

Neoliberal policies, institutions have prompted preference for greater inequality, new study finds

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Neoliberalism, which calls for free-market capitalism, regressive taxation, and the elimination of social services, has resulted in both

preference and support for greater income inequality over the past 25 years, shows a new study by a team of psychology researchers.

The findings, which appear in the journal *Perspectives on Psychological Science*, stem from an analysis of attitudes in more than 160 countries.

"Our institutions, policies, and laws not only structure our [social life](#), but also have a great influence on the kind of people and society we become," says Shahrzad Goudarzi, a doctoral candidate in New York University's Department of Psychology and one of the paper's authors. "Institutions can promote well-being and solidarity, or they can encourage competition, individualism, and hierarchy. In our work, we find that neoliberalism has fostered preference for greater [income inequality](#) not just in industrialized nations, but throughout the world."

Neoliberalism, which also calls for greater privatization and deregulation, has become the predominant global socioeconomic framework since the late 1970s.

In her push to transform the British economy into a model of neoliberalism, Prime Minister Margaret Thatcher famously remarked, in a 1981 interview with the *Times of London*, that "(e)conomics are the method, the goal is to change the heart and soul."

"Thatcher believed that [free markets](#) were a tool, not only for molding economies, but also for fundamentally shaping [human values](#)," observes Goudarzi.

The study's researchers, who also included Eric Knowles, a professor in NYU's Department of Psychology, and Vivienne Badaan, a professor at the American University of Beirut, sought to test whether Thatcher was right that neoliberal institutions have the power to create market-friendly psychological tendencies—or, more specifically, whether free-market

reforms instill in people a high level of tolerance for [income](#) inequality.

To do so, they analyzed the relationship between economic institutions and human values across more than 160 countries over 25 years (1995-2019) through an examination of multiple data sets.

A country's neoliberalism was measured using selected items from the "Economic Freedom Index," which is issued yearly by the Fraser Institute, a conservative Canadian think tank. The index served as a tool for capturing to what extent different economies around the world are aligned with neoliberalism.

To determine if neoliberalism had an impact on attitudes towards inequality, the researchers analyzed data from the World Values Survey (WVS)—commonly used in tracking global attitudes. Here, respondents are asked to choose a number on a scale to indicate their level of agreement or disagreement with a series of statements—e.g., "We need larger income differences as incentives for individual effort" and "Incomes should be made more equal."

The WVS is a time-series survey, capturing attitudes of individuals over time and in increments of three to five years.

By using both the Fraser Institute's "Economic Freedom Index" and the WVS, the researchers could ascertain whether or not a nation's [economic system](#) *preceded* a change in its peoples' attitudes over three-to-five-year periods.

Overall, the analysis showed that in countries in which there was a higher-than-average level of neoliberalism, as measured by the "Economic Freedom Index," there were also *subsequent* higher-than-average levels of preference for income inequality.

"Our results suggest that a few years is sufficient for—as Thatcher put it—systems to change 'souls,'" concludes Goudarzi.

"While it is perhaps intuitive that human beings shape the nature of the economies in which they live, our work shows the reverse—that economic systems mold human psychology to fit them," she adds.

"Neoliberal, free-market reforms appear to increase people's preference for high levels of income inequality."

More information: Shahrzad Goudarzi et al, Neoliberalism and the Ideological Construction of Equity Beliefs, *Perspectives on Psychological Science* (2022). [DOI: 10.1177/17456916211053311](https://doi.org/10.1177/17456916211053311)

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