

INTRODUCTION

The Many Lives of Gold in India

Commodity, Communities and Economic Circuits*

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INTRODUCTION

My mother's side of the family came to India as refugees from East Pakistan in 1947. As a result, we grew up with what my brother and I coded as 'stories of relentless lament'. But some of the Partition lament narratives were also stories of bravery and heroism. Among those, an oft-repeated one was how our grandmother crossed the border with her four daughters, an infant son and a box of gold. When land is lost, gold offers the only hope as security for fleeing families. But these heroic stories quickly morphed into family intrigues and outright fraud, often by the close relatives whom one trusted the most. And there were gendered stories of jealousy: who got or did not get which piece of jewellery or how much gold, from whom! Gold possession and its emotionally fraught distribution are the staple of the familial bonds (and their breakdown) in India. Gold is most contentious when dowry prestations are calculated. Yet, as in my family, until the idea of this book took shape, they are so quotidian that they easily escape academic scrutiny. Gold dominates our rituals and customary exchanges and, at the same time, it functions as a quasi-currency and store of value. It constitutes the lifeblood of women's inheritance.

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Through a multidisciplinary study of gold in India, this volume connects a reconnaissance of the roles of gold in familial and gendered wealth with a range of key issues in political economy. It shows how exploring the quiddity of gold offers a perfect plot to deepen our understanding of the socially regulated Indian economy. We argue that this quiddity of Indian gold stems from its extraordinary quantitative importance, its social uses and meanings and its forms of value – use-values for society and exchange values in the economy. India may have up to USD 1.5 trillion immobilised in gold.

Gold is the most secure way to save for the long term, to cement kinship alliances and to inherit if you are female. Seen as an auspicious and sacred object, lustrous as the sun, beckoning fertility, it is purchased as coin or jewellery for the negotiation and performance of ‘rites of passage’ and at times of festivals such as Diwali. Presented with cash and household goods to the groom’s family, as a symbol of the goddess Lakshmi, it is also a *streedhan* or *stridhanam* – a woman’s asset – given to her at the time of her marriage to be controlled by her (Mehrotra 2004). Several of the chapters in this book develop these aspects of gold as a commodity endowed with special social meanings. However, as the most recognised collateral for loans to smooth incomes, gold also has financial roles.¹ In 2012, the World Gold Council (WGC), interviewing both women and men, found that gold is considered rather as an investment than what it called a ‘fashion item’. Yet, regardless of whether it is an investment or an item of adornment, gold sequesters resources which could have been reallocated to other productive purposes (WGC 2012).

The economic role of gold makes it a preferred form of investment not just for Indian households but also for the state. In this book, Bazil Shaikh traces the history of gold as one monetary metal among others, the role of gold as money transforming into an abstract accounting unit, its role as an idea and its use as part of the physical reserves for the state (Chapter 2 in this volume). Its value as collateral and as a hedge against inflation and its capacity to be converted into money at times of financial instability and emergencies have led the Indian state to increase its holdings of gold in official domestic and foreign exchange reserves. Gold continues to form an important part of many countries’ reserves: worldwide, it is about 15 per cent of their total reserves (Arslanalp, Eichengreen and Simpson-Bell 2023). In emerging countries, however, it is less important in the holdings of central banks than it is in those of advanced economies (7 per cent versus 20 per cent of official assets in the third quarter of 2020).² In value terms, the share of gold in India’s foreign exchange reserves increased marginally from about 6 per cent at the end of

March 2021 to about 7 per cent in late 2022.³ At that time, the Reserve Bank of India (RBI) held 785 metric tonnes⁴ of gold, of which two-thirds are held overseas in custody with the Bank of England and the Bank for International Settlements (BIS), while the remainder is held domestically (RBI 2021). To put this into context, Indian households are thought to store in the region of 25,000 tonnes (Mukherjee and Mukherjee 2020) while Fort Knox stores about 5,000. The point is that despite the extraordinary social importance and prevalence of Indian gold, and despite, as Shaikh puts it here, ‘the traditional attachment and proclivity to hold gold ingrained in the Indian psyche’, India’s formal gold reserves are not out of line with those of other emerging countries. And these reserves are a very small proportion – some 3 per cent – of India’s private gold holdings.

