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Can Financial Incentives Help People Trying to Establish New Habits? Experimental Evidence with New Gym Members

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ABSTRACT

Can financial incentives aid habit formation in people attempting to establish a positive health behavior? We provide evidence on this question from a randomized controlled trial of modest-sized incentives to attend the gym among new members of a fitness facility. Our experiment randomized 690 participants into a control group that received a \$30 payment unconditionally or one of 3 incentive groups that received a payment for attending the gym at least 9 times over the first 6 weeks of membership. Two incentive treatment arms offered monetary payments of \$30 and \$60. The third incentive treatment, motivated by the endowment effect, offered a physical item worth \$30. All three incentives had only small impacts on attendance during members' first 6 weeks and no effect on their post-incentive visit trajectories. We document substantial overconfidence among new members about their likely visits and discuss how overconfidence may undermine the effectiveness of incentive programs.

JEL codes: C93, D3, I12

Keywords: exercise, incentives, endowment effect, overconfidence

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