When Culture Meets Policy: How Individualism Shapes Government Financial Assistance in Times of Crisis

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Abstract

We assess how national cultural values influence the scale of government financial assistance during crises. Using data from 67 countries that implemented fiscal support measures in response to the COVID-19 pandemic, we provide new cross-country evidence that individualism, a cultural trait capturing societal emphasis on personal autonomy, is positively associated with the scale of government fiscal interventions. Relative to collectivist societies, more individualistic countries exhibit greater governmental reliance on guarantees, asset purchases, and credit facilities during a crisis. The effect is more pronounced in countries with stronger institutional frameworks but weaker central bank independence. Additionally, we find that the effect of individualism on financial assistance is partially mediated through the degree of democracy. Our findings contribute to the literature on crisis policy responses by showing that cultural context matters and by suggesting that the design of financial assistance programs should incorporate underlying cultural and institutional characteristics.

Keywords: individualism, government financial assistance, democracy, institutions, central bank independence

JEL codes: G01, G28, H12, D70

1. Introduction

The scale and design of government financial assistance are central to mitigating the effects of a crisis, yet the magnitude of fiscal responses varies substantially across countries. The COVID-19 pandemic provides a salient example, with governments worldwide adopting unprecedented support measures as the economic shock deepened. By March 2020, sovereign rating agencies had issued the highest number of downgrades in two decades (Fitch Ratings, 2020). In response, international institutions such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) urged governments to deploy broad fiscal interventions, including direct cash transfers to affected households and businesses, temporary suspension of government obligations, loans, and subsidies (Eichenbaum *et al.*, 2020; OECD, 2020; IMF, 2021).[1] Complementing these fiscal interventions, monetary authorities played a critical role. Most central banks provided liquidity support to financial institutions, while high-income economies increasingly deployed unconventional tools, such as restrictions on dividend distributions, to preserve financial stability (IMF, 2021).

What determines the scale of fiscal packages besides the macroeconomic environment, and why they vary across countries, are important policy questions. While traditional explanations for the heterogeneity in crisis responses focus on fiscal space (Bökemeier and Wolski, 2022; Heimberger, 2023; Jalles, 2023), institutional quality (Del Bo, 2023; Cooray *et al.*, 2024; Cavusoglu *et al.*, 2025), or political factors (Gao & Radford, 2021; Berlinger *et al.*, 2024; Lu *et al.*, 2024), these determinants do not fully account for the variation observed across countries during COVID-19.

To explain the substantial cross-country heterogeneity in fiscal responses, we examine the role of national culture using a global sample of 67 countries that implemented financial support programs during the COVID-19 crisis. To the best of our knowledge, this is the first study to examine how national culture shapes government financial assistance during the COVID-19 crisis. We exploit the pandemic as a natural experiment that generated unexpected variation in fiscal responses, allowing us to identify the cultural drivers of crisis-related interventions. We deliberately focus on 2020, the initial, high-uncertainty phase of the pandemic, when governments

[1] Using a global sample of 170 countries, Chen *et al.* (2021) show that the most commonly adopted instruments were direct government spending on goods and services, targeted cash transfers, and tax relief measures.

faced unprecedented policy trade-offs and fiscal actions most directly reflected immediate stabilization motives rather than subsequent recovery adjustments. By linking government behavior to cultural norms, we show that deeply rooted societal values influence how policymakers respond to economic shocks and determine the magnitude of government intervention.

We examine our research question by employing Hofstede's (2001) individualism index, a standardized metric capturing systematic cross-country variation in the emphasis placed on individual autonomy versus collective objectives. By including individualism into our framework, we test whether cultural differences help explain the observed heterogeneity in the scale of fiscal packages during the COVID-19 crisis. In doing so, we extend prior research that has primarily focused on economic, institutional, and political determinants of government intervention, and demonstrate that national culture constitutes an additional, systematic factor shaping crisis policy responses.

