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How Economics Wrote the History of Inequality: A Critical Inquiry into the Ideology of Knowledge and the Legitimation of Capitalist Power

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Abstract

This study interrogates how economics, across its historical evolution, has operated not as a neutral science of wealth but as an ideological apparatus that constructs, legitimizes, and perpetuates inequality. By tracing the epistemic lineage from classical political economy to neoliberal globalization, it demonstrates how the discipline transformed relations of domination into relations of efficiency—translating moral questions of justice into the technical language of equilibrium. Each paradigm—Smithian harmony, Ricardian scarcity, Keynesian compromise, developmental modernism, and neoliberal moralism—performed a depoliticizing function: converting exploitation into productivity, class antagonism into policy adjustment, and hierarchy into merit. Through a critical–historical and ideological lens, the paper situates these transformations within their institutional and geopolitical contexts, revealing how the claim of scientific neutrality repeatedly served to naturalize capitalist power. The postwar welfare and developmental paradigms reimagined inequality as a transitional cost of modernization, while neoliberalism universalized it as virtue—embedding hierarchy in the global moral economy of competition, merit, and markets. Contemporary discourses of sustainability and inclusion, rather than transcending this logic, rebrand exploitation as progress. Ultimately, the paper argues that inequality is not an aberration of capitalism but its constitutive logic, sustained through the epistemic authority of economics itself. Reclaiming equality therefore requires reclaiming political economy as critique—reviving its emancipatory capacity to unveil the moral alchemy through which capitalism sanctifies injustice in the name of progress.

Key words: Inequality; Ideology; Political Economy; Neoliberalism; Globalization.

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1. Introduction

The question of income inequality has long stood as one of the most incisive reflections of capitalism's moral and structural contradictions. Far from being a mere quantitative imbalance, inequality embodies a deeply ideologically constructed, legitimized, and perpetuated through the epistemic authority of economic thought itself. From Adam Smith's moral vision of natural harmony to the mathematical abstraction of neoclassical equilibrium and the moralized competitiveness of neoliberal reason, the discipline of economics has consistently translated domination into efficiency and transformed social hierarchy into the grammar of order. As Fine (2019) insightfully notes, the "science of wealth" evolved into a "science of legitimation," where inequality ceased to be a moral scandal and became a functional necessity of market civilization.

This paper begins with the premise that economic theory does not merely interpret inequality, it constructs its history, meaning, and legitimacy. It asks a fundamental question: *How has the evolution of economic thought transformed inequality from a political and ethical problem into a depoliticized, technical, and seemingly natural feature of capitalist modernity?* In addressing this question, the study exposes the intellectual continuity through which capitalism has written its own justifications into the language of science, translating social antagonism into equilibrium and moral conflict into analytical necessity. Inequality, in this reading, is not the residue of imperfection but the constitutive logic through which capitalist power reproduces itself—materially, institutionally, and epistemologically.

Methodologically, the study situates itself within the critical-historical tradition of political economy (Harvey, 2005; Jessop, 2016; Mirowski, 2013; Fine, 2019). Rather than quantifying inequality, it interrogates the ideological architectures through which economics has rendered exploitation invisible and power legitimate. This approach emphasizes that every theoretical regime emerges within a specific configuration of accumulation and governance: classical liberalism's moral economy of property, Keynesianism's managed compromise between labor and capital, and neoliberalism's moralization of markets and merit. As Brown (2015) argues, neoliberal reason universalizes market logic across all spheres of life, transforming inequality into evidence of discipline, effort, and moral worth. Thus, the evolution of economic thought must be read not as a linear progression of ideas but as a genealogy of legitimacy—a succession of intellectual projects that reconcile capital's structural contradictions through changing languages of morality and knowledge.

The article unfolds through a genealogical reconstruction of economic paradigms, showing how each intellectual formation redefined inequality to sustain capitalist order. The early phases of classical political economy transformed property into virtue and hierarchy into progress, presenting inequality as the price of civilization. The Keynesian and developmental paradigms that followed sought to domesticate class conflict through growth, welfare, and the moral rhetoric of inclusion—turning redistribution into a tool of stabilization rather than emancipation. The neoliberal counterrevolution recast inequality as a moral principle, glorifying competition and privatizing risk, while globalization universalized this logic through the structural adjustment policies of the IMF and the World Bank. In the contemporary era, the discourse of sustainability and human development rebrands exploitation as progress, completing the moral metamorphosis of capitalism into an ethical system of hierarchy.

This analytical trajectory allows the study to make two interrelated contributions. First, it offers a conceptual re-reading of inequality as a structural and constitutive mechanism of capitalist reproduction—an organizing principle of accumulation that economics has persistently obscured through claims of objectivity. Inequality here is not a deviation to be corrected by policy but the very grammar through which capitalism secures its legitimacy. Second, it advances a methodological intervention by revealing how the "ideology of knowledge" operates within economics: the ways in which abstraction, formalism, and moral universalism work together to depoliticize the economy and naturalize capitalist power. In this sense, the paper extends the critical political economic tradition by showing that the depoliticization of inequality mirrors the depoliticization of capitalism itself, both rooted in the transformation of power into knowledge and of critique into calculation.

The structure of the argument reflects this intellectual genealogy. The study begins by tracing the moral and ideological origins of inequality in early economic thought, where property and progress were cast as natural expressions of human order. It then examines how Keynesian and developmental paradigms institutionalized a moral economy of compromise, embedding inequality within the rhetoric of welfare and modernization. The analysis subsequently turns to the neoliberal counterrevolution, which redefined inequality as virtue and globalized it through the moral theology of the market. Finally, it demonstrates how the post-1990s discourse of poverty reduction and sustainability repackages domination as compassion, transforming exploitation into a form of ethical governance. The concluding section argues for the necessity of reclaiming political economy as critique, restoring its ability to expose the ideological mechanisms through which economic knowledge legitimates capitalist hierarchy.

