

The Financial Expert of Malgudi
by
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What and where is Malgudi, and why does it have a financial expert? Surely financial experts (and financial schemers) are found in huge hubs like Wall Street or Mumbai.

Malgudi is a fictitious South Indian town that is the setting for many novels and short stories by R. K. Narayan. The subject of my essay, *The Financial Expert*, is a novel set in the late 1930s and early 1940s. Its central character is Margayya – “he who shows the way” – variously a scribe, a small-scale intermediary moneylender, and publisher of a sex manual. He acquires wealth from the last of these ventures, and uses that money to launch a banking cum Ponzi scheme that inevitably comes crashing down on his head. Narayan relates all this, blended with accounts of life in a small south-Indian city and of feuds in an Indian extended family, in simple, sparkling and charming prose and with a gentle touch of humor and irony – features which characterize all of Narayan’s writings.² Here is his sketch of Margayya’s financial expertise, perhaps better called naïveté, in one short paragraph:³

“There was probably no other person in the whole country who had meditated so much on the question of interest. Margayya’s mind was full of it. Night and day he sat and brooded over it. The more he thought about it the more it seemed to him the greatest wonder of creation. It combined in it the mystery of birth and multiplication. Otherwise how could you account for the fact that a hundred rupees in a savings bank became a hundred and twenty in course of time? It was something like the ripening of corn. Every rupee, Margayya felt,

¹ I thank Jean-Philippe Platteau for perceptive comments and suggestions on an earlier draft.

² Graham Greene, who championed Narayan and his writings in the west, compared him to Chekov. Other famous writers and reviewers have compared him to Nicolai Gogol, O. Henry, Guy de Maupassant, William Faulkner, and others. The sheer variety of these comparisons proves what Narayan was: uniquely Narayan. A good short account of his life and works is in the Wikipedia article, [https://en.wikipedia.org/wiki/R. K. Narayan](https://en.wikipedia.org/wiki/R._K._Narayan) .

³ I will offer a few more quotes illustrating Narayan’s light and deft touch in the pages that follow.

contained within it seed of another rupee and that seed within it another seed and so on and on to infinity. It was something like the firmament, endless stars and within each star another firmament and within each one further endless ... It bordered on mystic perception. It gave him the feeling of being part of an infinite existence.”

THE STORY

Margayya starts out in the novel as a kind of intermediary among the members of the town’s “Central Cooperative Land Mortgage Bank”. Many banks of this kind were established around India in the early decades of the twentieth century, to encourage saving and to make loans available at reasonable rates to its member depositors. Margayya sits under a banyan tree across the street outside the bank, and makes himself available to all the customers who visit the bank, usually to apply for loans. The maximum amount one can borrow depends on the size of one’s account and one’s track record of repayment instalments of previous loans. Many people need to borrow more than their entitlement, often for the expense and dowry payment for marriages of their daughters. In such situations Margayya entices someone else with spare borrowing capacity to use it, and to re-lend that money, at a much higher interest rate, to the one in need, charging a commission for his services. He knows all the intricacies of the bank’s rules, so he can maximize the total of his clients’ borrowing capacity. On occasion he extends his own small loan, of course at interest, to a person who can then make partial repayment of one loan from the bank, just enough to unlock a much bigger new loan to be re-lent as described above. The outcome of all these transactions following the “way” Margayya “shows” is that his customers spend a lot by borrowing at high rates, thus defeating the very purpose of the cooperative bank, which was to encourage thrift and deter usurious lending! Margayya keeps the details of deposits and borrowings of many members of the bank in his head, so he knows from whom he can obtain the funds and who might need them, and keeps records of his transactions in an account book, so he can ensure payment from the borrowers (by personal and social pressure, not based on any formal contracts or recourse to formal law). He also

keeps on hand a supply of blank loan application forms, and fills them for his usually illiterate clients, again charging a fee for this service.

