



## Studies in the News

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Featured studies:

### **ECONOMY**

A sample of work by Richard Thaler, winner of the 2017 Nobel Prize in economics

Contents this week:

### **CRIMINAL JUSTICE & LAW ENFORCEMENT**

Police use of big data is potentially beneficial as well as problematic for citizens

### **CULTURE & DEMOGRAPHY**

Determinants of upward mobility in rural America

### **EDUCATION**

63% of LAUSD high school grads enroll in college immediately  
Poll shows strong support for vouchers in CA

### **EMPLOYMENT**

Robots unlikely to replace low- and middle-skill workers anytime soon

### **GENERAL GOVERNMENT**

Pension costs for many California jurisdictions to double by 2030

### **HEALTH**

Small cash incentives could increase likelihood of doctor visits by 56%

### **HUMAN SERVICES**

Characteristics of high- and low-income rural counties

### **SCIENCE & TECHNOLOGY**

Open-access research helps advance science

### **TRANSPORTATION & INFRASTRUCTURE**

High-speed rail projects: an overview of cost-benefit framework

## **ECONOMY**

*Congratulations to Richard Thaler, who was awarded the 2017 Sveriges Riksbank Prize in Economic Sciences, in recognition of his pioneering work in behavioral economics. This week, the California Research Bureau is showcasing a sample of Dr. Thaler's work.*

“Thaler brought to prominence the idea of ‘nudge’ economics, where individuals are subtly guided toward beneficial behaviors without heavy-handed compulsion, the theme of a 2008 book he co-wrote which caught the eye of policymakers around the world.... Together with Professor Cass Sunstein, he argued that society—while maintaining freedom of choice—should actively try to guide individuals in the right direction.... Many of Thaler’s theories have been widely applied by business and government, aiming to get individuals to do a range of actions such as paying parking tickets and getting flu shots.” ([Reuters](#), Oct. 9, 2017).

**“Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias.”** By Daniel Kahneman, Jack Knetsch & Richard Thaler. *Journal of Economic Perspectives*, vol. 5, no. 1 (Winter, 1991) 17 p.

<http://links.jstor.org/sici?sici=0895-3309%28199124%295%3A1%3C193%3AAATEELA%3E2.0.CO%3B2-V>  
[Free registration required]

“Rational models that ignore the status quo tend to predict ‘greater instability than is observed in the world’ ... models that ignore loss aversion predict more symmetry and reversibility than are observed in the world, ignoring potentially large differences in the magnitude of responses to gains and to losses. Responses to increases and to decreases in price, for example, might not always be mirror images of each other.... After more than a decade of research on this topic we have become convinced that the endowment effect, status quo bias, and the aversion to losses are both robust and important. Then again, we admit that the idea is now part of our endowment, and we are naturally keener to retain it than others might be to acquire it.”

**“Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving.”** By Richard Thaler & Shlomo Benartzi. *Journal of Political Economy*, vol. 112, no. 1, pt. 2 (Feb. 2004) 24 p.

<http://faculty.chicagobooth.edu/richard.thaler/research/pdf/smartjpe.pdf>

“People commit in advance to allocating a portion of their future salary increases toward retirement savings.... Our key findings ... (1) a high proportion (78%) of those offered the plan joined, (2) the vast majority of those enrolled in the SMarT plan (80%) remained in it through the fourth pay raise, and (3) the average saving rates for SMarT program participants increased from 3.5% to 13.6% over the course of 40 months. The results suggest that behavioral economics can be used to design effective prescriptive programs for important economic decisions.”

***Overconfidence vs. Market Efficiency in the National Football League.*** By Cade Masey & Richard Thaler. National Bureau of Economic Research. Apr. 2005. 64 p.

<http://www.nber.org/papers/w11270>

“We analyze the decision making of National Football League teams during their annual player draft.... [I]ncentives are exceedingly high and the opportunities for learning rich.... [M]ultiple psychological factors suggest teams may overvalue the ‘right to choose’ in the draft—non-regressive predictions, overconfidence, the winner’s curse and false consensus all suggest a bias in this direction.... We find that top draft picks are overvalued in a manner that is inconsistent with rational expectations and efficient markets and consistent with psychological research.”

## CRIMINAL JUSTICE & LAW ENFORCEMENT

***The Emergence of Big Data Policing.*** By Sarah Brayne. Population Research Center, University of Texas at Austin. Aug. 2017. 3 p.