Ultimately, this study contends that confronting inequality requires confronting its intellectual architecture. To understand how inequality endures is to understand how economics itself has come to speak the language of power. Reclaiming equality, therefore, is inseparable from reclaiming the moral imagination of political economy—from transforming economics not into a science of preservation, but into a philosophy of emancipation.

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2. The Ideological Genesis of Inequality: Property, Progress, and Power in Early Economic Thought

The history of economic thought is simultaneously a history of how inequality has been justified, naturalized, or sanctified under successive regimes of capitalist ideology. From classical political economy to the rise of neoclassical orthodoxy, each paradigm has performed an epistemological function: to transform relations of domination into relations of efficiency. As Heilbroner (2008) observes, long before economics constituted itself as a scientific discipline, the accumulation of wealth and the attendant inequality across Europe had been condemned by the medieval Church as a moral aberration rather than an analytical problem. Yet, by the seventeenth century, liberal theorists such as John Locke (1690/1988, pp. 186–189) had rearticulated the moral question of poverty into the political question of property. Locke's *Second Treatise of Government* defended private property as a natural right derived from labor yet simultaneously admitted that "nothing was made by God for man to spoil or destroy," implying that the legitimacy of property required moral limits and social responsibility (Locke, 1690/1988, p. 190). This tension—between property as natural justice and as social obligation—would echo through later liberal economics.

As Buğra (2016, pp. 23–27) notes, the existence of the poor who lived on charity was, in medieval agrarian economies, regarded as a divinely ordained necessity rather than a social failure. England's early *Poor Laws* of the seventeenth century institutionalized this belief by distinguishing between the "deserving" and "undeserving" poor (Rushton, 1989, p. 135). In the following century, liberal political philosophy replaced divine order with market order: rapid growth became the principal remedy to inequality, nourished by the optimistic expectation that prosperity would eventually "trickle down" to the impoverished (Ashcraft, 1993). Yet, as the Industrial Revolution unfolded, this optimism collapsed. The mechanization of production—loom technology in the 1730s, railways in the 1820s, steam-powered shipping in the 1840s—transformed both the material and social landscape of Europe. In Britain, the share of industrial employment rose from 30% in 1800 to nearly half of the total workforce by 1870 (Baldwin & Martin, 1999). Technological progress produced national prosperity but simultaneously deepened the structural chasm between capital and labor.

By the mid-nineteenth century, industrial capitalism had generated not only domestic inequality but a widening global hierarchy. Countries unable to industrialize began to fall behind, amplifying international disparities in income and productivity (Caporaso, 1981). The repeal of the *Poor Law* in the late eighteenth century further entrenched inequality within England (Şenses, 2013, p. 34). Exploitation of women and children expanded dramatically: across England, Sweden, France, and Germany, children as young as six worked sixteen-hour shifts in mines and factories (Tuttle, 2021). Meanwhile, the *enclosure movement*—driven by the wool industry's appetite for land—expelled peasants from communal fields, forcing them into precarious urban labor markets (Chambers, 1953, pp. 319–343).

As England extended these practices into its colonies, inequality assumed a global dimension. The income ratio between the richest and poorest nations, which stood at 3:1 at the end of the nineteenth century, widened to nearly 15:1 by the close of the twentieth (Allen, 2019, pp. 88–125).

It was within this moral and material crisis that modern economics was born. Adam Smith's *The Wealth of Nations* (1776) sought to explain the paradox of poverty amidst plenty. Smith (1904/1776, p. 80) conceded that "no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable." Yet his Enlightenment optimism led him to believe that the expansion of markets and the division of labor would ultimately improve the condition of the poor (Lomasky & Swan, 2009, p. 499; Şenses, 2013, p. 33). Smith's moral philosophy, grounded in a belief in natural harmony, transformed inequality from a moral scandal into an inevitable by-product of progress. David Ricardo (2006, p. 1), in his *Principles of Political Economy and Taxation*, formalized the "laws of distribution" among laborers, capitalists, and landlords, yet stopped short of analyzing the social antagonisms embedded in these relations (Dixon, 2008, pp. 235–253). Classical economics thus turned the problem of poverty into an equation of efficiency—one that concealed the class character of accumulation.

Marxism ruptured this consensus by restoring the political meaning of inequality. For Marx and Engels (1976, p. 498), disparities in income and wealth were not anomalies but the very expression of capitalist production—the expropriation of surplus value from the proletariat by the bourgeoisie. Marx's analysis demystified the "laws of the market," revealing them as social relations of domination. Yet, as Fine (2019) points out, the institutionalization of economics in the late nineteenth century coincided with the marginalization of Marxism, which was relegated to the domain of ideology rather than science.

The *marginalist revolution* of the late nineteenth century consolidated this depoliticization. As Milonakis (2012, pp. 246–251) emphasizes, the transition from political economy to economics represented not progress in scientific objectivity but a retreat from the social. Neoclassical theory, in its obsession with equilibrium and utility, erased the structural determinants of inequality—class, power, and ownership. It replaced the critique of capitalism with the mathematics of harmony. "No political class," wrote Mosca, "will openly say that it is in power because its members are the fittest to govern; it will seek to legitimize its power through abstraction" (as cited in Martinelli, 2009, p. 9). This statement captures precisely the ideological function of neoclassical economics: to legitimate power by transforming exploitation into equilibrium.