However, gold has a third, less appreciated dimension. It is used as a raw or intermediate material in medicine and dentistry, the food industry and electronics. Worldwide, by 2003, the only year for which there are data, these industrial uses accounted for 350–400 tonnes annually, in applications reflecting its reliable physical (thermal resistance) and chemical properties (Corti and Holliday 2004). They will have done nothing but rise and by 2020 may have used as much as 45 tonnes in India alone (Mukherjee and Mukherjee 2020). Gold is used in small quantities for soldering and in hybrid calligraphic inks. In larger quantities, its high electronic conductivity and resistance to corrosion make gold useful for electroplating chemicals and gold bonding wire, for sputter targets in electron microscopy,⁵ for connectors and contacts, semiconductor packages, hybrid circuits and print circuit boards (Goodman 2002). The growth in intermediate industrial demand is also due to emerging applications of gold in pollution- and emission-control technologies, the use of gold-based catalysts for chemical processing and the use of miniaturised and reflective nano-particulate gold for advanced surface coatings and automotive electronics, high-pressure superconducting tapes and power transmission (Corti and Holliday 2004).⁶

Gold is also widely used in medicine. Magnetic resonance imaging (MRI) scans require high magnetic fields which the electron superconducting properties of gold help to generate. When nano-particles of gold – shaped in varied ways – are suspended in fluid, they form colloids. Over and above applications in electronics, colloidal gold facilitates biological probes, bio-imaging, the targeting of drug distribution to diseased internal organs, the detection and targeting of tumours – and the destruction of some types. Colloidal gold is expected to be central to the precise delivery of future gene

therapies and the development of diagnostic biosensors (Rapson 1988). The Ayurvedic medicine industry is also a consumer of the precious metal and uses up approximately 300 kilograms of gold every year. Gold ashes are used in Ayurvedic preparations for conditions ranging from impotence to arthritis.⁷

Because gold is biocompatible, hard, malleable and resistant to corrosion, it has long been used for tooth repair in conservative or restorative dentistry – pure, in alloys and in copings over porcelain. Worldwide, about 70 tonnes are thought to be used for such purposes each year, surviving competition from other metals and materials (Knosp et al. 2003). And last but not least, in the food industry, biologically inert, superfine, gold filigree foil called *varq* is sometimes incorporated into luxury dishes: 1 milligram per *dosa*, for example, multiplies the usual price of this tasty tiffin by a factor of 12 in one case from a restaurant in Bangalore.⁸

Already we see that the production – mining, importing, refining, crafting and manufacturing – and the distribution, consumption and investment of gold in India have taken paths unlike those of other countries. Here gold leads a perfect double life as a sacramental object as well as one of the safest saving options and a hedge against financial risks. The uniqueness of gold jewellery lies in the fact that although it is an object of affect and artistic beauty, it is also an excellent collateral due to its inherent fungibility. In India, the sacramental exchanges of gold and its ritual purity keep the gold industry buoyant. The economic rationale to possess gold (as a hedge against economic shocks and personal crises) makes it a preferred form of investment for both Indian households and the state.⁹ Gold's ubiquity in banks, in wedding ceremonies (both as dowry and *mehr*¹⁰) and in temples offers important sociological material to think through theories of consumption, gift-giving and commodities. At the heart of the political economy of gold in India lies an interesting paradox: gold is an extremely high-value commodity, but it has become a ritual necessity for all social classes. Those in socio-economically marginal strata may buy only a gold nose-pin or the smallest earrings, but gold it has to be. It is only gold that makes the cut-off as an object of ritual prestation. In India, the myriad policies for gold have failed precisely because of the state's inability to perceive gold as an object of sacramental necessity – desired and used by one and all – and not a luxury item.¹¹

