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The Numbers Went Up but Life Got Tighter: Money Illusion

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When the number on your pay slip is bigger than last year, anyone feels good. But if grocery prices rose even more in the same year, the bigger paycheck actually buys fewer things. The number grows while the household budget gets tighter, a strange situation indeed. Even so, many people look only at the higher number and feel they are better off. The term that explains this tendency to be fooled by the surface of money is “money illusion.” Simply put, money illusion means “the mistake of judging gains and losses by the amount written on money, that is, the nominal amount, rather than by its ac