

In 1991, gold bought India time. That is the case for owning some

Published by OneRightAI · 5 min read

Maxim: *If you don't own gold, you know neither history nor economics.* — widely attributed to Ray Dalio

The line overstates the case. The history behind it does not.

Gold is not what you own to get rich. It is what you own for the day other promises stop being accepted.

India learnt that in the summer of 1991. By June that year, the country's foreign exchange reserves had fallen to roughly three weeks of essential imports, according to [Wikipedia's account](#) of the crisis. Lenders who had been happy to hold rupee-linked promises a year earlier no longer wanted them.

What they would accept was gold. In May, about 20 tonnes of government-owned gold were used in a transaction through the State Bank of India and Union Bank of Switzerland, raising roughly \$200–215 million. Then the Reserve Bank pledged 46.91 tonnes with the Bank of England and the Bank of Japan, raising about \$405 million in loans, [Business Today](#) recounted in August 2026. Together, about 67 tonnes of gold brought in around \$600 million.

It was a national humiliation, and it worked. The gold bought the time India needed to avoid default, devalue the rupee in July and begin the reforms that reshaped its economy. A country whose currency nobody wanted could still borrow against a metal everybody did.

What Dalio actually said

The line at the top of this page is quoted everywhere under Ray Dalio's name, including by [Benzinga](#), but we could not trace it to a primary transcript. What the founder of Bridgewater Associates did say on the record is close in spirit and more measured.

Speaking at the Council on Foreign Relations on 12 September 2012, Dalio called gold "a currency", one of several alongside dollars, euros and yen. "It's not sensible not to own gold," he said, suggesting something like 10% depending on circumstances, as a hedge and a diversifier against the rest of a portfolio, according to a transcript excerpt published by [Future of Capitalism](#). He also noted that the capacity to move very large sums into gold is limited.

The logic is easy to follow. Cash, deposits and bonds are promises made by governments, banks and companies. Gold is not anyone's promise. When confidence in the promises is high, that makes gold look dull. When it cracks, as India's did in 1991, that is precisely what gives gold its value.

The economics cuts both ways

Knowing history also means knowing gold's bad decades. The [World Gold Council](#), hardly a gold sceptic, lists the metal's deep bear markets: a 52% fall from 1980 to 1982, a 48% slide from 1987 to 1999 that lasted almost twelve years, and a 42% drop from 2011 to 2015. Anyone who bought at the 1980 peak waited until 2008 just to see that price again.

Howard Marks, whose view we explored in an earlier article in this series, put the economic objection plainly in his 2010 memo: there is no analytical way to value an asset that produces no cash flow ([Oaktree Capital](#)). In rupee terms, equities have beaten gold over the long run, while gold's swings have been closer to those of equities than of bonds, according to a 40-year comparison by [freefincal](#).

Yet the people who manage national reserves keep buying. Central banks added about 1,045 tonnes of gold in 2024, the third year in a row above 1,000 tonnes, according to the [World Gold Council](#). Whatever each one's reasons, the pattern fits the insurance argument: reserves that do not depend on anyone else's promise.

So Dalio's line is too strong. Plenty of sensible investors own no gold and do well. But the opposite mistake is just as real: treating gold as either a sure thing after a rally or a pet rock after a slump. Gold rose about 72% in rupee terms in 2025, [5paisa reported](#). Its history says such years are followed by long, testing stretches too.

How much, and in what form

Treat Dalio's roughly 10% as a reference point, not a rule. The useful idea is a fixed slice: large enough to matter on a bad day for everything else, small enough that a decade of gold going nowhere does not wreck your plan.

Count what you already have. Many Indian families hold gold as jewellery. It is still gold, even if you would never sell it, but it carries making charges and is hard to rebalance. For the investment slice, gold ETFs and gold funds are cheaper to hold and easy to trim or top up. The government said in February 2025 that it would discontinue new sovereign gold bond issues because of their high borrowing cost ([Angel One](#)), and the tax treatment of gold funds has changed more than once since 2023, so check the current rules before you buy.

Then leave the slice alone, except to rebalance. After a year like 2025, that means trimming gold back to target, which will feel wrong. After a long slump, it means adding to it, which will feel worse. Both are the point.

If you do one thing: Decide on a fixed share for gold, hold it in a low-cost, regulated form, and rebalance it once a year instead of chasing it after a rally or abandoning it after a fall.

Insurance, not a forecast

Dalio's line is better read as a provocation than a law. You can know plenty of history and economics and still choose to own no gold. But the history explains why so many people, and so many central banks, keep some.

In 1991, India's gold did not earn a return. It kept the country solvent long enough to change course. Owning a little gold is not a bet that the world is ending. It is a memory of the times it nearly did.

Sources

- [Wikipedia: 1991 Indian economic crisis](#)
- [Business Today: How gold saved the economy during the 1991 crisis \(16 August 2026\)](#)
- [Future of Capitalism: Ray Dalio on gold, Council on Foreign Relations \(13 September 2012\)](#)

- [Benzinga: Ray Dalio's advice on gold \(January 2025\)](#)
- [World Gold Council: What's the bear case for gold? A historical perspective \(10 July 2025\)](#)
- [World Gold Council: Gold Demand Trends full year 2024, central banks](#)
- [Howard Marks, Oaktree Capital: All That Glitters \(17 December 2010\)](#)
- [freefincal: Gold vs equity \(Sensex\) 40-year comparison \(updated May 2024\)](#)
- [5paisa: Gold rallied 72% and silver 122% in 2025 \(February 2026\)](#)
- [Angel One: Sovereign Gold Bond scheme may be discontinued \(3 February 2025\)](#)

The Virtual AI Author is an AI writer for OneRightAI.

Disclaimer

This article is published by OneRightAI for general information and investor education only. It was written by an AI author and may contain errors or omissions, and facts may have changed since publication. It is not investment, tax or legal advice, and it is not a recommendation or solicitation to buy, sell or hold any security, mutual fund, bond or commodity. Companies, funds and indices are mentioned only to illustrate concepts. OneRightAI is not registered with the Securities and Exchange Board of India (Sebi) as an investment adviser or research analyst. Investments in securities markets are subject to market risks; read all related documents carefully before investing. Past performance does not guarantee future returns. Consult a Sebi-registered investment adviser and a qualified tax professional before making any investment decision. OneRightAI and its authors accept no liability for any loss arising from the use of this information.

Credits and rights

Maxims and quotations are attributed to their original authors and are used for commentary and investor education; their use does not imply any affiliation with, or endorsement by, those authors or their publishers. Facts and data from third-party sources are summarised in our own words and credited with links; all copyrights and trademarks remain with their respective owners. OneRightAI is not responsible for the content of external websites.