<http://www.prc.utexas.edu/upload-files/prc-research-brief-2-11-brayne-big-data-policing.pdf>

This brief, based on fieldwork with the Los Angeles County Sheriff’s Department and other agencies, discusses big data analytics and its potential to transform police surveillance practices. “Big data analytics have the potential to reduce bias, increase efficiency, and improve prediction accuracy. However, they

also have the potential ... to reinforce bias and deepen existing patterns of inequality.” The brief finds that data is increasingly used to predict where crime is most likely to occur. People who have no previous interactions with police may still have data in the database. Data integration means a person’s law enforcement contacts can increasingly be seen by non-police users as well.

## CULTURE & DEMOGRAPHY

***Rural Dreams: Upward Mobility in America's Countryside.* By Eleanor Krause, et al. Brookings Institute. Sep. 5, 2017. 23 p.**

<https://www.brookings.edu/research/rural-dreams-upward-mobility-in-americas-countryside/>

“[R]ates of upward mobility in rural counties are generally as high as in urban areas, but there is great variation across these rural counties.... [C]ounties that had the highest rates of upward mobility also had (among other things): higher out-migration rates, particularly among youth and young adults, higher quality K-12 education, improved measures of family stability, and stronger local labor markets.... [T]hree arenas that seem particularly promising for bolstering opportunity in rural America [are to] invest in human capital development, ... ensure rural communities are equipped with basic 21st century infrastructure, ... [and] invest in family planning.”

## EDUCATION

***College Going in LAUSD: An Analysis of College Enrollment, Persistence, and Completion Patterns.* By Meredith Phillips, et al. Los Angeles Education Research Institute. Aug. 2017. 64 p.**

<http://laeri.org/ed/wp-content/uploads/2017/08/laericollegegoing082017.pdf>

“This report describes LAUSD [Los Angeles Unified School District] graduates’ college enrollment, persistence, and completion and how those outcomes vary among graduates from different demographic and academic backgrounds.... Nationally, 68% of 2014 high school graduates enrolled in college in the fall immediately following high school graduation, compared to 63% of LAUSD graduates. Graduates nationally and from CPS [Chicago Public Schools] were more likely than graduates from LAUSD to enroll in four-year colleges immediately after high school (44% and 38%, compared to 26% in LAUSD). However, LAUSD graduates from the class of 2008 earned four-year college degrees within six years of high school graduation at only slightly lower rates than class of 2008 CPS graduates (17% and 21%, respectively), which suggests that beginning at a two-year college and transferring to a four-year college may be a more common pathway to a four-year degree in Los Angeles than in Chicago.”

***California Voters Attach Highest Importance to Creating a Safe and Positive Environment When Evaluating Public Schools.* UC Berkeley Institute of Government Studies. Oct. 5, 2017. 5 p.**

<http://escholarship.org/uc/item/8vz6b98x>

A recent poll finds that Californians feel schools that are safe and create a positive environment are key components in evaluating schools—not necessarily standardized test scores. A majority of those polled support vouchers. “Seven in ten voters (69%) believe low-income families don’t have much choice over which schools their kids can attend. This is leading many voters (55%) to support the idea of providing government subsidies, such as tax credits or vouchers, to low-income families to enable them to send their kids to a private or religious school if they don’t like their public school. Support for offering low-income families subsidies to send their kids to a private or religious school is bipartisan, and increases to 69% among the parents of school-age children.”

## EMPLOYMENT

***The Future of Skills: Employment in 2030.*** By Hasan Bakhshi, et al. Pearson. Sep. 2017. 124 p.  
[https://www.nesta.org.uk/sites/default/files/the\\_future\\_of\\_skills\\_employment\\_in\\_2030\\_0.pdf](https://www.nesta.org.uk/sites/default/files/the_future_of_skills_employment_in_2030_0.pdf)

**Introduction:** <https://futureskills.pearson.com/#/homescreen>

“The future of the labor market may not be as automated and job-crushing as previous research has suggested.... the jobs of tomorrow are likely to be more technically demanding than they are today but won't disappear entirely.... Only one in five workers is currently employed in an occupation that faces a 'high likelihood of decline' between now and 2030.” While teachers, animal care workers, engineers, and social scientists are among the jobs that will experience increased demand, the research also suggests that wood, printing and metal workers as well as other manufacturing and production jobs are the least likely to experience increase demand. ([U.S. News](#), Sep. 28, 2017).

