

COURSE NAME:-B.A.LLB-IITH SEM

SUBJECT:-ECONOMICS-II

TEACHER:-MS.MUNESH

TOPIC:- INTERNATIONAL ECONOMICS

International Economics

International economics is concerned with the effects upon economic activity from international differences in productive resources and consumer preferences and the international institutions that affect them. It seeks to explain the patterns and consequences of transactions and interactions between the inhabitants of different countries, including trade, investment and transaction.

- **International trade** studies goods-and-services flows across international boundaries from supply-and-demand factors, economic integration, international factor movements, and policy variables such as tariff rates and trade quotas.
- **International finance** studies the flow of capital across international financial markets, and the effects of these movements on exchange rates.
- **International monetary economics** and international **macroeconomics** study flows of money across countries and the resulting effects on their economies as a whole.
- **International political economy**, a sub-category of **international relations**, studies issues and impacts from for example international conflicts, international negotiations, and international sanctions national security and economic nationalism; and international agreements and observance

International economics is divided into two parts, namely, theoretical and descriptive.

- **These two parts are discussed as follows:**
- **(a) Theoretical International Economics:**
- Deals with the explanation of international economic transactions as they take place in the institutional environment

Theoretical international economics is further grouped into two categories, which are as follows:

(i) Pure Theory of International Economics:

- Involves microeconomic part of international economics. The pure theory of international economics deals with trade patterns, impact of trade on production, rate of consumption, and income distribution. Apart from this, it also involves the study of effects of trade on prices of goods and services and rate of economic growth.

(ii) Monetary Theory of International Economics:

Involves macroeconomic part of international economics. The monetary theory of international economics is concerned with issues related to balance of payments and international monetary system. It studies causes of disequilibrium between payments and international monetary system and international liquidity.

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. In addition, it covers the study of various international economic institutions, such as IMF, WTO, World Bank, and UNCTAD.