

## Writing Assignment 1

## Economics 304

1. A textbook definition (literary from a textbook) of equilibrium is that it is a situation in which everyone is simultaneously optimizing, so nobody would benefit personally by changing his or her own behavior. In general, incentives on both sides of a transaction / decision determine an equilibrium (predicted outcome).

Listen to the podcast below from “People I Mostly Admire” where one of our textbook authors, Steve Levitt, interviews Marina Nitze. About 25 minutes into the podcast they delve into a discussion about diabetes. I want you to think about how the incentives of the physician and the patient (diabetic) might lead to a typical outcome, what we call equilibrium. Explain the economic intuition of how incentives are leading to an (or multiple) equilibria.

In particular, in a paragraph *each* (at least 3 paragraphs total) explain the economic incentives facing the physician, the patient and how these incentives together give lead to equilibrium outcome(s). You will be graded on the clarity of your writing (i.e. grammar, etc.) and the quality of the economic ideas you lay out.

<https://freakonomics.com/podcast/pima-marina-nitze/>