The circulation of gold from mines to the bodies or vaults of its consumers involves a global and circuitous journey. Woven into the elements of this system – and revealed in the chapters of our volume – are the livelihoods of the artisanal craftsmen and manufacturers, as well as

the fortunes of refiners, traders, pawnbrokers and bankers, of smugglers and money-launderers, of advertisers and consumers. Together they show how the circulation of gold operates as a separate commercial circuit where commodification and gift, investment and kinship are tied with a single but gendered moral-emotional fibre. Drawing on insights from the fields of economic sociology and anthropology, economic history and political economy, the chapters open up an interdisciplinary discussion on the different circuits of gold in their confrontation with monetary policies and taxes and their evasion. By doing so, the chapters collectively address the following question: what does gold consumption mean in India (and elsewhere) where the forces of modernisation have failed to dent the sacramental, sartorial as well as financial supremacy of the 'barbarous relic' and where the precious commodity inhabits different economic circuits in its many avatars? What kind of spectacle does gold offer? What are the socio-spiritual meanings as well as the economic significance of this spectacle? In the next section we treat some of these questions.

Social Spectacle, Spiritual Prestation and Economic Speculation

It is a sociological commonplace that adornment serves as a marker of social hierarchy and identity. Gleaning his material across a wide range of ethnographic locales, David Graeber (1996) teased out the relation between wealth and power with the visibility and invisibility of objects of adornment – be they made of gold and silver or cowrie shells. Paying attention to the politics and poetics of adornment is helpful in understanding the role of gold jewellery in social as well as religious spectacle. The symbolic significance of the absence or presence of gold jewellery acts as a shorthand for a range of social communication. In other words, the logic of wealth, power and display of adornments happens to follow a universal civilisational rationale, albeit with local variations and materials. Annelies Moor's (1998) study among Palestinian women shows how gold ornaments produce a particular public presence, including claims to status, notions of self and forms of identification. The same trope exists in South Asia. During a focus group discussion in December 2022 on the idea of the auspiciousness of gold in India with the women students of the Sanskrit Department of Madras University, a woman in her mid-forties pointed out how wearing gold gives her a sense of self-confidence and distinction, a feat that only gold can perform. Here, gold jewellery is performing the role of an insignia.

In India, who can or cannot use gold ornaments was ordained in the customary (*deśācāra*) caste practices. For centuries, gold was reserved for upper castes as a symbol of their social status: it was a forbidden material for those at the lower rungs of the caste hierarchy.¹² Since such proscriptions made gold a bona fide marker of higher social status, its visible consumption announced claims of collective upward mobility. This process of upward change was noted and tagged as Sanskritisation by sociologist M. N. Srinivas (2003 [1952]). With the democratisation of gold ownership, certain financial circuits that were previously exclusive to the upper castes could now be accessed by lower castes as well (see Chapter 7 in this volume). The book sheds light on some of this transformation. It extends Erica Schoenberger's (2010: 6) observation of the paradox of how, as a marker of social standing and power in a class society, gold needs to be scarce and socially confined in order to retain its social value; yet it has also to circulate in order to do its social work.

Let us dwell a little longer on the sacrality of gold and inspect its dominance in Hindu temples and sacraments. Why does it enjoy a special status as a medium of socio-ritual exchange? The Hindu sacred texts such as the Brāhmaṇas and Upaniṣads suggest that gold is a divine metal. It is so sacred that even the Creator in the Vedic literature is called *hiraṇya-garbha*, the one with a golden womb (*Rg-veda* [1. 35. 2]) and the chariot of the Sun-God *hiraṇyaya* (that is, golden). Bodewitz (2019: 76) writes that the connection between gold and the Sun implies that the symbolism of gold refers to the Sun, to eternal life and light, and thus to immortality. The Sun, fire and gold symbolise the transcendent light that salvages those who desire salvation. One who chants the famous Gāyatrī verse pays homage to the great light (*vareṇyam bhargah*) of the Sun-God (*savitur devasya*). This light is supposed to illumine one's intellect (*dhiyah*). The unique lustre of gold symbolises this light.

