

# NEWS ALERT

## S&P Upgrades India to 'Stable'

**Better Govt Finances, Decision To Cut Subsidies Spur Move; India Inc's Borrowings To Get Cheaper**  
GLOBAL credit rating agency Standard & Poor's on Thursday revised the outlook on India to 'stable' from 'negative' due to improved government finances—a move that could marginally lower the borrowing cost of India Inc and support equities. The decision not only dispelled fears of an immediate downgrade, but also revived hopes that India's fiscal position could now begin to recover. The agency, which identified inflation as the only downside, also affirmed the 'BBB-' longterm and 'A-3' short-term sovereign credit ratings on India. Ratings below BBB-' are non-investment grade.

In order to fight piracy, Nokia plans to launch its music service 'Comes With Music' in India in a couple of months to give unlimited music access to its consumers, a top company official said. "To fight piracy we need to develop content that is compelling, innovative, exclusive and subscription models which are almost free," Nokia India Marketing Director Vineet Taneja told PTI here. "This service will be targeted for mid and top-end models ...starting with Rs 6,000-7,000 handsets. Service will be available in existing and upcoming handsets," he added. The company has tied up with Indian record labels including, T series, Venus, Tips, Big Music, Eros and Indian Music Industry (IMI).

## What is Tobin tax??

Named after Nobel-winning US economist James Tobin who proposed it in 1971, this tax on short-term cross-border currency transactions is levied to discourage such flows and help stabilise exchange rates by curbing speculation. Since speculative currency trades occur on smaller margins, Tobin Tax reduces or eliminates incentive for speculation. Mr Tobin argued that national economies and governments are not capable of adjusting to massive movements of funds across borders, without sacrificing the effectiveness of national economic policy with respect to employment, output, and inflation.

### Why is Tobin tax relevant now?

The global financial crisis reopened the debate on the relevance of Tobin tax. The proponents of the tax argue that ill-effects and risks of volatility are inherent to all financial markets and measures should be in place to curb flows. Many countries such as Brazil, Thailand, Columbia, Chile and Malaysia have similar taxes in place. Economists say globally co-ordinated action will enhance the effectiveness of the policies at the national level.

### Is there an optimum Tobin tax rate?

In 2001, James Tobin said the rate could be close to 0.5%. Economists have proposed financial transaction tax rates ranging between 0.05% and 1%. Even a 0.5% tax applied per transaction in the currency market could discourage trades, as the spreads in the many of these transactions are as low as 0.005%.