

Fiscal Suppression as Secondary Market Failure: India's Precious Metals Crashes of 1980 and 2011

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Abstract: India, one of the world's largest gold consumers, converted two global precious metals corrections, in 1980 and 2011, into amplified domestic crises. This paper argues that the crashes were worsened by a fiscal regime that fragmented secondary-market infrastructure and redirected demand into unregulated informal markets. Using process-tracing and an asymmetric comparison with the United States, it identifies three recurring failure modes: incentive distortion, regulatory arbitrage, and response lag, operating through a bidirectional feedback loop between fiscal suppression and grey market growth. It proposes a sequenced reform agenda centred on countercyclical import duties, tax harmonisation, and unified regulatory jurisdiction over precious metals secondary markets.

Keywords: Precious Metals Regulation, Secondary Market Infrastructure, Fiscal Policy, Gold Market, India

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