The family house is partitioned between Margayya and his older brother. The two families are “on throat-cutting terms”, and the brother is doing better financially. That, and various humiliations he suffers from the employees of the bank, drive Margayya to the limits of his frustration and anger. He comes to the conclusion that if only he has a lot more money, he will get respect from the likes of the bank officer, and not have to shirk from tradesmen to whom he owes money. He would buy good material things for his wife and a good education for his son. But fate takes away even his meager livelihood of small-scale lending and intermediation.

Margayya has only one child – Balu, an utterly spoiled boy. But one day when Margayya is busy with his account book at home, Balu interferes and annoys him too much. In the resulting fracas, Balu grabs the account book and throws it into a gutter outside the house running with dirty water, and it disappears down the drain. This is a disaster for Margayya. Without written evidence of loans he had provided, many of his customers weasel out of what they owed him. (Lesson for other financial intermediaries: keep back-up copies. ☺)

He goes to the local temple of Lakshmi – the goddess of wealth – and has his horoscope examined by the priest, who tells him that his misfortune is caused by bad influence of Saturn, so he should go to another temple with planetary deities, to propitiate Saturn with an offering of honey to its priest. (I wonder: do priests have a cross-referral system to maximize incomes in cash or kind for the whole priestly tribe, as medical and legal specialists seem to? ☺)

He also has to perform ritual prayers (puja) to Lakshmi for forty days. The materials needed for that include a red lotus flower obtainable only from a remote spot outside town. While getting it, he meets Dr. Pal, a journalist who also claims to be a psychologist and sociologist, and author of a manuscript titled *Bed-Life, or the Science of Marital Happiness*. We are not given details, but it is clear that the book would be regarded as pornographic by the moral standards of Indian society of that time. Pal expects to sell 100,000 copies year after year at 1 rupee each. The sum, 100,000 rupees, is staggering for Margayya, who made only about 200 rupees each month in his now-collapsed business. For whatever reason, and in one of the

weirdest scenes of negotiation I have read in literature, Pal gives the manuscript to Margayya to print and sell, for only 25 rupees. Margayya takes it to a printery, whose owner Madan Lal reads it with fascination, but worries that “if it comes under the obscenity law ... they may put us both in prison.” Margayya repeats the assurance that Pal had given him: “It’s not obscene. It’s a work of sociology.” Finally Lal agrees to publish it if the title is changed to *Domestic Harmony*, if he is indemnified against any legal action, and given a 50% share of the profits.

Of course the book is a great commercial success. Margayya becomes rich, and a well-regarded man in Malgudi with a confident swagger. I guess Saturn moved away from the bad place in Margayya’s horoscope, and Lakshmi answered his prayers! ☺ There is even some reconciliation with his brother. Balu is doing very badly in school, but Margayya uses his money and influence to secure for himself a place on the school board. He also hires one of the school’s teachers as a private tutor for his son. Naturally Balu’s grades improve! Even better, he strikes a bargain with the teacher “by which the teacher himself should do all the sums and not bother Balu except to the extent of showing him what marks he had obtained for them.”

After a few years Margayya gets fed up with the printing business, and a little ashamed of being known as the publisher of *Domestic Harmony*. He also develops his theory of money and interest, which I quoted above. After two days of convoluted negotiations with Madan Lal, where each party pretends to be doing the other a favor and secretly believes himself to be getting a great bargain, he agrees to sell his share in the book for a lump sum. He uses this to start a lending business, at high interest rates against dodgy securities that no bank would touch, and then seizes the assets when the borrowers cannot keep up the interest and repayments. He connects up again with Dr. Pal, who helps him find an office, and is eventually hired to help in a new line of expansion of Margayya’s business – to attract deposits from people who have become rich in the wartime economy, by promising high interest rates.

He lives a life of affluence and even develops a paunch, although he remains in his old small partitioned-house home and has his wife do the cleaning and cooking. But family life hits a big bump – Balu flunks his high school graduation examination (administered by a state board beyond Margayya’s ambit of corrupt control). There go Margayya’s dreams of sending Balu to college and then to further studies in Europe or America! Angry at his father’s recriminations,

Balu walks out of the home. He is next heard of as having died in Madras. Margayya rushes there, but fortuitously on the train meets a police officer who investigates and finds that the letter about Balu's supposed death was sent by a rich but crazy man who had employed him, and who sends many such letters, as well as letters (saying what, we are not told) to Roosevelt, Stalin, Churchill, and others. The policeman also locates Balu, and Margayya promises Balu total freedom upon his return home. He and his wife spoil Balu even more than before; Balu takes full advantage of his newfound power and "devote[s] himself to the art of cultivating leisure".