This intellectual order was shattered by the Great Depression of 1929, which exposed the limits of laissez-faire orthodoxy (Goswami, 2018). John Maynard Keynes's *General Theory* reintroduced the state as an active stabilizer and moral authority in economic life (Keynes, 1936, p. 378). Keynes argued that full employment and social welfare were not spontaneous market outcomes but required deliberate public intervention (Krugman, 1999, pp. 101–102). Keynesianism, dominant until the 1970s, reinterpreted inequality as a technical problem of demand management rather than a structural feature of capitalism. As Polanyi (2001) and Harvey (2005) later observed, this was less a rupture with capitalism than its moral renovation—a new compromise between accumulation and legitimacy.

3. The Keynesian Compromise: Capitalist Legitimacy and the Ideological Management of Inequality

John Maynard Keynes stands among the most influential economists of the twentieth century, having redefined the analytical grammar through which capitalism understood its own crises. His *The General Theory of Employment, Interest, and Money* (1936) transformed the intellectual landscape of economic thought, substituting the laissez-faire faith of neoclassical orthodoxy with a new paradigm centered on state intervention and aggregate demand management (Klein, 2016). Yet, the practical embodiment of Keynes's theoretical framework materialized only in the aftermath of the Second World War, when the reconstruction of war-torn economies demanded not only growth but legitimacy. The *Keynesian consensus*—institutionalized through macroeconomic stabilization policies and welfare-state regimes—prevailed roughly until the mid-1970s and constituted a moral as much as an economic project: the containment of class conflict through fiscal policy and social reform (Jessop & Sum, 2006).

The postwar welfare state, underpinned by the Fordist accumulation regime, symbolized what Jessop (1990) calls the "Keynesian welfare–national state," a grand compromise between capital and labor mediated by the state. Its ideological function, however, extended far beyond income redistribution was designed to secure the *social consent* necessary for capitalist reproduction. Welfare policies were not merely humanitarian instruments but the political technologies of social pacification, diffusing the revolutionary energies that had animated Marxist movements across Europe.

This political economy of compromise found its geopolitical mirror in the Cold War. The ideological bipolarity of capitalism and socialism structured not only global alliances but also the epistemic architecture of economics itself. As Mandel (1995, p. 209) observes, the Cold War transformed economics into a weaponized science—its categories, models, and assumptions becoming integral to the ideological defense of the capitalist order. In the United States, the McCarthyist crusade against communism extended into universities and research institutes, where it shaped what Weintraub (2017, pp. 571–597) termed the "Formalist Revolution." The synthesis of Leontief's input–output analysis, Pareto's welfare theorems, and econometrics—refined through the Cowles Commission (Christ, 1994, p. 30)—recast economics as a mathematically sanitized discipline detached from political, historical, and institutional realities.

This transformation reached its apogee in the early 1950s when Kenneth Arrow and Gérard Debreu formally demonstrated the existence of general equilibrium (Duffie & Sonnenschein, 1989, p. 572). The resulting welfare theorems canonized a utopian image of capitalism: one where markets, if left unimpeded, would yield optimal outcomes, and inequality could be treated as an efficient equilibrium rather than a moral crisis. As Clift (2019, p. 15) insightfully notes, this epistemological turn "disembedded economics from its social moorings," replacing political economy with mathematical formalism. In the Cold War's ideological climate, such abstraction served a purpose: by transforming the study of inequality into a technical curiosity, it shielded the capitalist system from critique. As "theory always serves someone and some purpose" (Cox, 1981: 128)—and in this era, it served the stabilization of American hegemony and the normalization of global inequality.

Parallel to this epistemic transformation, the rise of development economics in the 1950s must also be read as an ideological response to the global crisis of inequality (Engerman, 2017). Born under the aegis of the Cold War, development economics was not merely a technical discipline; it was a moral narrative about modernity, progress, and Western tutelage. Its central promise—that inequality was a necessary price for growth—reformulated the old laissez-faire optimism into a developmental teleology. Reports such as *Measures for the Development of Underdeveloped Countries* (UN Expert Group, 1951) argued that the key to overcoming underdevelopment lay in increasing domestic savings and attracting foreign capital. By attributing poverty to internal deficiencies rather than structural subordination, development theory depoliticized global inequality (Rosenstein-Rodan, 1943; Nurkse, 1952; Rostow, 1990; Hirschman, 1958). As Harper and Manasse (1992, pp. 783–784) later observed, the underlying message was clear: the poor were responsible for their own poverty, and foreign investment was the cure
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The *Kuznets Hypothesis* epitomized this ideology of deferred equality. Simon Kuznets (1955, 1960, 1967) famously proposed that inequality follows an inverted U-shaped trajectory—rising in the early stages of industrialization and declining as economies mature. This narrative transformed inequality into a transitional virtue, legitimizing it as the engine of future equality. Yet empirical realities soon betrayed the hypothesis. By the mid-1950s, Gunnar Myrdal (1957, p. 6) warned that "the rich countries are developing faster than the poor ones," deepening the structural gulf between the Global North and South. As Cardoso and Helwege (1992, p. 27) later documented, the per capita income ratio between the United States and India rose from 20:1 in 1945 to 40:1 by 1960—a devastating refutation of Kuznetsian optimism.

The persistence of inequality despite rapid growth in developing countries, as Şenses (2013, p. 46) notes, revealed the ideological limits of developmentalism. Even the so-called "economic miracles" of the 1960s, such as Brazil's, exacerbated rather than alleviated inequality. These contradictions forced development economics to adopt a more humanitarian façade, leading to pseudo-studies emphasizing the "social dimensions of inequality" without challenging its structural roots. As Kalecki (1943) had presciently warned, capitalism could tolerate full employment only temporarily—so long as it did not erode class power. Indeed, the

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postwar order's success in mitigating inequality was contingent not on structural transformation but on the ideological capacity to represent capitalist stabilization as social justice.

