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EDITORIAL ANALYSIS

PM's Appeal for Gold Restraint: Moral Suasion and Macroeconomic Inflection

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INTERVIEW ANGLE

"Can moral suasion change household allocation decisions in a generation where financial literacy is rising -- or does it merely substitute for fiscal-policy reform?"

EDITORIAL SUMMARY:

The Indian Express argues that the Prime Minister's recent public appeal urging households to curb discretionary gold purchases is a moment of macroeconomic inflection – a political invocation of household financial behaviour to ease pressure on the rupee and the current account deficit. The editorial places the appeal in the lineage of Indira Gandhi's 1968 moral suasion, the post-2013 taper-tantrum gold curbs and the 1991 balance-of-payments memory, and asks whether such interventions can shift household allocation in an era of rising financial literacy.

A FAMILIAR TOOL IN AN UNFAMILIAR TIME

The PM's appeal in early May 2026, asking citizens to consider whether their gold purchases were necessary, has echoes of an older Indian economic discourse. In 1968, Prime Minister Indira Gandhi made a similar appeal, framed around the foreign-exchange consequences of bullion demand. The Gold Control Act of 1962, scrapped only in 1990, was the regulatory companion of that era's moral suasion. The 1991 balance-of-payments crisis, when India pledged 47 tonnes of gold to the Bank of England and Union Bank of Switzerland to secure emergency credit from the IMF, lives in policy memory as the gold-pledge moment.

The 2026 appeal arrives in a different context. RBI Governor Sanjay Malhotra's warning, also on May 13, 2026, about oil-price volatility from the West Asia situation, and the rupee's slide past 94 to the US dollar, sharpened the macroeconomic backdrop. India's strategic petroleum reserve covers about 60 days of net imports under the framework operational since 2018, but gold has no equivalent buffer – every additional tonne imported is a current-account claim on foreign exchange.

WHAT THE NUMBERS SAY

India imports between 700 and 900 tonnes of gold annually, depending on prices and festival cycles. Gold has historically accounted for 25-30 per cent of the Current Account Deficit. Household holdings of gold are estimated at more than 25,000 tonnes – among the largest stocks of any country, exceeding the official reserves of most central banks combined.

This stock is overwhelmingly held as physical jewellery, locked out of formal financial circulation. The financialisation of savings – the share of household wealth held in equity, mutual funds, insurance and pensions – has risen sharply since 2014, with mutual fund SIPs touching record monthly inflows in FY26. Yet gold remains the cultural default, particularly in semi-urban and rural India, and a hedge against inflation and currency depreciation.

THE SHARMA-MADHUKAR BACKDROP

The Sharma-Madhukar Committee on Gold (1992), set up in the aftermath of the 1991 crisis, examined the structural drivers of gold demand and recommended liberalisation of imports paired with financialisation incentives – the policy logic that eventually produced the Sovereign Gold Bond Scheme (2015) and the Gold Monetisation Scheme (2015, revamped 2021). The committee's diagnosis – that prohibition breeds smuggling while financialisation channels demand into productive instruments – has shaped three decades of policy.

MORAL SUASION VERSUS POLICY REFORM

Moral suasion has limited literature support as a stand-alone tool. RBI's open-market interventions, the BCD on gold, the TRQ under the India-UAE CEPA and the SGB pipeline are the policy levers that actually move imports. The PM's appeal works on the margin – it can shift discretionary festival purchases, but is unlikely to alter wedding-cycle demand or the deeply held intergenerational preference for gold as security.

The appeal nevertheless carries weight as a signal. It tells household savers that the macroeconomic situation is being taken seriously at the highest political level, and it prepares public opinion for fiscal or trade measures that may follow – a higher BCD, a quota recalibration on the UAE TRQ, or fresh SGB issuance with sweetened terms.

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Key arguments:

- PM's appeal for gold restraint is moral suasion in the tradition of Indira Gandhi 1968 and the 1991 BoP pledge memory.
- The macroeconomic context – rupee at 94+, RBI Governor's oil-price warning, West Asia uncertainty – justifies the political intervention.
- Household savings financialisation has risen substantially since 2014 but gold remains the cultural default with 25,000+ tonnes in private stock.
- Policy tools (BCD, TRQ under CEPA, SGB, GMS) are the actual levers; moral suasion works on the margin.

Counterarguments:

- Moral suasion in a maturing economy reads as policy substitution – it should accompany, not replace, structural reform.
- Cultural and intergenerational drivers of gold demand are not responsive to political appeal at festival or wedding cycles.
- Suppressing discretionary purchases risks pushing demand to the unorganised and smuggling channels.

Keywords: Indira Gandhi 1968 gold appeal, 1991 BoP crisis, gold pledge, Sovereign Gold Bond 2015, Gold Monetisation Scheme, Sharma-Madhukar Committee, Strategic Petroleum Reserve, Basic Customs Duty on gold, financialisation of savings, RBI Governor Sanjay Malhotra, Current Account Deficit.

> *The Indian Express's view is that the PM's appeal will be remembered less for the tonnes of gold it diverts than for the signal it sends. India's macroeconomic confidence is robust but not unconditional. If moral suasion is followed by coherent calibration of the BCD, the CEPA quota and the SGB issuance pipeline, the appeal becomes a turning point. If it stands alone, it joins a long history of well-intentioned exhortation that the wedding season politely ignored.*

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