The estimation sample includes both advanced and emerging economies from all continents, capturing a wide spectrum of development levels, institutional structures, and cultural norms. Our final sample comprises 67 countries that received government financial support during the COVID-19 crisis. We use as the dependent variable the total government financial assistance, measured as a share of GDP, sourced from the IMF Fiscal Monitor Database on country fiscal measures in response to the COVID-19 pandemic (Kirti et al., 2022).[2] This measure captures various fiscal responses, including tax reliefs and deferrals, equity participation, public loans, guarantees, asset purchases, and credit facilities. It provides a comprehensive indicator of the scale of government interventions during the first fiscal wave of the pandemic, when policy actions were driven primarily by emergency stabilization motives.

Our results indicate that countries with higher levels of individualism implemented significantly larger fiscal assistance programs during the COVID-19 crisis, particularly through guarantees, asset purchases, and credit facilities. Economically, a one–standard deviation increase in individualism is associated with a 35% higher level of total government financial assistance, with even larger effects for specific instruments—39% for guarantees, 45% for asset purchases, and 54% for credit facilities—indicating that individualism is most strongly linked to direct market

[2] Available at: https://www.imf.org/en/Publications/WP/Issues/2022/06/03/Tracking-Economic-and-Financial-Policies-During-COVID-19-An-Announcement-Level-Database-518896

and liquidity interventions. Several mechanisms may explain this relationship. First, individualistic societies exhibit stronger public demands for visible government protection and place greater political pressure on policymakers to act decisively in response to economic shocks. Second, because individualistic cultures emphasize personal achievement and success, policymakers may be incentivized to adopt expansionary measures that align with these values and stimulate private initiative. Third, individualistic societies tend to tolerate higher levels of economic risk-taking, making extraordinary support instruments more politically and socially acceptable. Finally, crisis environments can amplify political competition, prompting decision-makers—especially in highly individualistic contexts—to pursue interventionist policies as a means of enhancing popularity, public approval, and reputational standing.

We further show that democratic governance serves as an indirect channel through which individualism affects fiscal support. In more individualistic societies, higher levels of democracy provide a more favorable environment for government financial assistance, consistent with the view that both citizen preferences and institutional accountability shape policy choices. These findings highlight democracy as a key mechanism linking individualism to fiscal interventions.

We then ask whether institutional and regulatory factors moderate the relationship between individualism and the scale of financial assistance programs. Robust results indicate that the effect of individualism is amplified where institutional quality is higher, as stronger voice and accountability and greater political stability enhance the credibility and effectiveness of interventions. By contrast, weaker central bank independence relaxes constraints on fiscal authorities, enabling more aggressive responses.

Our empirical framework faces several potential challenges. First, cultural measures are subject to debate, and Hofstede's (2001) individualism index has been criticized for its limitations in capturing contemporary societal traits. To ensure robustness, we re-estimate our models using alternative measures, including the Collectivism Societal Practices indicator from the GLOBE database and the Individualism index from Minkov and Kaasa (2022). Second, omitted macroeconomic and institutional determinants could bias our results. To address this, we include controls for economic fundamentals—GDP per capita growth, inflation, government debt to GDP, current account balance to GDP, population, and sovereign credit rating—and for fiscal and institutional factors—general government consumption, domestic credit to the private sector as a

share of GDP, the democracy index, and a dummy varable for advanced economies. Third, endogeneity concerns remain, as individualism may correlate with unobserved factors influencing government financial assistance. To address this, we implement an instrumental variable strategy using two-stage least squares (2SLS). Our instruments include historical pathogen prevalence from Fincher *et al.* (2008) and societal politeness norms from Davis and Abdurazokzoda (2016), allowing us to isolate the exogenous variation in individualism and identify its causal effect on fiscal support during crises. Accounting for these challenges, we find that individualism substantially increases the scale of government financial assistance during crises, with the effect varying systematically with institutional quality, central bank independence, and the level of democratic governance.