From a broader political-economic perspective, the Keynesian compromise must therefore be understood as an ideological technology of equilibrium—one that mediated class conflict within advanced capitalism while exporting developmental hierarchies abroad. Its apparent inclusivity concealed a dual process: domestically, it institutionalized class peace; internationally, it reproduced global dependence. As Polanyi (2001), Minsky (1986), and Harvey (2005) have argued, the welfare state's stability rested on the illusion that capitalist accumulation could coexist indefinitely with social justice. By the 1970s, this illusion began to unravel, paving the way for neoliberal restoration.

4.Compassion without Redistribution: The Political Economy of Basic-Needs Ideology

By the early 1970s, the optimism that had sustained postwar development theory was rapidly disintegrating. The assumption that growth would automatically translate into equity proved untenable in the face of deepening global disparities. Two-thirds of humanity still lived on a fraction of the income enjoyed in metropolitan economies—barely one-tenth to one-fifteenth of their per capita income (Şenses, 2013, p. 47). In Latin America alone, nearly sixty million people in Brazil, Argentina, and Chile suffered from chronic malnutrition, while the devastating 1973–1974 famine in Bangladesh, which claimed hundreds of thousands of lives, laid bare the moral bankruptcy of the growth paradigm (Şenses, 2013, p. 47). The postwar promise that prosperity would "trickle down" had collapsed; inequality, rather than diminishing, had become the structural condition of global capitalism.

By the mid-1970s, it became increasingly clear that economic growth by itself could either eradicate poverty nor mitigate income inequality in the developing world. The presidency of Robert McNamara at the World Bank marked a pivotal turn in the rhetoric of global capitalism. Beginning in 1968, the Bank began to speak the language of *equity* and *human needs*, presenting itself as a moral arbiter rather than a financial institution (Ruger, 2005, p. 60). Along with the International Labour Organization, it launched the Basic Needs Approach, which promised to alleviate inequality by meeting the population's minimal requirements—nutrition, shelter, health, and education (Ruger, 2005, pp. 60–62). This was soon followed by the Redistribution with Growth agenda, which sought to channel investment toward the poor, thereby reconciling economic efficiency with social justice. These initiatives amounted to ideological camouflage. The 1973–1974 oil crisis swiftly displaced the discourse of redistribution with that of *stabilization*, revealing how fragile the commitment to equity truly was (Clark, 1981, p. 184).

The World Bank's so-called social initiatives were in essence pseudo-studies—simulations of compassion whose true objective was to depoliticize the question of inequality. In a 1975 speech, McNamara warned that poverty could become "a breeding ground for violence and civil unrest," susceptible to exploitation by "extreme political movements" (as cited in Şenses, 2013, p. 47). His concern was not moral but managerial: poverty threatened the stability of capitalist modernization. In this light, the World Bank's invocation of "poverty" and "inequality" in the 1970s must be seen less as an act of benevolence and more as an act of ideological containment—a strategy to neutralize the growing challenge of the Global South to the capitalist order (Gibbon, 1992, pp. 197–200).

From a critical political-economy perspective, these pseudo-studies marked the beginning of what Escobar (1995) later called the *"development apparatus"*: a network of institutions, discourses, and measurement techniques that transformed poverty into a technical problem, severed from history and power. By redefining structural exploitation as a deficit of "basic needs," institutions like the World Bank converted political resistance into administrative management. As Peet and Hartwick (2015) note, this shift signaled the emergence of an "apolitical economics of compassion," in which inequality was acknowledged only to the extent that it could be rendered governable.

The ideological resonance of this transformation was profound. It reconstructed the moral vocabulary of capitalism: the market would remain sacred, but its inequities would be atoned for through managerial humanitarianism. These pseudo-studies thus served as precursors to the neoliberal turn of the late 1970s, which would resurrect market fundamentalism under the guise of social responsibility (Harvey, 2005; Fine, 2019). In Jessop's (2016) terms, this represented a new phase in the "strategic-relational" state—one that absorbed dissent through selective social inclusion while preserving the structural logic of accumulation.

5.The Neoliberal Counterrevolution: The Global Grammar of Inequality

The 1970s did not merely herald an economic downturn; they signaled an epochal rupture in capitalism's moral and institutional order. The Keynesian compromised the fragile dream of reconciling accumulation with equality—collapsed beneath the twin burdens of stagflation and class exhaustion. What had once been exalted as the *Golden Age of Capitalism* disintegrated into crisis, revealing the inherent limits of state-managed prosperity and the perennial drive of capital to restore its supremacy (Glyn et al., 1988).

This crisis did not mark capitalism's demise but its resurrection in a more ruthless form. As Duménil and Lévy (2014, pp. 29–34) argue, neoliberalism emerged as a *counteroffensive of capital*—a project of restorative hegemony that sought to re-establish profitability by dismantling the very social protections that had tempered accumulation. Between the late 1960s and early 1980s, declining profit rates and eroding elite dominance transformed economic policymaking into an ideological crusade. Neoliberalism thus entered history not merely as an economic doctrine but as a moral philosophy and a mode of governance, redefining inequality as virtue and solidarity as vice.