The ancient Indian proto-scientist (the philosophers associated with the Nyāya-vaiśeṣika school) observed two important properties of gold (Bodas 1930: 111–13). The first one is, of course, its lustre. The second one is its strange fluidity. Even excessive heating does not destroy the fluidity of gold. That is the secret of its durability and the reason why gold is associated with eternity. Among the fiery metals (*taijasa*), it symbolises illumination and eternity. It is a bridge between heaven and earth. Due to its transcendent properties, it is redemptive – at least in some sense. It is a piece of heaven on earth. This transcendent value of gold is part of collective ideas of materiality that makes the metal irreplaceable as an object of divine prestation and sacraments (Bodewitz 2019: 76).

In the Hindu temple, gold again played a significant dual role: first, as God's jewellery (*divyābharaṇa*) and, second, as currency for economic transactions in the temple economy. The historicity of the temple as a sacred space of economic accrual has led to enormous gold accumulation by temples (Stein 1960). It is estimated that about 4,000 tonnes – some 16 per cent of India's gold holdings – is owned by temples, compared to 3 per cent by the central bank.¹³ Temples have held large sums of gold that flowed from kings, their kinsmen, nobles and merchants. A large sum of gold in the form of articles and jewellery also reached the temples as fines and fees. The violations ranged from defaulting on loan payments to insulting brahmins. Fines were also imposed for violating temple regulations. In the ancient inscriptions, instances of exchange of gold for temple land are also evident (Gurukkul 1992: 36–42). Gold was even lent at interest to those who mortgaged their lands to temples. Schoenberger (2010: 8) has described this civilisational tendency to withdraw large quantities of gold from circulation and to store them in graves and temple vaults as an attempt to create a social scarcity. Such hoarding was based on the idea that it could be brought back to circulation at times of need. The use of temple gold as a present-day financial instrument for land ownership, loans, fines, and gifts, and its role in other such trading and economic exchange to sustain and maintain the temple economy and the larger civilian life is well documented.¹⁴

In contradistinction to the logics of the societal circulation of wealth, the modern state comes up with gold policies from the point of view of the state exchequer and national budget. Since Independence, gold policy in India has been largely driven by two considerations: that gold is an idle asset and equivalent investment in productive assets would serve the economy better, and that the import of gold strained the current account deficit. Policy was thus geared to control gold imports, deter demand and impose limits on gold holdings. The key idea was to wean people away from gold and, finally, to reduce the price differential between the domestic and international price of gold. Efforts were made from time to time to mobilise gold for productive purposes and also serve as an insurance against external adjustment in view of its quasi-forex qualities.

The Government of India has introduced policies to monetise this 'non-monetised', idle gold that lies with households and temples. Debates around monetising the vast amounts of temple gold reserves have surfaced and gained considerable prominence in the context of the discovery and internal dispute over the temple wealth in the Sree Padmanabhaswamy temple in



Figure I.1 Gopuram, Padmanabhaswamy Temple

Source: R. Gopalakrishnan.

Thiruvananthapuram, Kerala (Figure I.1). The enormous treasure trove housed in the six chambers of the temple's basement gained public attention from 2009. The Indian government introduced the Gold Monetisation Scheme (GMS) in 2015.¹⁵ But its plan to use the GMS to recycle thousands of tonnes of gold lying idle in temples and households has foundered. Current data show that at an operational level, the scale of this monetisation has been negligible (PTI 2016). Temple vaults remain the destination of gold in India, just as do household lockers. From the gold owners' points of view, gold is neither hoarded nor idle, and the spiritual merit of offering gold to the gods outweighs the economic and social merit of alternative uses.

Across the world, the central banks' current economic acumen reflects the Indian householder's gold wisdom. Recent reports suggest that the central banks across the globe picked up close to 1,136 tonnes of gold in 2022, up from 450 tonnes the year before and to a 55-year high. Lingering recession worries along with ongoing geopolitical uncertainty are said to be the reasons for the central banks' interest in gold (Dasgupta 2021). The RBI has increased its gold holdings over the years from about 219 tonnes in 1951 to about 358 tonnes in 1999. India acquired 200 more tonnes in 2009 and has

