**International economics as a field of study in economics; one may ask:**

* What makes economic relations among nation states different from economic relations within a nation state?

**Possible answers:**

* Each country identifies itself by a geographical area over which it claims sovereignty.
* Each country has its own government and its own sets of rules and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The political systems of most nation states are different.
* Activities or transactions leading to movements of people, factors of production (i.e., labor, capital and raw materials), manufactured goods and services across a county's borders are often controlled or restricted and in some cases are prohibited.
* Most nation states have their own \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (currencies) and banking systems.
* Despite the basic commonalties among all human beings, people of different countries tend to have different cultures, speak different languages, and have different tastes and habits.

==>All of the above have restricting effects on economic interactions among nation states.

**Increasing International Interdependence:**

* Since the end of World War II the world's international trade and investment have been growing steadily.
* Better and less expensive transportation, lower trade barriers, the establishment of international institutions and organizations including trade organizations, reduced levels of international \_\_\_\_\_\_\_\_\_\_\_\_\_\_, regional economic agreements, and international trade agreements have all contributed to the growth in the in international trade and investment.
* Economic events in one country could have significant implications in other countries.

**More recent developments:**

* Trade liberalization ( the establishment of WTO)
* Capital market liberalization
* Economic integrations

European Union

NAFTA

ASEAN

* Emergence of \_\_\_\_\_\_\_\_\_\_\_ as an economic force
* Globalization developments

**International Economic Relations:**

* Trade
* International Factor Movements
* Investment
* Unilateral transfers of goods and services and factors of production
* Official transactions

**International Financial Transactions:**

* Trade-based transactions
* Investment transactions
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ transactions
* Official transactions
  + - Speculative transactions
    - Hedging transactions
    - Trading in derivatives

**International Financial Institutions:**

* Markets and exchanges in international financial centers such as London, New York, Paris, Tokyo, Singapore, etc.
* International banks and brokerage firms
* Central banks
* The IMF
* The World Bank

**Studying International Economics:**

* Microeconomics: International Trade and Factor Mobility
* Macroeconomics: International Finance (Balance of Payments, Exchange Rate, and International Monetary System)

**The United States and the World   
<<Economic Interdependence>>**

* From the production possibilities curve analysis we have learned that an economy's output cannot grow beyond its production possibilities unless there is a an increase in its economic resources or/and there is an improvement in its \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* Trading with other countries allows a country's consumers to consume outside its production possibility area; that means the country can achieve a consumption level not achievable without trade.

**The U.S. and International Trade:**

* The United States has the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ amount of international trade in the world. In recent years the U.S. has imported an amount equal to about 15 percent of its GDP annually.
* Since 1980, the value of the U.S. annual imports has (consistently) been greater than the value of its annual exports resulting in balance of trade deficits.

**The Basic Theory of Trade:**

* Comparative advantage and the gains from trade
* Trade as a means to economic efficiency
* Trade as a way of life
* Trade and economic interdependence
* Trade and economic growth

**Early Thinking about Trade:**

* Mercantilism
  + Advocating exports and accumulation of gold and other precious metals
* David Hume and the specie-flow mechanism
  + Accumulation of gold => domestic inflation => decline of exports and increase in imports
* Adam Smith (1776)
  + Trade is beneficial for both trading partners (countries) if each \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in the production of the good he/she is more efficient in.