Our findings add to the growing body of research examining how cultural norms shape fiscal behavior and policy outcomes. We offer four main contributions to this literature. First, we contribute to the fiscal policy literature by providing new cross-country evidence that cultural values—specifically individualism—influence the scale of government financial assistance during crises. This extends prior research that has focused primarily on economic, institutional, and political determinants of fiscal intervention (Ashraf, 2020; Chudik *et al.*, 2021; Degryse and Huylebroek, 2023; Cavusoglu *et al.*, 2025). Using instrumental variable and mediation analyses, we show that individualism exerts an independent effect on fiscal policy response to crisis, after accounting for institutional quality and macroeconomic fundamentals. Countries with higher levels of individualism deploy significantly larger support packages, particularly through guarantees, asset purchases, and credit facilities. These results are robust across our cross-sectional and panel frameworks, underscoring that cultural factors are a fundamental, yet previously understudied, determinant of crisis-time policy responses.

Second, we extend the literature by showing that democratic governance mediates the effect of individualism on fiscal support during crises. In more individualistic societies, democratic institutions heighten responsiveness to citizen preferences for transparency, accountability, and welfare protection, thereby amplifying government financial assistance (Annaka, 2022; Tsai *et al.*, 2023; Martín-Martín *et al.*, 2024; Kim, 2025). Although democracies may act less decisively than autocracies due to institutional and electoral constraints, they tend to rely more on compensatory fiscal measures than coercive restrictions. Consistent with mixed empirical evidence on crisis

performance across regime types (e.g., Cassan and Steenvoort, 2021; Annaka, 2022; Kim, 2025), we argue that democracy constitutes an institutional channel through which cultural values shape fiscal policy responses.

Third, building on evidence that culture and institutional quality jointly influence economic decision-making (Alesina and Giuliano, 2015; Bernhardsdóttir, 2015; Rodríguez-Pose and Burlina, 2021; Kuokštis and Kuokštytė, 2023; Eruchimovitch *et al.*, 2024), our study contributes to the literature by identifying their interaction as a key driver of fiscal policy during crises. We show that individualism and institutional quality jointly condition the scale and effectiveness of government financial assistance, suggesting that cultural preferences shape policy outcomes most strongly when supported by robust institutional frameworks.

Fourth, our study contributes to the literature by highlighting the moderating role of central bank independence in shaping the relationship between cultural values and fiscal policy responses during crises. While prior research has examined how political structures influence crisis management (Elgin *et al.*, 2021; Fang, 2024; Garriga, 2025), the interaction between cultural preferences—particularly individualism—and monetary autonomy remains largely unexplored. We argue that the degree of central bank independence conditions the extent to which cultural norms translate into fiscal action. In countries where central banks enjoy greater autonomy, fiscal authorities face stronger constraints on discretionary spending, reducing the scope for direct government assistance. By contrast, in countries with lower central bank independence, policymakers retain greater flexibility to respond to public expectations for visible support, amplifying the influence of cultural values such as individualism on fiscal behavior.

Overall, our findings suggest that policymakers and international organizations should consider national cultural traits alongside traditional fiscal and institutional factors, as culture can influence the magnitude of government support. By addressing measurement and endogeneity concerns, our approach provides a robust empirical framework for assessing the role of culture in designing fiscal intervention schemes during a crisis.

The remainder of the paper is organized as follows. Section 2 reviews the relevant literature and develops our hypotheses. Section 3 describes the data and empirical methodology. Section 4 presents the results and robustness checks. Section 5 concludes.

2. Literature Review and Hypotheses Development

Prior research documents substantial cross-country variation in the magnitude of fiscal support during the COVID-19 crisis. According to the IMF's Fiscal Monitor Database, based on Kirti *et al.* (2022), advanced economies such as Japan and the United States deployed exceptionally large packages, while others, including Cambodia, Cameroon, and Venezuela, implemented far more modest measures. Several factors can explain this heterogeneity. Advanced economies typically benefit from greater fiscal capacity (Alberola *et al.*, 2021) and easier access to external funding (Benmelech and Tzur-Ilan, 2020). They were also among the hardest hit by the pandemic (Baldwin and Weder di Mauro, 2020), creating stronger pressures for intervention. Moreover, differences in pre-crisis sovereign credit ratings enabled high-income countries to commit to larger fiscal packages than their low-income counterparts (Bianchi *et al.*, 2020; Benmelech and Tzur-Ilan, 2020).