The intellectual architects of this order—Friedrich Hayek and Milton Friedman—reimagined liberty as submission to market rationality. As Harvey (2005, pp. 3–5) incisively notes, theirs was not the liberation of individuals from state control, but the liberation of capital from democratic accountability. "We can treat people only because they are not equal," declared Hayek (1948, pp. 15–16), elevating inequality to an ontological condition and reducing justice to market participation. Williams (2024) astutely observes that this reasoning transformed neoclassical economics into a political theology, where markets ceased to be mechanisms and became metaphysics.

In practice, this theology materialized in the twin revolutions of Reaganomics and Thatcherism. As Boldizzoni (2022, p. 159) captures, their guiding principle— "Grow the economy by giving less to the poor and more to the rich"—epitomized neoliberalism's moral inversion. The welfare state was not merely dismantled; it was *denounced as heresy*. What followed was a reprogramming of sovereignty: the state did not retreat—it was refashioned. As Jessop (2016) articulates, neoliberalism reconstituted the state as a *strategic-relational apparatus*, an active enforcer of capitalist imperatives masquerading as an impartial arbiter.

This disciplinary state institutionalized the transition from *welfare* to *workfare*. Under post-Fordism, as Castells (2008, p. 211) and Sennett (2011) observe, the fetishization of "flexibility" concealed a regime of systemic precarity. Insecurity was moralized; vulnerability privatized. The worker, stripped of collective guarantees, was commanded to internalize risk as a personal virtue. Flexibility ceased to describe production—it became the very grammar of subjectivity, disciplining behavior through the internalized logic of competition.

At the epistemic level, neoliberalism colonized the discipline of economics itself. The Nobel recognition of Samuelson (1970), Hicks and Arrow (1972), and Leontief (1973) symbolized what Mirowski (2013) calls *the theologization of economic science*: the conversion of mathematical formalism into ideological orthodoxy. Through this transformation, history, conflict, and class were expelled from analysis, and capitalism's structural violence was rendered invisible behind equations of equilibrium and efficiency.

The global consolidation of neoliberalism occurred through the IMF and World Bank's structural adjustment programs. The 1982 Latin American debt crisis served as the laboratory for this global experiment. Under the banner of "efficiency," austerity was exported as salvation, and debt became the universal language of subordination. As Easterly (2001, pp. 135–157) recounts, the ensuing decade—termed *the lost decade of development*—saw rising class fractures and the destruction of public goods. Peck (2010) and Harvey (2010) conceptualize this not as policy drift but as accumulation by dispossession—a systematic global project of expropriation and enclosure, cloaked in the rhetoric of modernization.

Neoliberalism's moral rhetoric reached its zenith in George Gilder's (1981) *Wealth and Poverty*, a manifesto that exhorted the poor to "rise at dawn and toil till exhaustion" while sanctifying the wealthy as instruments of providence. Here, structural injustice was reframed as moral pedagogy—poverty became evidence of personal failure rather than systemic design. As Brown (2015) warns, such logic *"undoes the demos"* by dissolving the collective body of democracy into atomized units of human capital.

In essence, neoliberalism never aimed to emancipate society from the state; it sought to enslave society to the market. It replaced solidarity with competition, justice with efficiency, and citizenship with consumption. What it offered was not freedom but a reenchanted domination, sanctified through the language of liberty. The global diffusion of neoliberal reason thus transformed inequality from a historical aberration into a structural theology—a moral and institutional grammar through which the suffering of the many sustains the sanctity of the few.

6.The Sacred Veil of the Market: Globalization, Capital, and the Universalization of Inequality

Globalization did not inaugurate a new world; it re-enchanted an old one. Beneath its shimmering rhetoric of integration and interdependence, it masked the deepening asymmetries of capitalist accumulation. The transformation wrought by neoliberal restructuring—market liberalization, deregulation, and financial globalization—was celebrated as the dawn of a "borderless economy," yet it merely reconstituted the hierarchies of class and empire under a universalist guise. As Harvey (1995) notes, globalization must be interpreted not as the decline of state sovereignty but as the reconfiguration of state power in service of capital and U.S. hegemony.

In this sense, globalization was never a neutral economic process—it was a political project, designed to extend the reach of capital while naturalizing inequality as destiny. Duménil and Lévy (2005) and Lapavitsas (2009) locate it within the long arc of financial capital's ascendancy after the 1970s crises. Amin (1996) described it as the "anticipated stage of imperial capitalism," in which the periphery was re-proletarianized and its sovereignty hollowed out. Echoing Marx's prophetic vision, global capitalism centralized wealth on a planetary scale, while exporting precarity and dependency to its margins. The issue of income distribution, as Hobsbawm (2008, pp. XII–XIII) reminds us, ceased to be an economic variable and became a structural expression of power.

Global order thus produced inequality not as an anomaly but as a principle of governance. The IMF and World Bank's structural adjustment programs—marketed under the banner of globalization—functioned as disciplinary tools to reshape the economic sovereignty of peripheral states in alignment with the interests of advanced capitalist economies (Burkett, 1991, p. 474). This was the essence of the *Washington Consensus* (Chang & Grabel, 2004): a script for the neoliberal remaking of the world, where policy autonomy was traded for the illusion of participation in a global marketplace. As Jessop (2016) observes, this marked the consolidation of a “strategic-relational state”—a state that governs not against capital but through it.

Empirical realities shattered the utopian claims of globalization. The 1980s and 1990s witnessed a spectacular rise in both national and transnational inequalities. In the United Kingdom, the income of the wealthiest quintile rose by 75%, while that of the poorest quintile stagnated (Şenses, 2013, p. 18). Across Europe, the poor increased from 30 million in 1980 to 52 million by 1990 (Room, 1995, p. 110). In India, the number of people living in poverty grew from 300 million in 1971 to 340 million in the late 1980s (Nolan, 1993, p. 1370). Similar regressions occurred in Poland (Szulc, 1995, p. 197), Brazil (Fields, 1992, p. 64), and across Latin America, which entered what Easterly (2001, pp. 135–157) famously termed “the lost decade of development.”

