.48)
Negative earnings	-0.001	0.046*
	(-0.66)	(1.67)
Turnover	0.000	0.005
	(1.03)	(0.99)
Industry FE	Yes	Yes
Year FE	Yes	Yes
Observations	69,858	69,858
R-squared	0.043	0.051

Table 8. Earnings Management

This table presents the results of OLS regressions estimating the relation between the CEOs with legal training and earnings management. Earnings management is measured by absolute discretionary actuals and three components of real earnings management (REM): Cash Flow, Discretionary Expenses and Production Costs. Lawyer CEO is an indicator variable for a CEO with legal expertise. REM Proxy is the aggregation of all three measures. All control variables are defined in Appendix A and are lagged by one year. *t*-statistics are computed using standard errors corrected for clustering of observations by firm and are reported in parentheses below the estimates. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	Earnings Management				
	Discretionary Accruals	Cash Flow REM	Discretionary Expense REM	Product Costs REM	REM Proxy
Lawyer CEO	0.002	0.004	-0.008	-0.006*	-0.008
	(1.10)	(1.01)	(-0.68)	(-1.65)	(-0.94)
High Lit. Ind.	-0.000	0.002	-0.010	0.010	0.020
	(-0.10)	(0.54)	(-0.56)	(1.43)	(0.91)
Lawyer * High Lit. Ind.	-0.012*	0.013	0.113**	-0.043*	-0.149**
	(-1.74)	(1.50)	(2.36)	(-1.96)	(-2.39)
Log Incentive	-0.001**	0.002**	0.005***	-0.000	-0.005***
	(-2.25)	(2.22)	(2.60)	(-0.81)	(-2.86)
MB	-0.002***	-0.005***	0.004	-0.002**	-0.000
	(-3.24)	(-4.17)	(1.39)	(-2.20)	(-0.12)
Log TA	-0.001**	0.004***	0.008***	-0.001***	-0.011***
	(-2.49)	(6.53)	(6.23)	(-4.42)	(-7.50)
ROA	0.039***	0.100***	-0.008	-0.013	-0.107***
	(4.91)	(6.37)	(-0.45)	(-1.40)	(-4.53)
Leverage	0.007	-0.041***	-0.104***	0.024***	0.113***
	(1.56)	(-4.59)	(-4.34)	(3.27)	(5.80)
Age	0.001***	-0.000	-0.002***	0.001***	0.002***
	(4.64)	(-0.12)	(-4.33)	(3.02)	(3.98)
Tenure	-0.000	-0.000	0.001*	-0.000	-0.001
	(-0.56)	(-0.51)	(1.88)	(-1.29)	(-1.31)
Year FE	Yes	Yes	Yes	Yes	Yes
Observations	17,109	17,104	10,940	17,405	17,671
R-squared	0.02	0.03	0.06	0.02	0.06

Table 9. Firm Value

This table reports the results of OLS regressions estimating the relation between CEOs with legal training and Tobin's Q. Lawyer CEO is an indicator variable for a CEO with legal expertise. All control variables are defined in Appendix A and are lagged by one year. *t*-statistics are computed using standard errors corrected for clustering of observations by firm and are reported in parentheses below the estimates. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

		Tobin's Q	
Lawyer CEO	-0.217***	-0.241***	-0.214***
	(-2.91)	(-4.11)	(-2.93)
High Lit. Ind.	0.322***		
	(3.21)		
Lawyer CEO* High Lit. Ind.	0.802**		
	(2.48)		
High Growth Ind.		0.527***	
		(6.81)	
Lawyer CEO*High Growth Ind.		0.887**	
		(2.48)	
Pharma			0.678***
			(4.68)
Lawyer CEO* Pharma			0.942***
			(2.58)
Log TA	-0.220***	-0.205***	-0.215***
	(-7.14)	(-6.68)	(-6.96)
ROA	0.784	0.784	0.791
	(1.35)	(1.35)	(1.36)
Leverage	-0.499	-0.411	-0.503
	(-1.19)	(-0.99)	(-1.20)
Volatility	1.384***	1.237***	1.428***
	(3.20)	(2.95)	(3.27)
Age	-0.018***	-0.015***	-0.018***
	(-5.14)	(-4.38)	(-5.16)
Tenure	0.004	0.005	0.005
	(1.20)	(1.45)	(1.52)
Year FE	Yes	Yes	Yes
Observations	18,013	18,013	18,013
R-squared	0.12	0.14	0.13

Table 10. Firm Investment Policies

This table reports the results of OLS regressions estimating the relation between CEOs with legal training and corporate investment in tangible (INV) and intangible (R&D) assets. Lawyer CEO is an indicator variable for a CEO with legal expertise. All control variables are defined in Appendix A and are lagged by one year. *t*-statistics are computed using standard errors corrected for clustering of observations by firm and are reported in parentheses below the estimates. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	INV	R&D
Lawyer CEO	-0.015**	-0.027***
	(-2.24)	(-2.91)
Log TA	-0.021***	-0.023***
	(-12.39)	(-2.89)
ROA	0.045**	-0.481***
	(2.40)	(-3.28)
MB	0.004***	0.004**
	(8.54)	(2.47)
Leverage	-0.101***	-0.051
	(-5.88)	(-0.71)
Return	0.036***	0.003
	(12.12)	(0.42)
Volatility	0.060**	0.208***
	(2.11)	(2.84)
Age	-0.002***	0.000
	(-5.02)	(0.16)
Tenure	-0.000	-0.000
	(-0.12)	(-0.37)
Industry FE	Yes	Yes
Year FE	Yes	Yes
Observations	16,292	17,463
R-squared	0.323	0.148

Table 11. Return Volatility

This table reports the results of OLS regressions estimating the relation between CEOs with legal training and total (TVOL) and idiosyncratic (IVOL) volatility. Lawyer CEO is an indicator variable for a CEO with legal expertise. All control variables are defined in Appendix A and are lagged by one year. *t*-statistics are computed using standard errors corrected for clustering of observations by firm and are reported in parentheses below the estimates. ***, **, * indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	TVOL	IVOL
Lawyer CEO	-0.051***	-0.042**
	(-2.62)	(-2.23)
Log TA	-0.082***	-0.096***
	(-12.80)	(-13.75)
ROA	-0.624***	-0.666***
	(-5.63)	(-6.28)
MB	0.007***	0.005***
	(3.70)	(2.74)
Leverage	0.194***	0.218***
	(3.29)	(3.80)
Return	-0.012	-0.076***
	(-0.57)	(-4.03)
Age	-0.005***	-0.005***
	(-4.65)	(-4.81)
Tenure	0.001	0.001
	(1.37)	(1.30)
$TVOL_{-1}$	0.670***	
	(51.47)	
$IVOL_{-1}$		0.645***
		(42.10)
Industry FE	Yes	Yes
Year FE	Yes	Yes
Observations	17,227	17,227
R-squared	0.702	0.665