

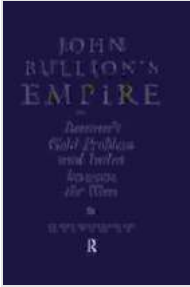
Britain's Gold Problem and India between the Wars: London Studies on South Asia 10

The interwar period was a time of great economic turmoil for Britain. The country's gold reserves were depleted by the First World War, and the gold standard, which had been in place since 1821, was under increasing pressure. India, which was a major exporter of gold, played a key role in Britain's gold problem. This article explores the complex relationship between the two countries during this period, examining the impact of India's gold exports on Britain's gold reserves, the role of the gold standard in shaping British policy towards India, and the consequences of Britain's suspension of the gold standard in 1931 for India's economy.

India's Gold Exports and Britain's Gold Reserves

India was the world's largest producer of gold in the early 20th century. In the 1920s, India exported an average of 100 million pounds of gold per year. This gold was a major source of foreign exchange for India, and it also helped to replenish Britain's gold reserves. In the early 1930s, however, India's gold exports began to decline. This was due to a number of factors, including the Great Depression, which reduced demand for gold, and the Indian government's decision to raise the export duty on gold. The decline in India's gold exports had a negative impact on Britain's gold reserves. In 1931, Britain's gold reserves fell to their lowest level since the Napoleonic Wars.

John Bullion's Empire: Britain's Gold Problem and India Between the Wars (London Studies on South Asia Book 10) by G. Balachandran



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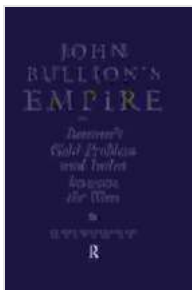
The Gold Standard and British Policy towards India

The gold standard was a major factor shaping British policy towards India during the interwar period. The gold standard required that the Bank of England maintain a fixed exchange rate between the pound sterling and gold. This meant that the Bank of England had to sell gold if the pound sterling fell below its fixed value. The Bank of England was reluctant to sell gold, however, because it would reduce Britain's gold reserves. As a result, the Bank of England often raised interest rates in order to support the pound sterling. This made it more expensive for India to borrow money, and it also led to a decline in investment in India.

The Suspension of the Gold Standard

In 1931, Britain suspended the gold standard. This was a major decision that had a profound impact on the world economy. It also had a significant impact on India. The suspension of the gold standard led to a devaluation of the pound sterling, which made it cheaper for India to import goods from Britain. This helped to stimulate the Indian economy. However, the suspension of the gold standard also led to an increase in inflation in India. This made it more difficult for Indians to buy basic necessities, such as food and clothing.

The interwar period was a time of great economic turmoil for Britain and India. The relationship between the two countries was shaped by the gold standard, which required Britain to maintain a fixed exchange rate between the pound sterling and gold. This made it difficult for Britain to support its gold reserves, and it also led to a decline in investment in India. The suspension of the gold standard in 1931 had a significant impact on India, leading to a devaluation of the pound sterling, an increase in inflation, and a stimulation of the Indian economy.



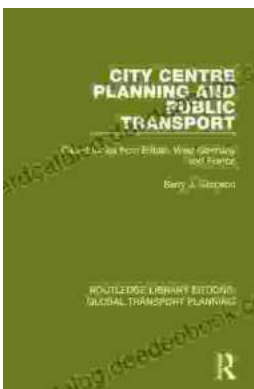
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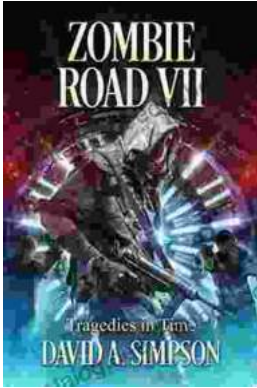
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