

A memory premium in choice

Abstract

We explore the role of memory for choice behavior in unfamiliar environments. Drawing on a unique data set, we document that decision-makers exhibit a ``memory premium." They tend to choose in-memory alternatives over out-of-memory ones, even when the latter are objectively better. Consistent with well-established regularities regarding the inner workings of human memory, the memory premium is associative, subject to interference and repetition effects, and decays over time. Evidence from a laboratory experiment implies that the memory premium arises because individuals rely on their memory to prioritize alternatives that warrant careful consideration.