An Investigation into the Transformation of Poverty in Developing Countries Following Capitalism

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Abstract

The present study seeks to answer the question, “Does the structure of capitalism truly spread poverty in developing countries?” using the panel data model and the indices of poverty, capitalism, growth, unemployment etc. The results of the estimation show that the growth in capitalism is in inverse proportion to the extent of inequality, in other words, capitalism has proved efficient at decreasing the income inequality. Of course, two points are involved in obtaining this result, the first point is that capitalism does not align enough with the theoretical criteria of the present research because the employed capitalism index is based on the economic freedom criteria due to the time and information limitations of the research. The second point is that Gini coefficient has been used to determine the inequality in the present study, and as we know the Gini coefficient is a criterion that is used to measure the income inequalities and it does not measure the wealth inequalities and the poverty resulting from wealth inequality. As a result, the present study postpones the studies based on capitalism index according to the income distribution and workforce share in creating wealth, and also making use of the appropriate index to determine the wealth inequality to the future studies.

Keywords: poverty, capitalism, developing countries, exploitation, capitalism indicator, panel data