

# [Capitalism: does it cause or alleviate poverty?](https://assignbuster.com/capitalism-does-it-cause-or-alleviate-poverty/)

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Capitalism: Does it cause or alleviatepoverty? By: Zahoor Khan[email protected]com To tackle the issue of poverty has been remained a massive challenge in the known history of human civilization for all global economic isms of the world. Each economic ism has its own strategies to address this issue. Capitalism tries to resolve the issue of poverty on the basis of demand supply forces.

Capitalism is generally considered to be aphilosophyof economic systems that favors private ownership of the means of production, creation of goods or services for profit or income by individuals or corporations, competitive 1 markets, voluntary exchange, wage labor, capital accumulation, andfinance. There may be two possible solutions of the issue of poverty in Capitalism. Firstly, each individual economic agent has monetary incentives to work and perform various economic activities. Thus monetary incentives stimulate the economic agents towards the performance of various economic activities.

This may be considered as an indirect solution of poverty in context of Capitalism. Secondly, individuals possess ownership rights. They can possess various productive resources and have the right to use these resources for production and consumption purposes. Each economic agent (Consumer Producer, Government) is assumed to be rational and will therefore try to optimally utilize their resources in their best interests. Thus, this behavior works as an automatic stabilizer in the 1 http://en. wikipedia. org/wiki/Capitalism economy to resolve the economic issues including the issue of poverty of all masses.

The in-depth analysis of the system reveals that both possible solutions of the issue of poverty suggested by the system are factitious. The first solution is viable if fortunately all people become part of the labor force in an economy. This solution does not take into consideration children, housewives, old men and women, insane, and permanently disable people that from where they can access to the basic facilities (food, shelter, hospital…). The second solution is based on the assumption that all the people of the economy possess some productive resources, which is unrealistic.

This assumption may be questioned in many ways: From where the people will get the economic resources? What will be the way of acquisition of resources? All the people cannot participate in the labor force, then how these people will acquire economic resources etc. One other possible way may be the intervention of government, to take some steps towards the solutions of the issue. This method is feasible as compared to the earlier methods. Unfortunately, this method is not very effective to address the issue because of many hurdles.

Poverty is a multidimensional phenomenon which cannot be effectively addressed only with the help of the government. This issue requires multidimensional measures at the micro, Meso and macro levels. The issue of poverty is considered as a social issue in Capitalism. The society, in capitalism is divided on the basis of ‘ have’ and’ have not’. The upper class, ‘ the capitalists’ controls the entire economy on the basis of their capital while the ‘ worker class’ cannot own capital irrespective of their efforts in the process of production. Thus capitalists accumulate more and more wealth on the basis of their capital.

This phenomenon naturally intensifies the earning gap between the two classes. The ultimate outcome of this process will be in the form of macroeconomic evils i-e income inequality, poverty, accumulation of wealth. The issue of poverty gives sub-birth to many social and economic issues. Some important of them may be in the form of income disparity, class conflict, and deprivation. The philosophical foundation of Capitalism can make it more clear that whether the system has the required potential to resolve the issue of poverty effectively or otherwise. Capitalism is based on three philosophical pillars. i.

Materialism ii. Individualism iii. Hedonism. Capitalism as a living ideology believes in a materialistic world view. According to this philosophy all human needs and desires are subject to material satisfaction i-e whatever is needed/desired will be satisfied in this material world because there is no concept of the world hereafter. So unlike an Islamic consumer, a capitalist consumer will be always conscious about his material utility and will therefore try to spend all hismoneyon material commodities. The second important element of Capitalism’s philosophical foundation is “ individualism”. Individualism refers to ndependent behavior of economic agents to accomplish their economicgoals. According to this concept all people’s interests are independent from each other’s. Each individual has to work for his own personal goals. Thus, the resulting outcome of this behavior will be in the form greed, unconsciousness about other’s rights, immorality in business practices, weakness of social bond etc. The last foundation of Capitalism, as a living ideology is ‘ Hedonism’. Hedonism refers to a philosophy where one’s become pleasure seeker and ‘ self-centered’ while to accomplish various goals. Hedonism is the logical consequence of ‘ Individualism’.

Looking into the philosophical foundations and ideological structure of capitalism it seems that the capitalism is a byproduct of human reason which promotes individualisms, self satisfaction as a supreme priority, greed, unconsciousness about other’s rights and unconsciousness about the overall welfare of the society. In the light of these logical consequences resulting from the Capitalism, The system will ultimately worse off the poor and marginalized people, followed by the increasing gap between the poor and rich and thus the extreme level of living standards and provision of many social and sub-economic issues…