The deterioration of labor markets epitomized the brutality of adjustment. Between 1980 and 1991, minimum wages fell by 38% in Brazil, 53% in Venezuela, and 83% in Peru (Şenses, 2013, p. 191). In Fiji, wages declined to 62% of their 1975 level, and in Zambia, the highest union wage dropped to a mere 12% of its 1974 value (Burnell, 1995, p. 676). These declines were not incidental—they were systemic, reflecting a deliberate redistribution of value from labor to capital.

By the late 1980s, global inequality had assumed structural proportions. Yet international institutions, deeply invested in neoliberal orthodoxy, depoliticized inequality by reframing it as a technical issue of domestic governance. As Mirowski (2013) contends, this was the ultimate victory of neoliberal reason: it transformed ideology into technocracy, and exploitation into policy efficiency. Under this new epistemic regime, inequality was no longer a crisis to be solved—it was the equilibrium of globalization itself.

When the World Bank and IMF, under mounting global criticism, revisited the “social dimensions” of poverty in the 1990s, their renewed humanitarian rhetoric—couched in terms of “inclusive growth” and “poverty alleviation”—functioned as a moral anesthetic rather than a structural remedy. As Stiglitz (2002) and Rodrik (2011) later observed, these interventions did not dismantle the global architecture of inequality; they merely legitimized it. In the end, globalization’s humanitarian face proved to be the ideological veil of its predatory core.

Globalization, then, was not the transcendence of class exploitation but its globalization. It extended the logic of accumulation by dispossession from the national to the planetary scale, dissolving borders only to reinforce hierarchies. Its promise of inclusion was a mirage—integration without justice, participation without power, and growth without equality. The neoliberal world order did not abolish the relations of exploitation between classes and nations; it sacrificed them.

The following section examines how this global grammar of inequality, institutionalized through neoliberal globalization, was rhetorically softened in the post-1990s era through discourses of human development, sustainability, and social inclusion.

7.Faith in the Market: How the IMF and World Bank Sacralized Inequality

From the late twentieth century onward, the International Monetary Fund (IMF) and the World Bank have functioned as the twin custodians of neoliberal globalization—institutions that redefined coercion as compassion. Once indifferent to the moral consequences of market expansion, they gradually recast themselves as benevolent stewards of "poverty alleviation." Yet this transformation was not a rupture but an ideological mutation: the management of poverty replaced the politics of equality, allowing capitalism's contradictions to persist beneath the moral veneer of humanitarian concern.

The 1990 World Development Report marked a pivotal moment in this ideological metamorphosis. The World Bank declared that "no goal could be more critical than the reduction of poverty," conflating development with growth and justice with efficiency (World Bank, 1990). This declaration, however, coincided with the most rapid surge in global inequality since the Second World War. By 1990, there were 200 million more poor people than in 1980, while the richest 20 percent of humanity earned 150 times more than the poorest fifth (World Bank, 1990; UNDP, 1992, p. 3). An extensive cross-national study of seventy-seven countries covering over 80 percent of the global population confirmed that income inequality had widened in forty-five of them—especially in post-socialist and developing economies (Şenses, 2013, pp. 315–316).

This dissonance between rhetoric and reality revealed a crucial truth: global inequality was not an unintended outcome of neoliberalism but one of its organizing principles. The World Bank's poverty strategy—premised on limited investments in health and education within a strictly market-based framework—was a moral palliative, not a structural cure. As Burkett (1991, p. 478) observed, the Bank sought to soften the visible symptoms of neoliberalism without challenging its material roots. By divorcing inequality from ownership and class, it transformed social suffering into a variable in the calculus of growth.

This new discourse of *benevolent capitalism* rested on the fallacy that economic growth, regardless of its distributional asymmetries, would eventually trickle down to the poor. Yet empirical evidence dismantled this fiction. Across Latin America and Asia, economic expansion failed to reach the poorest strata, and in many cases, it deepened marginalization (Cardoso & Helwege, 1992, p. 30; Ward, 1996, p. 377). The assumption of universality—that growth operates as a moral equalizer "everywhere and always"—betrayed its ideological nature. As Stiglitz (2002) later argued, neoliberal globalization universalized the rules of the market while particularizing its rewards, embedding exclusion within the very grammar of development.

In response to mounting social resistance, the IMF and World Bank adopted new instruments of moral legitimation. The Heavily Indebted Poor Countries (HIPC) initiative of 1996 and the Poverty Reduction Strategy Papers (PRSPs) of 1999 signaled a rhetorical shift from discipline to empathy. Yet these programs did

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not subvert neoliberal orthodoxy; they merely humanized its language. As Woods (2006) and Wade (2002) note, this shift replaced the harsh lexicon of structural adjustment with the moral idiom of inclusion, while retaining conditionality as the disciplining core of global finance.

Despite this rhetorical rebranding, the social consequences of neoliberal policy were unambiguous. In Argentina, wages rose by 200 percent in early 1989, yet the prices of bread, milk, and cheese surged by 554, 441, and 1,000 percent, respectively; food riots erupted across Buenos Aires. In Mexico, the Zapatista uprising of 1994 dramatized the collective rejection of market dogma. Similar upheavals—ranging from Algeria and Egypt to Russia and Zambia—testified to the exhaustion of neoliberal legitimacy (Şenses, 2013, pp. 54–55). These revolts were not aberrations; they were manifestations of a global dialectic: resistance to an order that moralized inequality while materializing deprivation.