## GENERAL GOVERNMENT

***Pension Math: Public Pension Spending and Service Crowd Out in California, 2003-2030.***

By Joe Nation. Stanford Institute for Economic Policy Research. Oct. 2, 2017. 193 p.

<https://siepr.stanford.edu/research/publications/pension-math-public-pension-spending-and-service-crowd-out-california-2003>

“The new report assesses pension spending for a sampling of 14 California government agencies, including state government. Nation wrote that state spending on pensions is expected to rise from \$8.5 billion this year to \$17.3 billion in 2029-30. Nation found pension costs outpacing growth in projected revenues across the board. That leaves government agencies less room for amenities like parks, social services and, in some cases, the ability to hire new employees to replace retiring workers.... Nation's report adds to a drumbeat of recent complaints from local government leaders about rising pension costs.” ([Sacramento Bee](#), Oct. 4, 2017).

## HEALTH

**“Small Cash Incentives Can Encourage Primary Care Visits by Low-Income People with New Health Care Coverage.”** By Cathy J. Bradley, et al. *Health Affairs*, vol. 36, no. 8 (Aug. 2017) 9 p.  
<http://content.healthaffairs.org/content/36/8/1376.full> (Available at the California State Library)

“We found that small cash incentives can encourage low-income people with newly obtained health care coverage to visit a primary care provider. Subjects were more responsive to higher incentives: Relative to the \$0 incentive group, the \$25 and \$50 incentive groups were 36% and 56% more likely to visit a provider.... Cash incentives appear to be effective at increasing primary care use among low-income patients. If the use of primary care is shown to reduce overall health care use and improve health in this high-cost population, cash incentives may be a cost-effective way to steer low-income patients away from more expensive services and help them establish a relationship with a primary care provider. This approach may be particularly effective for people newly offered health care coverage, regardless of whether that coverage is through the safety net or insurance.”

## HUMAN SERVICES

***Employment, Poverty, and Public Assistance in the Rural United States.*** By Rebecca Glaube, et al. Carsey Research. Sep. 7, 2017. 10 p.

<http://scholars.unh.edu/cgi/viewcontent.cgi?article=1313&context=carsey>

This brief compares affluent to less affluent rural counties in the nation. Key findings include: “1) Nearly 75% of low-income rural counties in the United States are in the South; 2) 27% of people living in very-low-income rural counties are black, compared to just 1% in very-high-income rural counties; 3) Compared to lower-income rural counties, higher-income rural counties have a larger share of immigrants but a smaller share of non-native speakers; and 4) People living in poorer rural counties rely more heavily than those living in more well-off rural counties on public-sector supports, and they are less likely to work.”

## SCIENCE & TECHNOLOGY

***Science is Shaped by Wikipedia: Evidence from a Randomized Control Trial.*** By Neil Thompson, et al. MIT Sloan Research Paper No. 5238-17. SSRN. Sep. 20, 2017. 42 p.

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3039505](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3039505) (Available from the California State Library)

This study finds that when academic research is incorporated into Wikipedia articles and other open-access sites, the research is more likely to be included in future scientific literature than if it existed behind a paywall. The results suggest that provision of data in an accessible format is a cost-effective way to advance science, making it more equitable and inclusive. “The authors find that, for a typical article in the field, Wikipedia is influencing one word in every three-hundred. The effect is also stronger for developing countries where scientists may have less access to traditional science journals.” ([Phys.org](http://Phys.org), Oct. 4, 2017).

## TRANSPORTATION & INFRASTRUCTURE

***Framework for Assessing the Return on Investment from High-Speed and Intercity Rail Projects.*** American Public Transportation Association. Aug. 28, 2017. 8 p.

<http://www.apta.com/resources/reportsandpublications/Documents/HSR-ROI-2017.pdf>

Using case studies, this paper provides a high-level overview of the means to analyze the full scale of rail infrastructure costs. “There are several ways to view and measure the benefits of high-speed and intercity passenger rail projects and systems. However, to get a complete picture of rail project or system benefits (and costs), it is critical to recognize that there are effects on different parties that also occur at different spatial scales (spanning local, regional and national views). To capture these effects, it is necessary to draw from a combination of analysis methods including benefit-cost, economic impact, and social impact.”

### ***About the California Research Bureau***

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