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India: Economy & Gold

I have been in India for one week and will likely stay here for two more months.

Despite that I write about India all the time, during my physical absence I somehow lose touch with how things work here. When someone gives a time to meet me or makes a commitment, it takes me a while to re-establish in my mind that such "promises" mean nothing here. When I see poverty and human-rights violations all around me, my first impulse is to do something. But then after a few encounters I realize that the victim is almost always just the other side of the same coin.

I increasingly like to think of Hinduism as a sort of operating system. Indians process information using Hinduism. I am not fond of Christianity but it does have a few moral anchors and a few vague links to rationality. Hinduism has NONE of these.

It is easy to blame government regulations for lack of manufacturing in India. But really a lot of Indians are extremely wild in their thinking—very superstitious and irrational. Hinduism gives no value (except rhetorically) to "truth" and "integrity". In fact, I doubt if Hindus even remotely make much abstract, principled connection with these words. It is a religion of materialism, expediency and rationalizations. Such people simply cannot be trained to work in factories, for Hinduism stands in direct conflict with technology & science. Alas, people seem to be becoming more religious.

The protests in the aftermath of last year's rape case in Delhi forced me to rethink. Has India changed? After a lot of thinking and talking with a lot of people, my conclusion is that the protests were likely for the very simple reason that a seemingly higher-caste girl had been raped by a bunch of lower-caste men. My conclusion is that caste-based thinking—albeit in a different garb—still dominates in India. The protests did not have much to do with any awakening that India might be going through.

I went to a wedding in a very small town. I saw non-stop, oceans of poverty, tyranny and environmental problems. For a few months I have been asking myself why is it that I face vicious verbal and email attacks for talking about India's obvious backwardness. My conclusion is that what I see and what other Indians see are totally different things. A lot of other middle-class Indians just don't consider the 80% poor people of India as human beings. In their mental constructs, poor people simply don't exist. Ironically, it is I who gets blamed—with all sorts of negative connotations—for being a "capitalist".

Despite being a fanatic anarchist, I think Mao might have cleaned up the cultural-slate and baggage in China in some ways.

The host family at the wedding (my cousin) not only did NOT accept any dowry but they also refused to accept any gift from anyone. This is quite extraordinary, for the hosts are from a very

backward place and are not rich people; weddings are very good opportunity for people to make money. Such islands of sanity and integrity give me hope. A few tears swelled up in my eyes.

Economic growth: In my view, India must fall into small pieces—may be 50 nations—before there is any hope for India to really awaken and join the mainstream world. There are millions of structural problems in India, which slow down the economy and create massive conflicts. Despite this, economic growth should continue, for the simple reason that technology is reducing the real cost of living and of doing business for the poorest people—for someone with per capital GDP of \$1 a day, improved connectivity has major growth implications. As I like to say, in such an environment, even Jerry Springer show has educational value. Economic growth will likely co-exist with increasing religiosity, nationalism and chaos, and eventual break-up of India.

Gold: It seems that fake jewellery has made huge inroads now. Indians are still buying a lot of gold but this is increasingly as bricks and coins. Gold will likely stay the preferred way for Indians to save. But the problem is that Indian currency has fallen by ~20% in recent months, so while for Indians gold has gone up quite a bit, it has NOT gone up from USD's perspective. I think Indian rupee must fall about 50% more, for Rupee is truly expensive for an economy at India's stage of development. So, if Rupee falls, even though gold might still go up by 50% in Rupee, it might still not go up in USD-terms. Moreover, if gold goes up by 50% in Rupee-terms, it will likely kill the gold market in India, for Indians already put a majority of their savings in gold and property. You have a true Catch-22 situation here. There is just no extra cash left for higher-priced gold and I see absolutely no hope for economic growth rate to increase—the low-hanging fruit has been picked and in the meantime, the government and the society has picked up all the bad habits. So despite that I tell my mom to keep her cash in gold, India might not be much of a factor for gold bullishness in USD-terms going forward.

I will soon detail my above thoughts on India in [a new article](#).

Sincerely,

Jayant Bhandari

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