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been increasing its holdings, which stood at 794.64 tonnes in March 2023 (Government of India 2000; RBI 2023). The logic behind gold accumulation for financial exigencies is what the Indian household can give a master class in. By 1991, the RBI had followed this very strategy and used 20 per cent of its gold reserves to save the country from the brink of a balance of payment crisis. It was decided to raise foreign exchange through the lease of gold held by the government. In May 1991, the Indian government sold 20 tonnes of gold to the Union Bank of Switzerland, which was not part of India's reserves but rather had been seized from smugglers and illicit private hoards over the years. The sale came with a repurchase option and helped to raise around 200 million USD. In July 1991, the RBI pledged 46.91 tonnes of gold with the Bank of England and the Bank of Japan to raise USD 400 million (Express News Service 2020). When this hushed-up transfer of gold bars was reported in a national daily, a public outcry followed. But at the same time, it brought home the severity of the economic crisis. James Crabtree (2018: 44) astutely notes this public sentiment in an interview with Mani Shankar Aiyar, who explained, 'It made India seem like a family that was forced to pawn its jewels. This was felt directly and emotionally, because in India, your gold is your savings. If you sell your gold,¹⁶ it means you are in serious troubles.' The grammar of gold behaviour connects the language of macroeconomics with family savings, marriage markets and gendered wealth possession.

The next section outlines the three key areas of investigation that the volume undertakes. Together, they show how economic policy and kinship politics function in collocation and how gold lies at the heart of these affective calculations and familial transactions. No gold control policy or GMS can break this ritual–financial bond. The three sub-sections open up, first, the political economy of gold and its monetary significance; second, its community-based manufacturing and trade practices; and third, the world of kinship, credit and 'relational and reproductive saving'. While the first three chapters draw on the authors' expertise in the fields of political economy, economic history and banking and investigate the available data in its historical depth, ranging from mining to money laundering, the rest of the chapters are based on ethnographic and field survey methods combined with documentary and archival research and theories from sociology and socio-economics. While several other commodities such as food staples, jute, textiles, tea, salt and sugar have enjoyed the scrutiny of social scientists and historians, gold has mostly evaded academic gaze outside the trade.¹⁷ The current volume remedies this oversight and for the first time places gold as an object of academic inspection.

In the next section, we discuss the interconnected themes of the volume that piece together the socio-economic journey of the precious metal.

STRUCTURE OF THE BOOK

The Political Economy of Gold and Its Monetary Journey in India

An enquiry into the political economy of gold entails the production, distribution, consumption and deployment of gold, as well as the policies and regulations governing these processes. Understanding it requires analysing the historical, cultural and economic contexts, and their contemporary trends and challenges. Three chapters grounded in political economy analyse the demand for and circulation of gold in India. They focus on the policies and regulations that have historically shaped the Indian gold market, often by evasion. Despite government efforts to regulate and control the trade and consumption of gold, the effects of gold markets on monetary policy, inflation and trade balances continue to be significant.

In Chapter 1, entitled ‘A Political Economy of Gold in India’, Barbara Harriss-White offers a comprehensive overview of the gold economy, covering the production, distribution and consumption of gold in India. She explores the flows and circuits of gold, including mining, imports, refining, draft and mechanised jewellery manufacturing and small- and large-scale retail, alongside the intended and unintended fates of policies enacted for each of these stages over four policy regimes. The first phase (1947–62) attempted to control gold supplies and prevent hoarding, while the second phase (1963–89) regulated gold imports and trade. The third phase (1990–2006) saw a rollback of regulations, while the fourth phase, which began with the global financial crisis of 2007 and India’s renewed effort to curb the current account deficit and reverse the depreciation of the rupee, sought to increase gold circulation via sovereign gold coins, gold monetisation schemes and sovereign gold bonds, despite setbacks such as demonetisation and import restrictions.

Harriss-White argues that the demand for gold in India has remained high and relatively unaffected by state interventions and policy measures. In rural households, gold jewellery is routinely used as a source of finance and is also hoarded as a hedge against uncertainty. Gold has advantages over other assets, such as land, because it can be concealed for tax evasion purposes and can be cashed in at any time, any place and on any scale. It is an enduring repository