Margayya decides to arrange a marriage for Balu. His wealth enables him to conceal his low-caste ancestry, and attract proposals from many rich families, including the owner of a tea-estate whose daughter has the necessary qualities: good looks and the prospect of a large dowry.⁴ The girl's and Balu's horoscopes don't match due to some misalignment of stars in the latter, but money enables Margayya to buy services of an astrologer who "rearrange[s] the stars of Balu to suit the circumstances". Margayya gives Balu a house, which he had acquired by foreclosing on a mortgage, in a good part of the town.

Margayya's deposit-taking business flourishes. He offers twenty percent interest rates, claiming that his other business earns him twenty-five. Everyone in Malgudi wonders how he does it. Banks are puzzled; they are losing deposits to him. He is believed to be a wizard. "But the fact was there that he seemed to need new clients each day. ... [He] calculated: 'If I get twenty thousand rupees deposits each day and pay fifteen in interest, I have still five thousand a day left in my hands as my own'." So the wizardry was just a classic Ponzi scheme. At the end of each day he takes home the money "left in his hands as his own," counts it, and locks it up in a safe, presumably so that each rupee note can release the seed inside it to grow into another rupee! He obsesses over the business so much that his health starts to suffer.

⁴ I was reminded of Lady Bracknell in *The Importance of Being Earnest*: "A hundred and thirty thousand pounds! And in the Funds! Miss Cardew seems to me a most attractive young lady, now that I look at her. Few girls of the present day have any really solid qualities, any of the qualities that last, and improve with time." ("Funds" refers to British government securities, which were very safe investments in Victorian times, much like U.S. Treasury bonds today.)

Then one day Balu comes to Margayya's office and demands half of all that wealth as his share, claiming that it grew out of ancestral property, therefore he is entitled to it on attaining his age of majority. Perhaps he was put up to this by Dr. Pal, who has gotten pally with him and has introduced him to the world of wine, women and song. Margayya, worrying about Balu's demand all evening, goes to his house late at night, and discovers that Balu is not home yet, he is with Dr. Pal gambling, drinking and cavorting with girls, that this is a frequent occurrence, and that his wife is miserable about it. (I wonder if this carries a lesson: don't manipulate what horoscopes say about misalignment of a prospective couple's stars; else it will end badly? 😊) Then he sees Balu arrive home in a car driven by Dr. Pal, with two girls. Margayya pulls Dr. Pal out of the car and beats him up quite severely.

Dr. Pal goes to the police and lodges a complaint for assault against Margayya. He also talks to his friends about the incident and asserts that Margayya has gone crazy. When the news gets around, Margayya's investors start to demand their deposits back. The Ponzi scheme quickly collapses. Margayya has to declare bankruptcy. The house in which he and his brother live cannot be attached, but all other assets are seized, and Balu and his family are thrown out of their house, back to the small half-house where Margayya lives.

Margayya offers Balu what remains of his inheritance from "ancestral property" – the tin box in which he kept his ink, pen and paper to take every day to his place under the banyan tree in front of the cooperative bank – and tells him: "Go there, that is all I can say. Anything may happen thereafter." But Balu won't: "What will people think?" So Margayya decides to go back to his old work himself. The world has come full circle for him!