Beyond fiscal capacity and credit ratings, recent studies document additional drivers of cross-country variation. The scale of fiscal support is positively associated with pandemic-related uncertainty, consistent with governments seeking to stabilize market expectations (Connelly *et al.*, 2024). Social fundamentals also matter, as the capacity of health systems—proxied by hospital availability and healthcare spending—and the strength of social safety nets significantly shape the size of fiscal interventions (Alberola *et al.*, 2021). Together, these findings underscore the importance of economic, financial, and social fundamentals in explaining crisis-time fiscal policy. Yet, they do not fully account for the heterogeneity observed across countries, leaving open the possibility that deeper structural factors, such as cultural values, also play a role.

Recent work highlights culture and social norms as fundamental determinants of crisis policy effectiveness (Wu and Sun, 2024). Stephenson (2023) argues that cultural dimensions provide a broader context for policy decisions, extending beyond economic fundamentals and political constraints to capture the deeper social drivers of government action. By explaining how individual and collective motives interact under rapidly changing circumstances, cultural traits offer a nuanced framework for understanding cross-country heterogeneity in fiscal responses.

Within this literature, the individualism–collectivism dimension is especially salient for government interventions (Huang *et al.*, 2022; Jiang *et al.*, 2025). Pandemic-related stress has been shown to foster collectivist norms, which act as a social defense mechanism to limit contagion, whereas lower pathogenic stress is associated with individualistic values emphasizing rights, freedoms, and inclusiveness (Wang *et al.*, 2024). These cultural orientations translate into distinct

patterns of compliance, with collectivist societies being more likely to accept restrictions, while individualistic societies display greater resistance (Chen *et al.*, 2021; Na *et al.*, 2021; Jiang *et al.*, 2022; Pei *et al.*, 2023; Zheng, 2024).

The social and economic costs of crises may, however, create additional dynamics in individualistic societies. Policymakers in these environments face stronger incentives to display decisive and visible action, driven by electoral competition, reputation concerns, and media scrutiny (Karpowitz and Patterson, 2025). From a signaling perspective, such actions serve as credible demonstrations of political strength and policy capacity in contexts of uncertainty and asymmetric information (Connelly *et al.*, 2024). This interpretation is consistent with evidence showing that crisis management and restrictive measures often boost government approval and public trust (Bol *et al.*, 2021; Eggers and Harding, 2021). In societies characterized by high trust, citizens perceive policy actions as aligned with collective interests, reinforcing political legitimacy (Ji *et al.*, 2024). Ultimately, cultural values shape voter expectations and the perceived credibility of government responses in times of crisis (Leininger and Schaub, 2024). Fiscal support can thus serve not only as an economic stabilization tool but also as a political instrument to secure popularity, strengthen credibility, and signal competence. These dynamics suggest that individualism may amplify both the demand for and the supply of government interventions during crises, extending its influence beyond compliance behavior.

In individualistic societies, citizens' stronger emphasis on personal achievement and economic success (Kyriacou, 2016; Assmann and Ehrl, 2021; Saunoris, 2024) can translate into heightened public pressure for state intervention during crises. Limited willingness to accept restrictive measures increases political demand for compensatory fiscal actions aimed at mitigating economic hardship. Frijns *et al.* (2022) document that individualism is positively associated with corporate risk-taking, reflecting cultural tendencies toward self-focus and overconfidence. Extending this logic to the policy domain, governments in individualistic societies may exhibit greater tolerance for fiscal risk and adopt more aggressive interventions to stabilize the economy and satisfy societal expectations for decisive action.