Meanwhile, the liberalization of capital flows—the doctrinal cornerstone of neoliberal globalization—ushered in an age of recurrent financial cataclysm. Crises in Mexico (1994–1995), East Asia (1997), Russia (1998), Brazil (1999), Argentina (2001–2002), and Turkey (1994–2001) exposed the volatility of unregulated finance and its regressive distributive effects. Each collapse transferred wealth upward, consolidating the power of rentier elites and re-entrenching class-based inequality (Harvey, 2005; Easterly, 2001, pp. 135–157). As Jessop (2016) insightfully notes, neoliberalism thrives not by resolving crises but by transforming them into opportunities for capital's renewal.

Thus, the IMF and World Bank did not reform neoliberalism—they redeemed it. Their post-1990s moral turn translated austerity into empathy, reinterpreting the structural violence of adjustment as an ethical imperative. Poverty was no longer the symptom of global exploitation but its discursive disguise. As Wade (2002) and Stiglitz (2002) emphasize, this technocratic compassion depoliticized inequality, reducing it to a solvable managerial problem within the same structures that produced it.

In the final analysis, the IMF and World Bank became not the reformers of global capitalism but its priests—guardians of faith in the market, sanctifying accumulation through the rituals of humanitarian discourse.

By the dawn of the twenty-first century, global financial governance had completed its moral metamorphosis. Neoliberalism had learned to speak the language of compassion, transmuting domination into development and subjugation into "inclusion." What emerged was a post-political moral economy—an order in which inequality was no longer contested but aesthetically managed through the discourses of *sustainability*, *human development*, and *inclusive growth*.

The following section examines how this global moral economy reconfigured the narrative of inequality—transforming structural subordination into a technocratic vision of harmony and translating class antagonism into the language of human progress.

8. The Sustainable Inequality Agenda: How Global Capitalism Rebranded Exploitation as Progress

The dawn of the twenty-first century did not inaugurate a rupture with neoliberalism; it marked its moral reincarnation. After two decades of market fundamentalism that eroded social protections and deepened structural inequities, global governance reinvented itself through the language of compassion. The Millennium Development Goals (2000–2015) and the Sustainable Development Goals (2015–2030) were heralded as a new moral frontier of capitalism—an attempt to reconcile accumulation with inclusion, efficiency with equity, and globalization with humanity. Yet, beneath this philanthropic surface lay the same disciplinary logic: growth without redistribution, morality without justice.

As UNDP Director James Gustave Speth observed in *Le Monde* (October 11, 1996), “in more than a hundred countries, per capita income is lower today than it was fifteen years ago.” This admission pierced the illusion of progress: 1.6 billion people lived in worse conditions than in the early 1980s (Toussaint, 1999, p. 57). The widening gap between the United States and developing regions confirmed this trajectory: by 2000, U.S. per capita income exceeded that of Sub-Saharan Africa by a factor of 52, a 91 percent increase since 1980 (Hickel, 2023, p. 205). The moral arithmetic of globalization had become grotesque: the wealth of 358 billionaires surpassed the annual income of 2.3 billion people, or 45 percent of humanity (UNDP, 1996, p. 2).

The World Bank’s 2000/2001 Development Report once again invoked the eradication of poverty as the world’s supreme goal, promising to halve absolute poverty by 2015—a target celebrated at the Millennium Summit by 147 heads of state (Şenses, 2013, p. 25). Yet, by 2013, the Bank itself acknowledged that the promise had failed, particularly across Sub-Saharan Africa (Şenses, 2013, p. 315). The illusion of success concealed a material regression: as Karabarbounis and Neiman (2013) revealed, labor’s share of national income had declined in 42 of 59 countries, laying bare the central mechanism of inequality under neoliberal globalization.

This historical trajectory demonstrates that neoliberalism did not simply fail to deliver equality, it *redefined* inequality as merit. Stiglitz (2012, p. 30) captures this ideological sleight of hand in *The Price of Inequality*, noting that marginal productivity theory became capitalism’s moral theology: “competitive markets, operating through the laws of supply and demand, specify the value of each individual’s contribution.” Thus, structural privilege was transfigured into personal virtue; the market became both judge and redeemer.

The 2008 global financial crisis exposed the moral fragility of this arrangement. As Rajan (2011) remarked, while CEO wages in the U.S. rose 27.8 percent from 2009 to 2010, workers’ wages rose by only 3.3 percent—a symbolic ratio that encapsulated the restoration of class power. The question was never whether capitalism would be repaired, but for whose benefit. Predictably, the answer reaffirmed the hierarchy of capital.

By the 2010s, new data confirmed the persistence—and intensification—of global stratification. The OXFAM report "Time to Care" revealed that the wealthiest 1 percent owned twice as much as the remaining 7 billion people (Coffey et al., 2020). In G7 countries, wages increased by just 3 percent between 2011 and 2017, while corporate profits rose 31 percent (Alvaredo et al., 2017). In 2016, 4 billion people, over half of humanity, lacked any form of social protection (UN DESA, 2022). The World Inequality Report (Chancel et al., 2022, p. 44) recorded a 75 percent surge in billionaire wealth between 2020 and 2021, while Piketty (2024, p. 17) observed that in Latin America the richest 10 percent controlled 77 percent of household wealth, compared to just 1 percent for the poorest half.