Narayan draws Margayya as a complex character: a mixture of shrewdness and naïveté, intelligence and stupidity, pride and humility, self-confidence and timidity. His depiction of the galaxy of Malgudi characters – Margayya's wife and son, the bank's officer and his peon, the priest, the printer, and above all Dr. Pal – is as varied and as brilliantly brought to life as the galaxy of New Orleans characters surrounding Ignatius Reilly in John Kennedy Toole's *A Confederacy of Dunces*. He sketches and evokes the whole atmosphere of a small city in the south of India in mid-twentieth century with a deft touch. The set-piece scenes of negotiations

between Margayya and Dr. Pal, Margayya and Madan Lal, and Margayya and various borrowers and depositors, are amusing in the strategies and language used by the parties. And all this is set in the context of economic and business activities of Malgudi's residents, making the book especially interesting to us economists. In all, a book to be read, enjoyed, re-read, and remembered.

THE ECONOMICS

Of the inferences and lessons readers can draw from the novel, most should be evident to economists, but some they may not have thought about, and others they can use for informing general readers and teaching students. Of course there is the main theme of Margayya's Ponzi scheme, which collapsed as they all do sooner or later, but in a different way than most. The usual end is when the new customers become harder and harder to acquire, and the schemer does not get enough new money to pay interest to the older depositors. But in this case it was an unrelated event that triggered a tsunami of withdrawal demands. Perhaps a similar incident (in the setting of a more legitimate bank than Margayya's) occurs in the movie *Mary Poppins*. Michael, the small boy who is one of the main characters in that story, is visiting his father at the bank where he works, and is carrying two pennies to buy a bag of nuts to feed the birds in Trafalgar Square later. The father's boss tries to persuade Michael to deposit the money in the bank where it will grow, and when the boy resists, grabs the coins from him. Michael shouts: "Give me back my money." Some customers who are in the bank for their own businesses overhear this, misinterpret it, think that the bank won't allow a withdrawal so it must be in trouble, rush to withdraw their own money, and of course cause a bank run. These are nice illustrations of a general lesson from economics and game theory: coordination games usually have two equilibria. Here if everyone believes that the bank is safe, they keep their deposits intact and the bank is indeed safe; if people start to believe that the bank is in trouble, they rush to get ahead in the queue to withdraw their money, and the bank goes bust. And it is

usually easier to flip from the “good” equilibrium to the “bad” one than vice versa. As Vergil said, *facilis descensus Averno*.⁵

Economists surely notice that Margayya’s “intermediation” between the customers of the Cooperative Bank, encouraging those with spare borrowing capacity to use it and then lend the money at high interest rates to others who can then spend more, goes to undermine the very purposes of the bank, namely to encourage saving and prevent usury. Such unforeseen consequences plague and defeat many economic policies. For example, rules concerning taxation and tax-deductibility of interest payments, different depreciation schedules for different asset classes etc., even though each may be sensible on its own, can be combined to reduce or even eliminate many personal and corporate tax liabilities. Governments should try to foresee such possibilities. My most important advice to every policy-making department is to appoint a small group of extremely smart young people to act as devil’s advocates, or like the “red team” in war gaming. Every new policy proposal should be given to them to take apart and examine whether and how it can be arbitrated and nullified, or exploited for private gain at public cost, by itself or in combination with other existing policies.

Another noteworthy point for economists is the corruption involved in Balu’s schooling. Corruption in India’s school system is well known. Public schools are of low quality due to corruption in the construction of buildings, choice of textbooks, appointment of teachers, absenteeism of teachers, ... the list is almost endless. The process of licensing and accreditation of private schools has its own corruption. “Tutorial” or “coaching” classes can be profiteering and narrowly tailored to tests and add their element of corruption in acquiring and selling examination questions. The process of grading answers is often corrupted.⁶ Margayya’s actions add another feature – corruption initiated by parents to get their children admitted, promoted from one grade to the next, and eventually graduated. This is corruption initiated by the

⁵ Aeneid, 6:126.