A complementary strand of research highlights the role of individualism in fostering altruistic behavior and social well-being. Rhoads *et al.* (2021) argue that individualistic communities, often associated with higher levels of well-being, are more inclined toward altruistic

actions. Although individualism places less emphasis on social relationships, it can encourage the pursuit of personal objectives that generate positive spillovers for others. Individuals in such societies often engage in commitments and responsibilities that enhance their self-worth, with social activity serving as a channel for improving well-being, satisfaction, and self-fulfillment (Lu *et al.*, 2020; Cai *et al.*, 2022). Consistent with this view, Steel *et al.* (2018) show that individualistic values promote higher levels of social well-being at the national level. Evidence also indicates that individuals reporting higher well-being are more likely to volunteer and donate (Aknin *et al.*, 2013). Cui *et al.* (2025) further demonstrate that reputation considerations amplify the positive association between cultural values and donation behavior, with this effect significantly stronger among individualists than collectivists. Taken together, these findings suggest that individualism can foster broader social engagement through mechanisms rooted in self-enhancement, altruism, and reputational concerns.

Considering these arguments, we propose the following hypothesis:

H1a: Higher levels of individualism are positively associated with the scale of government financial assistance during crises, ceteris paribus.

A growing body of research documents also strong association between individualistic cultural traits and higher COVID-19 case and mortality rates across countries (Liu, 2021; Na *et al.*, 2021; Rajkumar, 2021). For example, Jiang *et al.* (2025) show that individualism weakens the effectiveness of government restrictions by reducing social cooperation. Because individualists prioritize personal and economic achievement, broad public health restrictions that limit freedom and economic activity often trigger resistance and opportunistic behavior (Bazzi *et al.*, 2021; Huang *et al.*, 2022; Wu and Sun, 2024). This tendency was particularly evident in responses to mobility bans, lockdowns, and restrictions on businesses and public spaces. Consequently, individualistic societies exhibited significantly lower acceptance of non-pharmaceutical interventions than their collectivist counterparts (Chen *et al.*, 2021; Pei *et al.*, 2023; Čavojová *et al.*, 2024). Saunoris (2024) further notes that individualists place greater emphasis on autonomy and self-determination, attaching less importance to compliance with collective norms when such norms constrain personal goals. As Chen *et al.* (2021) highlight, this behavior undermines the capacity for coordinated collective action, complicating government efforts to implement coherent policy responses during crises.

Pitlik and Rode (2017) show that individuals in more individualistic societies are significantly less supportive of government intervention. During crises, such societies tend to favor market-based adjustments and private coping mechanisms over large-scale fiscal programs. By contrast, collectivist cultures emphasize solidarity and shared responsibility, fostering greater acceptance of expansive government action. Political resistance to redistribution is also stronger in individualistic contexts, where taxpayers value fairness, self-reliance, and limited transfers (Jiang *et al.*, 2025). As a result, governments may face tighter political constraints on implementing broad fiscal assistance, particularly when interventions are perceived as restricting personal freedom or economic opportunity.

Individualistic societies are often characterized by stronger institutional independence, manifested in autonomous central banks, robust parliaments, and stringent regulatory oversight. Paradoxically, these same institutions can limit the scope for coordinated and large-scale fiscal interventions. High independence may constrain the complementarity between monetary and fiscal policy, a dynamic that became particularly salient during the COVID-19 crisis (Chadha *et al.*, 2021; Sowels, 2023). Moreover, individualistic cultures tend to resist radical institutional change (Ezcurra, 2021), further reducing the flexibility required for swift and coordinated crisis responses.

