

Economics 251: Price and Allocation Theory
Reading Guide: “Paying Not to Go to the Gym”

We’re only going to read up to the start of Section III on page 54 of the coursepack (page 706 in the published version of the article). After reading this section of the paper, answer the following questions:

1. What types of membership contracts are offered by the gyms studied in the article?
2. What different types of data do Professors DellaVigna and Malmendier use in their analysis?
3. According to the authors, which types of people should choose the flat-fee contract over the pay-per-visit contract? Who should pay more on a per-visit basis?
4. Does the empirical evidence support this theoretical prediction?