⁶ Good but journalistic accounts can be found in <https://www.educationworld.in/dirty-dozen-corrupt-practices-destroying-indian-education/> and <https://www.hindustantimes.com/india-news/rot-in-education-students-suffer-as-corruption-politics-plague-the-system/story-cNnB8ZoPgXpbVnrZjy0nIM.html> . The latter shows a photograph of relatives standing at windows outside the building to pass answers to examination candidates inside.

demand side of education, rather than the more common corruption within, or initiated by, the education establishment, i.e. the supply side. The latter seems rare in more advanced countries, but the former exists: the admissions scandal that erupted in 2019 in the United States involved some rich and famous parents paying large sums to get their children admitted to high-ranking colleges and universities including Georgetown, Stanford, UCLA, and Yale. An interesting twist there was to bribe coaches of sports and athletic teams, who would then admit the children falsely as part of their quotas for highly skilled athletes.⁷

I mentioned the complexity of Margayya's character. Such complexity is common to most human beings. Economics used to ignore most of these aspects and focused on a narrow picture of Homo Economicus: rational maximizers of a consistent and clear objective, usually a utility function that included their own consumption of material goods and services, sometimes extended to include dynastic concerns for their descendents' utilities. Margayya does have such a Homo Economicus in his personality. He wants money for the things it will buy him and the things and education it will buy his son, and is willing to work hard and long hours to achieve these aims. But he also wants money for the respect it will earn him, so he won't be insulted by the Cooperative Bank's secretary and his peon, so he can get the upper hand in dealing with his brother's family that lives in the other half of the family house, and so on: "He saw offices and shops opened and people sweating and fatiguing themselves, all for money. ... Cars were being driven towards Lawley Extension.⁸ Huge cars. He watched them greedily. 'If I have money, I need not dodge that spectacle dealer. I need not cringe before that stores man. ... I could give those medicines to my wife. ... That Balu, I could give him everything.' He would grow into an aristocrat. ... He would buy another bungalow in Lawley Road for his son".

If Margayya's motives and actions are complex, those of Dr. Pal are even more so. In his first meeting with Margayya he seems an other-worldly habitue of a temple in the forest, finding it a peaceful place for his writing. He claims to be following the thousand-year-old tradition of Vatsyayana, who wrote the *Kama Sutra*. He stresses that it is a work of sociology,

⁷ See the account in https://en.wikipedia.org/wiki/2019_college_admissions_bribery_scandal.

⁸ A newer and richer part of Malgudi.

and his aim is “to create happiness in this world. ... I want to serve mankind with my knowledge.” Although he believes his book will be a huge best-seller – “there will be such a clamor from humanity for this stuff that ultimately every human being will want to own a copy. ... [T]he population of India is three hundred and sixty million. ... If every man parts with a rupee, see where you are.” – he says “I’m a man who cares for work, human relationships, and service to mankind. Money comes last in my list. ... Let a man come to me as a friend and hold out his hand, the book is his.” He offers the book and all its rights to Margayya: “ ‘Do whatever you like with it’ said Pal magnificently, ‘Give me what you have in your pocket. I will take it in exchange.’ ” Surely Pal cannot have expected Margayya to have much money in his pocket, and it turns out to be only twenty-five rupees, far less than the one lakh (100,000) that Pal expects the book will earn each year. But later the same Pal works with Margayya to set up his Ponzi scheme, and cultivates Balu’s friendship and corrupts him, surely sponging on him for money and other things.

During the last three decades or so, economists have recognized some complexity of human behavior, and have used findings from psychology to integrate into their thinking departures from the Homo Economicus model such as framing, endowment effect, loss aversion, overconfidence, and confirmation bias. But in my opinion, not even psychologists have as much insight into the human mind as do the best fiction writers.

Where do these insights matter most? In the usual supply-demand analysis of markets with a large number of participants, aggregates matter. In a demand curve that adds or averages choices of large numbers of consumers, complex motivations of individuals may matter less. Most behavioral “anomalies” or departures from the Homo Economicus model still yield a downward-sloping market demand curve, and statistical methods, rather than theories, help the economist estimate its elasticity and other relevant parameters. But individual motives and behavior become much more important in game-theoretic situations that pit two or a small number of individuals together. That is why we find such interesting quirks and tactics in the various negotiations of Margayya and others that Narayan describes. I gave a brief quote from the dialog where Dr. Pal gives him the book rights; here is another from his negotiation with Madan Lal where he in turn sells the remaining book rights.

