Unit 4 LEQ #5

Analyze why mercantilism as an economic model was eventually abandoned and include in your discussion the economic model that replaced it, and why.

Contextualization: During the period of the rise of new monarchies in the 1500s, a new economic system emerged and became known as mercantilism. Mercantilism was favorable in states under the rule of an absolute monarch because of the amount of control the government has over the economy. Thesis: In theory, this system was relatively neat but rigid at the same. However, mercantilism was eventually abandoned as a result of some of its many flaws, and this system was eventually replaced by capitalism because capitalism proved to be successful. Argument: Mercantilism was obviously flawed due to its narrow-minded view on commodities and trade. However, the creation of this system did eventually lead to the rise of other theories of economics.

Body 1: The decline of mercantilism was due to some of its many flaws as an economic system.
- Analysis: Bullion itself is a commodity that mercantilists placed too much emphasis upon. Because of that, the large amount of gold and silver made the value of the currency go down making the price of other goods go up. As a result, inflation occurred in goods such as bread.
- Evidence: Mercantilism caused a large amount of trade restrictions to emerge from the large amount of control the government has.
- Analysis: With a large amount of trade restrictions, businesses could not grow and have the freedom to make possible beneficial trading decisions such as trade with other countries. Not only that, the economy would eventually reach a point where further interference from the state would prevent expansion. For example, the new technology that emerged during the Industrial Revolution were put to full use after the industrial regulations were removed.

Body 2: Mercantilism was eventually replaced by capitalism because of the prosperity it brought to the countries who implemented it.
- Evidence: Capitalism, a term not yet coined until the 19th century, was first implemented by the Dutch as they began to get involved in world trade eventually becoming a leading commercial center by the 16th century.
- Analysis: Because of the Dutch's success economically, it attracted the attention of some countries such as England. As a result, England by 1860 abolished the remainders from the mercantilist period by removing industrial regulations, tariffs, and other machinery exports becoming a strong economic power in Europe.
- Evidence: The English and the Dutch both became involved in joint stock companies establishing themselves as dominant economic powers in Asia.
- Analysis: Becoming dominant powers in Asia was a testament to the possible success capitalism could bring. Since Asia was a main target for establishing trade and markets there for Europeans, the success the English and the Dutch had would have attracted more countries to change their economic structure in order to compete with the other powerful countries.

Conclusion: Mercantilism rose and then declined due to the flaws that were present in the economic model. This economic model was eventually replaced by capitalism because of the success it brought to the countries who first implemented this model. Synthesis: Another economic model besides mercantilism and capitalism is socialism. Similar to mercantilism, socialism advocates for the government to control trade and economy. At the same time, socialism contrasts capitalism strongly because in capitalism, its companies are privately owned while socialism has publicly owned companies. Also, production of products in socialism is usually organized through markets or economic planning.