

International Economics as a distinct branch of Economics

International economics is a subfield within economics which concerns itself with the economic activities of different countries around the world and its global effects. In other words, international economics is a field concerned with economic interactions of countries and effect of international issues on the world economic activity.

Over the years, the field of international economics has developed drastically with various theoretical, empirical, and descriptive contributions making it a distinct branch of Economics. As International economic relations differ from interregional economic relations (i.e., the economic relations among different parts of the same nation), international economics requires somewhat different tools of analysis. The following arguments justify international economics as a distinct branch of economics.

1. Nations usually impose some restrictions on the flow of goods, services, and factors across their borders, but not internally.
2. International flows are to some extent hampered by differences in language, customs, and laws.
3. International flows of goods, services, and resources give rise to payments and receipts in foreign currencies, which change in value over time.
4. The impact of various government restrictions on production, trade, consumption, and distribution of income are covered in the study of international economics. Thus, it is important to study the international economics as a special field of economics.
5. Normally, factors of production are mobile within a country but are not as mobile internationally. However, with the advent of globalization, international mobility of factors of production has become much easier which in turn affects the comparative advantage of nations. Under such economic reality, it requires the theoretical concepts and tools of international Economics to understand what impact the increasing mobility of the factors of production has on comparative advantage.

Nature and Scope of international Economics

The Subject Matter of International Economics that comes under its scope deals with the economic and financial interdependence among nations. The scope of international economics is wide as it involves various concepts, issues and theories. Nature and Scope of international Economics can be studied as below:

1. **International trade theory:** International trade theory analyzes the basis and the gains from trade. International trade policy examines the reasons for and the effects of trade restrictions. Theoretical international economics is grouped into two categories as:

(i) **Pure Theory of International Economics:** The pure theory of international economics deals with trade patterns, impact of trade on production, rate of consumption, and income distribution. It involves microeconomic part of international economics.

(ii) **Monetary Theory of International Economics:** The monetary theory of international economics is concerned with issues related to balance of payments and international monetary system. It involves macroeconomic part of international economics.

2. **Descriptive International Economics:** Descriptive International Economics deals with institutional environment in which international transactions take place between countries. Descriptive international economics also studies issues related to international flow of goods and services and financial and other resources.

3. **International finance or open-economy macroeconomics:** International Economics deals with international finance which studies how capital flows between international by applying macroeconomic principles. Areas that fall within the remit of international finance are:

(a) **Balance of payments:** The balance of payments measures a nation's total receipts from and the total payments to the rest of the world.

(b) **Foreign exchange markets:** Foreign exchange markets are the institutional framework for the exchange of one national currency for others.

4. **International trade policy:** International trade policy examines the reasons for and the effects of trade restrictions. The impact of various government restrictions on production, trade, consumption, and distribution of income are covered in the study of international economics.

5. **International economic institutions:** International Economics studies the functioning of various emerging international economic institutions, such as World Trade Organization (WTO), International Monetary Fund (IMF), United Nations Conference on Trade Development (UNCTAD) and World Bank

6. **Globalization:** With the advent of globalization, there is a rapid increase in the free flow of goods and services, capital, labor and finance between nations. Globalization has led to increase in employment opportunities, International Competition and standardization of international economic laws and policies. Thus, the advent of globalization has widened the field of International Economics.