**International Economics: It’s Concept & Parts**

International economics deals with the economic activities of various countries and their consequences.

In other words, international economics is a field concerned with economic interactions of countries and effect of international issues on the world economic activity.

It studies economic and political issues related to international trade and finance.

International trade involves the exchange of goods or services and other factors of production, such as labor and capital, across international borders.

On the other hand, international finance studies the flow of financial assets or investment across borders. International trade and finance became possible across nations only due to the emergence of globalization.

Globalization can be defined as an integration of economics all over the world. It involves an exchange of technological, economic, and political factors across nations due to advancement in communication, transportation, and infrastructure systems.

With the advent of globalization, there is a rapid increase in the free flow of goods and services, capital, labor and finance between nations. The consequences of globalization can be negative or positive.

For example, globalization has led to increase in employment opportunities and standardization of international economic laws and policies. In addition, it has also resulted in reduction in trade barriers, such as tariffs and quotas.

However, globalization has marked an increase in international competition, which results in decrease in the market share of organizations. Therefore, the repercussions of globalization are important for organizations, irrespective of whether they are indulged in international trade or not.

Apart from this, it describes the functioning of different international economic institutions, such as World Trade Organization (WTO), International Monetary Fund (IMF), and United Nations Conference on Trade and Development (UNCTAD).

**Concept of International Economics:**

International economics refers to a study of international forces that influence the domestic conditions of an economy and shape the economic relationship between countries. In other words, it studies the economic interdependence between countries and its effects on economy.

The scope of international economics is wide as it includes various concepts, such as globalization, gains from trade, pattern of trade, balance of payments, and FDI. Apart from this, international economics describes production, trade, and investment between countries.

International economics has emerged as one of the most essential concepts for countries. Over the years, the field of international economics has developed drastically with various theoretical, empirical, and descriptive contributions.

Generally, the economic activities between nations differ from activities within nations. For example, the factors of production are less mobile between countries due to various restrictions imposed by governments.

The impact of various government restrictions on production, trade, consumption, and distribution of income are covered in the study of internal economics. Thus, it is important to study the international economics as a special field of economics.

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.

**(b) 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.

Among aforementioned concepts, such as globalization, gains from trade, pattern of trade, balance of payments, and FDI, globalization forms the major part to be learned in international economics.