



INDIAN GOLD RESERVES

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The Indian government requested and recently obtained the return of 100 metric tons of gold which were previously stocked in London. A sign of impending war? It is rather a sign that we should read more about the Byzantine Empire (330-1453). The gold standard was used by the United Kingdom from 1821 to 1931 and the United States from 1873 to 1971. It is a fixed relation between money printed in a country and the quantity of gold kept in reserves. Economic schools have fought over its alleged importance.

The Byzantine emperor Constantine in 309 established that the new gold coin should weigh 4.5 grams and be made of pure gold (24 carats). He named it a solidus. Those who served in the army were paid with this gold coin. That is why most western European languages use the word 'soldier' derived from the term *solidatus* (he who receives a solidus coin). 72 solidi made a *libra* (λίτρα in Greek), a 'pound' in English. That is why the symbol of a pound is an L (for libra). One solidus coin was made of 24 carats of gold. The term 'carat' derives from the Greek '*keration*' (κερατίον). Anyone who has heard of gold measuring terms is familiar with these Byzantine measures.



The Byzantine gold standard lasted 700 years. The Byzantine gold coin of 4.50 gr of 24 carat gold is the longest lasting currency standard. The Byzantine Greek term for solidus is *nomisma* (νόμισμα) which gives us the term for coinage: numismatics. It was one of the richest economies of the Middle Ages and the reference point for all the countries which bordered it. The currency was considered so reliable that coins have been found in archaeological sites as far as Japan (see this [blog post](#) by historian Caitlin Green).

India is housing gold within its own territory to give stability to its currency and economy in case of disruption from abroad. The idea that gold reserves protect the economy means that politics has a role in defining the value of currency. India has made a political choice to repatriate its gold.

The Byzantines established a successful gold standard. It was a political decision and the production, and the control of its quality was in the hands of a government minister (*comes sacrarum largitionum* and later the *'logothetes tou genikou'* λογοθέτης τοῦ γενικοῦ). The gold coin was unusable for small daily transactions and so it had to be changed for silver or bronze coins. The ratio and exchange rate were fixed by the government. The gold would thus return to government officials.

The guarantee of the quality was signalled by the portrait of the emperor on the front of the coin. Even the Gospel indicates that coins were issued by the government and were dependent of the political will of the ruler:

'And he saith unto them, Whose is this image and superscription? They say unto him, Caesar's. Then saith he unto them, Render therefore unto Caesar the things which are Caesar's; and unto God the things that are God's.' (Matthew 22:20-21 KJV)

The soldier who was paid in solidi would return the gold coins to exchange them for silver or bronze. The emperor's face showed who created the coin and guaranteed its value.

India has pointed out that given the political turmoil abroad, it wishes to look after itself. This is not an economic choice but a political desire.