Such figures underscore the fundamental contradiction of neoliberal globalization: technological progress and capital mobility have multiplied wealth yet concentrated it ever more narrowly. Inequality is not an accident of modernity—it is its architecture. As Sen (1999) and Standing (2011) argue, the global economy produces prosperity without security, growth without dignity, and inclusion without equality. The institutional heart of this system remains the same: the IMF and World Bank, self-anointed guardians of global stability, continue to enforce the orthodoxy of market discipline under the guise of "sustainable development."

The continuity of this ideology is evident in the World Bank (2022)'s admission that 75–95 million additional people fell into extreme poverty due to the pandemic, war, and inflation—proof that decades of "poverty reduction" have yielded only precarious resilience. As Albert Jacquard poignantly warned, "The most urgent task is not to sacrifice the poor to the rich, as the World Bank and IMF are doing today, but to extend social and economic security to everyone on earth." His plea remains unheeded: the rhetoric of sustainability now performs the same ideological labor once assigned to modernization and development—to conceal the violence of accumulation beneath the poetry of progress.

In truth, the Millennium and Sustainable Development frameworks represent not the transcendence of neoliberalism but its sacralization. They translate exploitation into ethics, inequality into innovation, and social justice into statistical management. The outcome is a global order where poverty is administered, not abolished; where inequality is measured, not mitigated; and where capitalism's legitimacy is sustained by the very crises it claims to solve.

Thus, the moral turn of global governance—from development to sustainability—signifies not a humanization of capitalism but its consecration: a ritual through which injustice is sanctified in the name of progress.

9.In Lieu of Conclusion: Reclaiming the Political Meaning of Inequality

The long and uneasy dialogue between economics and inequality is, at its core, a meditation on capitalism's moral architecture—on how power, knowledge, and legitimacy are made to appear as nature. From the moral inquiries of classical political economy to the technocratic abstractions of neoliberal orthodoxy, economic thought has oscillated between two imperatives: to diagnose inequality as a social malaise and to rationalize it as an inevitable order. In this oscillation lies the discipline's central paradox—its ability to moralize exploitation while depoliticizing power.

Classical economists such as Adam Smith and David Ricardo sought equilibrium within contradiction, portraying inequality as the necessary cost of progress. Neoclassical economics completed this intellectual domestication by exorcising history and class from the analytic field, translating domination into preference and conflict into equilibrium. Keynesianism, born from the ruins of the Great Depression, reintroduced morality into economic discourse yet ultimately reengineered consent, converting crisis management into a technology of legitimacy. Even development celebrated as the humanitarian conscience of postwar capitalism—remained tethered to the logic of accumulation, offering compassion without redistribution and inclusion without transformation. Over the centuries, the essence of inequality did not change; only the grammar of its justification evolved.

This study has argued that economic theory is not a mirror of reality but an instrument of governance—a discursive apparatus that renders domination calculable and injustice intelligible. Far from being a neutral science, economics functions as what Foucault once called a *regime of truth*: it defines what can be known and what must remain invisible. The neoliberal era—hailed as a liberation from state intervention—has perfected this epistemic governance. As Harvey (2005) and Duménil & Lévy (2014) demonstrate, neoliberalism reconstituted capitalism's contradictions into a moral order, elevating competition into virtue, rebranding precarity as freedom, and transmuting class power into market rationality. Inequality thus ceased to be an aberration; it became the organizing principle of global capitalism, sustained by institutions like the IMF and the World Bank and sanctified by the metaphysical authority of economics itself.

From this vantage, income inequality cannot be grasped through the narrow lens of distribution. To measure it is to trivialize it; to model it is to neutralize it. Inequality is not a statistical irregularity but a structural inscription of class power—a symptom of the social relations embedded in production. The capitalist mode of production, through successive historical configurations—Fordism, post-Fordism, neoliberal globalization—has continuously reinvented the forms of exploitation while concealing their permanence beneath the rhetoric of reform. As Jessop (2016) and Fine (2002) argue, the "depoliticization of the economy" is not an analytic oversight but a political achievement—an institutional technology for governing antagonism under the guise of technical necessity.

The theoretical contribution of this study thus lies in reclaiming political economy as a grammar of critique. To restore the political meaning of inequality is to rescue economics from its technocratic exile and reanchor it in the terrain of power, morality, and ideology. Within this rearticulated framework, inequality appears not as a failure of the market but as its moral justification. The neoliberal vocabulary of "poverty reduction," "inclusive growth," and "sustainable development" emerges as a continuation of capitalism's moral alchemy—its capacity to translate exploitation into virtue and subjugation into progress. As Şenses (2013, pp. 315–329) demonstrates, the post-1990s revival of institutional concern for inequality coincided not with ethical transformation but with the crisis of legitimacy—a strategic response to mounting unrest and the fragility of capitalist hegemony.

Accordingly, this research advances a radical proposition: inequality cannot be abolished without transforming both the material relations of production and the epistemic architectures that sustain them. Redistribution without restructuring merely redistributes domination; inclusion without transformation re-legitimizes exclusion. As Pope Paul II, cited in Şenses (2013, p. 329), declared, the mechanisms that generate wealth for some and destitution for others are neither natural nor neutral—they are engineered and sanctified through knowledge. To imagine equality, therefore, demands not a new policy but a new ontology of economics—one that reunites power with production and morality with material life.

Ultimately, inequality persists not because it resists solutions, but because it is functional. It sustains accumulation, organizes legitimacy, and defines the horizon of capitalist modernity. To contest it, then, is not to restore balance within the system but to interrogate the system's claim to necessity. The future of equality depends on reclaiming the critical imagination of political economies on transforming economics from a science of preservation into a philosophy of emancipation. To reclaim the political meaning of inequality is, in the end, to reclaim the moral imagination of humanity itself.

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