First he offers Lal lunch; “My wife has sent something special today ... and I thought you might like to taste it.” Then he makes his proposal: “Lal, you have done a lot for me. I want to do a good turn to you.” To Lal, “that sounded suspicious. No one like Margayya would do a good turn except as a sort of investment. ... [H]e felt he should have all his faculties alert. ... He said very casually, ‘Well, mister, we must all be helpful to one another ... I have done the little I could [in our partnership], although financially it has really meant a loss.’” They talk around the subject, exploring each other’s real motives. “It needed, however, two more days of such talk, rambling, challenging, and bordering on the philosophical, before they could evolve an equitable give-and-take scheme; a scheme which each secretly thought gave him a seventy-five percent advantage.” What a neat combination of tactics to soften up the other party – Margayya putting Lal under a slight social obligation with the lunch, pretending to be doing him a favor with the offer, Lal’s response that he is the one who has sacrificed financially so far in the business, and so on – all done ultimately in pursuit of simple financial self-interest! Not many game-theoretic models of bargaining include such convoluted cheap talk and attempts at psychological manipulation, including the question of why it might work at all.⁹

EXCESSIVE GREED

The ruthless trader and corporate raider Gordon Gekko (played by Michael Douglas) in the movie *Wall Street* says: “Greed ... is good. Greed works.” But ultimately the movie, and indeed most literary works, carry a strong message that greed is bad and leads to disasters for the greedy and their families and friends alike.¹⁰ Economists are somewhere in between. We recognize that actions taken in pursuit of self-interest can benefit society: “It is not from the

⁹ Another of my favorite examples of cheap talk in literature is Henry V’s speech just before the battle of Agincourt to inspire his soldiers to fight, risking injury or even death. When Henry says “We few, we happy few, we band of brothers / For he to-day that sheds his blood with me / Shall be my brother; be he ne’er so vile, / This day shall gentle his condition”, he is not promising them knighthoods or a life in his palace as his brothers. Why does such an essentially empty speech succeed in its purpose?

¹⁰ The few exceptions include works like *The Fountainhead* and *Atlas Shrugged* by Ayn Rand that applaud individualism and laissez-faire capitalism and are very critical of any state intervention or collectivism, but even she seems to prefer words like “ego” (“A man’s ego is the fountainhead of human progress.”), not “greed”.

benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.” has been the central idea of our discipline since 1776.¹¹ But we also recognize that the Invisible Hand has a limited range, and many consequences when greed is carried to excess – monopolies, illegal and criminal activities, and so on – harm society. Margayya’s greed and overambition (in combination with his absurd theory that money grows by seeding) lead him to the banking and Ponzi schemes, and ultimately to ruin for himself, his family, and many of his customers.

I would like to discuss briefly two other books that have as their major theme the harm caused by excessive greed. One is a novel by Aravind Adiga, my favorite among the many famous and stellar Indian authors writing in English today.¹² Adiga achieved fame with his Man-Booker prize-winning first novel, *The White Tiger*, now made into a movie. But my favorite is his second, *Last Man in Tower*, which also has a lot of economics content. The story features a mid-rise, middle-income condominium building in a suburb of Mumbai. It is about 40 years old and gently decaying. A property developer wants to buy and demolish it, to replace it with a luxury high-rise, but needs unanimous consent of the residents to be bought out. One of the residents is a retired schoolteacher, well-respected among the residents, who helps as a volunteer tutor to their children (although from the descriptions in the novel I think he is a terrible teacher). He has many and long memories vested in his home, and does not want to move. Some other residents support him initially, but gradually they are too tempted by the sums offered. Matters deteriorate, and in the end the others kill the holdout and make it look like a suicide. They grab him in his sleep, throw him off the top of the building, and claim that he had been depressed lately and must have jumped off. They think and say among themselves, “It’s just a little push.” What starts out as the other residents’ self-interest – as with Margayya, understandable and normal desire to give their families good health care, their children good education and some starting capital for a career, and so on – grows into obsessive greed, hatred for the person they

¹¹ Adam Smith, *The Wealth of Nations*, Book 1, Chapter 2.

