

Experimental effects of regulation of money illusion

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Methodology

Goal: To find the factors of regulation of the MI.

Object: Influence of the use of the computational tools (calculator) and communications (discussion in pairs) on the manifestation of MI.

As a measurement of MI, we established the willingness to buy products at discounts, offered by the entity in national currency (AMD) and often used in Armenia foreign currency (USD).

MI coefficient was calculated by the suggested average price as a percentage of USD/AMD division.

Study 1: We measured the change in the assessment of the goods prices by the subject and MI coefficient **after using the calculator.**

Study2: We measured the change in the assessment of the goods prices by the subject and MI coefficient **after discussion in pairs of the trade offers.**

We measured also the **decision-making style** of the subjects in system MBTI.

Results & Discussion

The results of the Study 1 did not show statistically significant difference between the MI without calculator ($M=1,857$) and MI with calculator ($M=1,964$); $p=,748$. The results allowed concluding that MI, after the use of the computational tool, did not change, and is a more stable phenomenon.

The results of the Study 2 show statistically significant difference between the MI ind. ($M=1,76$) and MI com. ($M=1,38$) $p=,001$. These results indicate that communication between two economic agents during purchasing decision making significantly reduces the coefficient of MI and leads to overcome it. Economic agents are willing to pay in foreign currency (by significantly higher exchange rate) of almost as much on their own currency.

We also tried to make known the dependence of different changes of the MI in decision making styles in system of MBTI. ANOVA analysis revealed the MI ind./MI com. average difference in the styles NT and SJ ($1,08$; $p=,000$), NF and SJ ($1,02$; $p=,000$).

Thus, the decision-making style NT and NF can be considered more prone to reduce MI in communication (discussion in pairs).

Abstract

Money illusion is one of the most interesting psychological phenomena of the consumer behavior due to the heuristic characteristics of the decision making. Many features of this phenomenon are not studied especially in the area of its reduction and overcome. In this thesis we present the main results of the experimental effects of the regulation of money illusion by means of the use of computational tools (calculator) and communications (discussion in pairs).

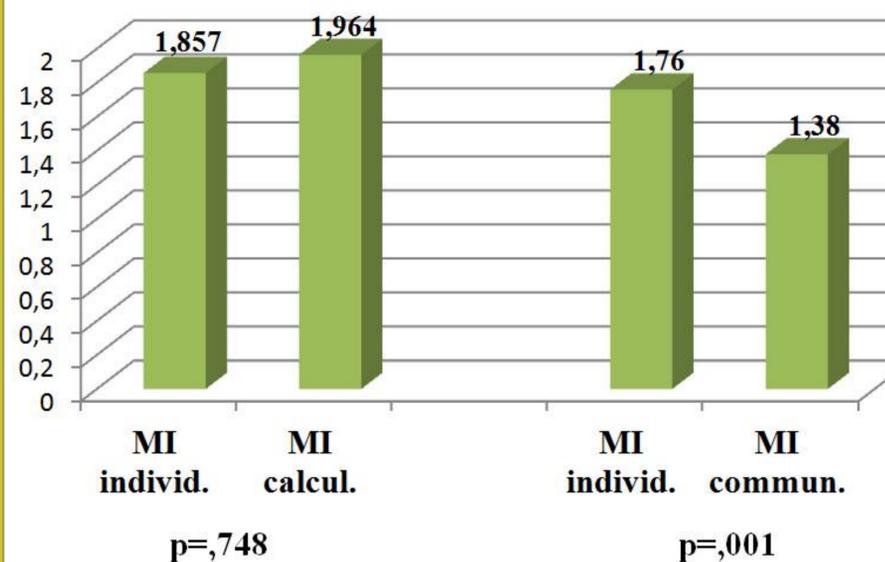
Also we have identified the personality types of decision making more prone to overcoming money illusion in the discussion in pairs.

Theory

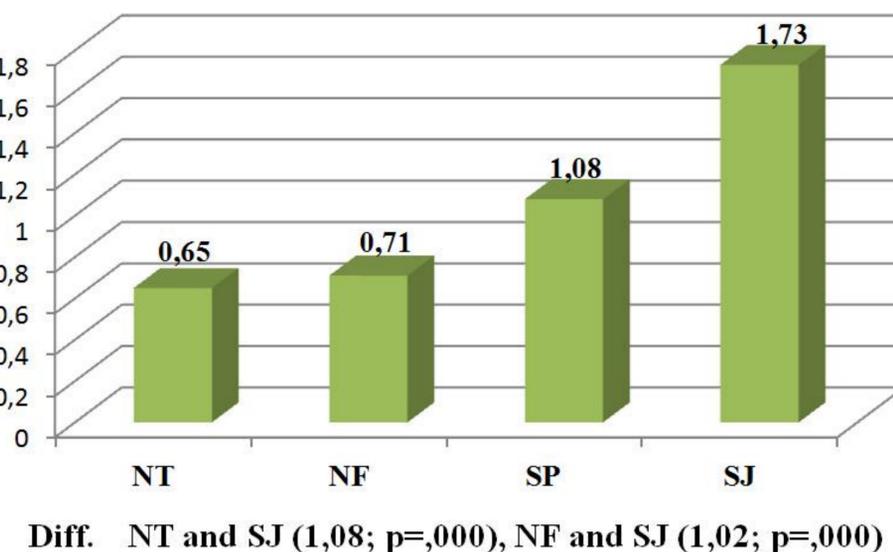
Money illusion (later MI) is a tendency to perceive the nominal value of money and not their real monetary values. The term was first introduced by Fisher (Fisher, 1928). Raghurir, P., & Srivastava, J. studied the different consumer behavior of the U.S. citizens in Canada and the UK, although they are aware of the exchange rates. The results of their research proves that people tend to unspent, if foreign exchange rate is significantly lower and overspent, if the foreign exchange rate is significantly higher than the rate of their own country. The authors modeled the role of time pressure and experience in the regulation of money illusion (Raghurir, P., & Srivastava, J., 2002). Gamble, A., Gärling, T., Charlton, J.P. & Ranyard appears that MI was weaker or absent for essential high-price goods or services (Gamble, A. & other 2002). Tyszka T. & Przybyszewski K. studied "emotional attachment to currencies" and "the level of gains and losses" as cognitive and emotional factors affecting the perception of the exchange rate. (Przybyszewski K. & Tyszka T., 2006).

The interesting in the all reviewed research is that there are studied the external factors of perception of money, or the general laws of mental perception, but in doing so they do not offer the ways or methods to overcome or reduce the MI and adequate perception of the exchange rate (except the experience).

MI coefficient



MI com./MI ind.



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