

Selective Memory Equilibrium

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Abstract :

We study agents who are more likely to remember some experiences than others but update beliefs as if the experiences they remember are the only ones that occurred. We show that if the agent's behavior converges, their limit strategy is a selective memory equilibrium. We illustrate how this new equilibrium concept can be used to understand the long-run effects of several well-documented memory biases. We then extend our analysis to cases where the expected number of recalled experiences is bounded. Here we characterize the long-run action frequencies that can arise.