¹² Chetan Bhagat, Jhumpa Lahiri, Rohinton Mistry, Arundhati Roy, Salman Rushdi, Vikram Seth and Vikas Swarup, to mention just a few.

see as the obstacle to their deserved compensation from the developer, and ultimately to murder.¹³ One of the residents has qualms: “It’s not just a push. It is killing a man.” He stays away from participation in the actual deed, but does not inform on the others. Initially he refuses his share of the builder’s money for the apartments, but in the end the 1.5 crore rupees (about \$250,000) proves too much even for him.

Perhaps the best piece of writing condemning greed that I know is Tolstoy’s story, *How Much Land Does a Man Need?*¹⁴ Here is a very brief summary. The protagonist Pahom accepts a deal from rural tribe of Bashkirs that sells land for “one thousand rubles a day.” As much land as you can enclose by running around it in a day, marking the boundaries as you go along, is yours, but if you fail to return to the starting point by sunset, you lose your money and get no land. Pahom starts out well, then sees better land farther ahead during his run, gets greedy, tries for too much, and leaves too little time for his return. With a final burst of speed, he gets back to the starting point only at the last second as the sun is setting. But his heart gives out from that exertion, and he drops dead. His servant digs a grave for him. “Six feet from his head to his heels was all he needed”!

As an economist I feel compelled to think of this, not as a parable about greed per se, but about handling it optimally. This is a problem of optimization under uncertainty with huge stakes; it should be solved carefully, using Kahneman’s conscious and deliberative System II, and not giving in to temptations that often sway actions in the instinctive System I. Here the loss function is highly asymmetric: if you are a little too cautious you get a little less land than you might have; if you attempt even slightly too much you get zero land, and may end up dead. So the optimal tradeoff favors caution.¹⁵ Economics has learned a lot from psychologists and writers; perhaps we can teach them something in return!

¹³ The novel has much more to recommend it. The character sketches of the residents, and accounts of their relationships and interactions, are brilliantly written. And there is much incidental economics – about real estate development in Mumbai, variety of work and attitudes toward it among the middle classes, and so on.

¹⁴ For those who have not read it, the full text is available from <https://www.online-literature.com/tolstoy/2738/>.

¹⁵ The loss function is linear on one side and lump-sum on the other side. Similarly asymmetric trade-offs occur in many instances. For example, if you are cautious in getting to an airport and arrive five minutes too early at the gate for your flight, you have wasted five minutes; if you are incautious and arrive five minutes too late, you have wasted much more time (until the next available flight) and a lot of money (change fees or even total loss of the

THE LAXMAN BROTHERS

Although outside my remit, I cannot end without mentioning another favorite Indian: Narayan's youngest brother R.K. Laxman, who achieved great success and fame as a brilliant cartoonist commenting on many political, social, and economic issues in India.¹⁶ Here is just one example, showing the problem of rising petrol (gas) prices by the image of a pump as a mugger, using its hose trigger like a gun to rob Laxman's ubiquitous character, the common man.¹⁷



Great artists distil important universal truths from very specific and even mundane situations. The R.K. brothers were at such a skill level. It has been my pleasure to describe just a small sample, and perhaps to introduce them to some Western readers, from the perspective of an economist.

fare paid, any business lost or hotel room prepayment forgone at the destination, and so on). See my paper "How early should you plan to arrive for a flight?", at <http://www.princeton.edu/~dixitak/home/wrkps.html>

¹⁶ In the part of South India where the brothers were born, one's given personal name comes last. The first initial is for one's ancestral town (in this case Rasipuram) and the second initial is one's father's given name (in this case Krishnaswami). Therefore the full name identifies a person as "from such-and-such a place, son of so-and-so, called so-and-so". For example, the renowned economist T.N. Srinivasan's family hailed from Thirukodikaval, and his father's given name was Nilakanta. That is how the R.K. brothers share their initials but have different last names.

¹⁷ Reproduced from his obituary notice in the Times of India: <https://www.indiatimes.com/news/india/rip-r-k-laxman-the-country-lost-its-real-common-man-today-229726.html>