



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

accounts focus on the ordinary and everyday and tell us that economic behaviour is a series of puzzles awaiting solutions. Hence, every choice, calculation, and action can be peeled open to reveal its underlying economic logic that, in turn, flows from larger patterns and rationales.

A personal favourite from the collection is the puzzle of the dominance of the Alphonso over other Indian mangoes in foreign markets. For Sarangi, the popular answer that the Alphonso is the undisputed “king” of taste and aroma does not cut it. Rather, through counterintuitive reasoning, he makes a compelling case to show us that fixed transportation costs make the Alphonso only four times more expensive—even as its production costs ten times more—than other mangoes. The foreign consumer, thus, gets a better premium deal. Put differently, the relationship between relative prices and fixed costs gives the Alphonso its competitive edge.

The story of shoes left outside temples urges us to focus on the significance of the complementary good—having one half of a pair is useless. Kids are therefore taught to keep their shoes apart when leaving them unattended. While this is a good anti-theft technique, it also has macroeconomic applications. Sarangi plots out an example by discussing the issue of traffic jams in India. Prior to the 1990s, India was not home to a demanding automobile industry; hence, the condition of roads and highways was usually well below average. Following liberalization, however, banks in India started handing out car loans on a large scale and many new foreign automobile companies entered the market. What followed was a huge increase in the number of cars. However, there was no similar investment in road infrastructure to match the automobile industry’s growth. We face the repercussions of this even today, as urban commuters suffer daily traffic jams. Clearly, in this case, perceptive macroeconomic planners could have understood and noted the vital linkages between the automobile industry and roads. In other words, if complementarities are involved, one lagging behind the other most certainly leads to inefficient outcomes.

The Economics of Small Things uses day-to-day decisions as entry points to understand deeper economic rationales. The story of Grameen Bank and Muhammad Yunus reveals a similar trend. Assessing the creditworthiness of the vast rural populations of Bangladesh was a serious challenge, mostly because poor people lacked tangible assets to serve as collateral. Disempowered and marginalized people relied primarily on loan sharks for much-needed credit, though such sources charged high interest rates and applied unfair conditions to unsecured loans. Yunus solved this by offering loans to groups of people rather than individuals. Those in need of loans were thus encouraged to form groups with other equally creditworthy members of society, a process also known as “self-selection”. Economic

theories of self-selection, in other words, helped Yunus design a radically innovative and attractive credit system.

For all the puzzle-solving and compelling anecdotes, one still wonders if Sarangi is fronting the old and well-worn belief that self-maximizing behaviour must form the basis of macroeconomic policy. Throughout the book, moreover, there is undue emphasis and fascination with consumer behaviour. Contemporary climate change anxieties, to give but one pronounced example, tell us that short-term consumer behaviour can complicate the task of evolving solutions based on long-term perspectives on planetary health.

While I am a student of economics, I often ask myself if I enjoy economics at all. Growing up, unsolicited lectures from my father about Karl Marx and Doordarshan's broadcast of the budget never caught my fancy. Rather, it was watching Sachin Tendulkar hit a century or AR Rahman accept an Oscar that got my blood rushing. *The Economics of Small Things*, however, helped me appreciate afresh the meaning of "everyday", the intricate calculations that underlie daily choices, and what we consider common sense. Sudipta Sarangi has certainly deepened my understanding of economics by connecting theory and practice through the art of storytelling.