Economic risk perceptions may have ambivalent effects on support for intervention. While heightened risk can motivate demands for stronger policy responses, it can also reinforce skepticism toward state involvement in highly individualistic societies. As Nisa *et al.* (2021) and Jiang *et al.* (2025) note, greater perceived risk amplifies the tension between individual autonomy and collective action, thereby strengthening opposition to expansive fiscal measures. Another often-overlooked factor is the dominance of self-oriented beliefs in individualistic societies, which can undermine public support for government aid that conflicts with personal values or perceptions of necessity. Bian *et al.* (2022) show that individualism shapes beliefs about the benefits of collective action, leading individuals to question the legitimacy and effectiveness of state intervention. Consistent with Rosenfeld and Tomiyama (2021), individuals tend to rely on their established cultural values during crises, reinforcing skepticism toward external authority. When restrictive measures are perceived as economically costly, such skepticism intensifies, further weakening support for intervention.

We therefore hypothesize that, considering public sentiment, policymakers in highly individualistic societies are less inclined to implement expansive interventionist measures:

H1b: Higher levels of individualism are negatively related to government financial assistance during crises, ceteris paribus.

We further argue that democratic governance mediates the relationship between individualism and government financial assistance during crises. In more individualistic societies, democratic institutions amplify citizen preferences for transparency, accountability, and responsive policymaking, thereby fostering stronger fiscal interventions. As noted by Tsai *et al.* (2023), democracies shape crisis responses through mechanisms that can constrain the speed and scope of policy action, as elected leaders may be reluctant to impose restrictive or unpopular measures.

The literature offers mixed evidence on the consequences of democratic governance during the COVID-19 crisis. Landman and Smallman-Raynor (2023) document that cross-country variation in pandemic outcomes reflects differences in political regime type, while Cassan and Steenvoort (2021), Yao *et al.* (2022), as well as Wu and Sun (2024) show that democracies experienced higher infection and mortality rates, consistent with greater respect for civil liberties but slower policy enforcement. By contrast, Karabulut *et al.* (2021) find that autocratic regimes can act more swiftly and mobilize resources more effectively, unencumbered by electoral constraints. Yet, citizens in democratic and individualistic societies tend to favor compensatory fiscal measures over coercive restrictions, prompting governments to respond through large-scale support programs that preserve both economic stability and personal autonomy. Moreover, citizens in these countries generally display higher adherence to government-imposed restrictions, in contrast to the lower compliance typically observed in highly individualistic societies (Chen *et al.*, 2023).

A common explanation for these patterns is that individualistic societies are less willing to comply with restrictive regulations and mandatory controls, reflecting a cultural preference for personal autonomy over collective discipline (Cao *et al.*, 2020; Ashraf *et al.*, 2022; Huang *et al.*, 2022). Zimmermann *et al.* (2020) further argue that the greater mobility of citizens in democratic and globalized economies increases their exposure to contagion, as the degree of international integration is positively associated with both the speed and scale of viral transmission. Moreover, democracies typically possess more transparent health information systems and more accurate

disease reporting, which can amplify the measured incidence of infection and mortality relative to autocratic regimes (Sariyer *et al.*, 2023).

At the same time, recent research highlights that democracy's influence on health and crisis outcomes is complex. While democracy tends to improve health outcomes and reduce excess mortality, these effects are often moderated by cross-border spillovers, global shocks, and heterogeneity across regimes (Cavusoglu *et al.*, 2025; Vu, 2025). By contrast, other studies offer a more favorable assessment, showing that democratic quality and political culture are associated with more effective pandemic management and stronger protection of human life and well-being (Annaka, 2022; Martín-Martín *et al.*, 2024; Kim, 2025). Although democratic systems may respond more gradually, they typically prioritize social welfare, relying on fiscal compensation mechanisms rather than coercive restrictions.

Taken together, these arguments suggest that democracy provides an institutional channel through which individualism amplifies fiscal responses. In individualistic societies, democratic accountability heightens political incentives for visible, transparent, and inclusive government interventions during crises. We therefore formulate the next hypothesis:

H2: The degree of democracy mediates the relationship between individualism and government financial assistance during crises, ceteris paribus.

Institutional quality may further condition how cultural values translate into fiscal policy actions during crises. Alesina and Giuliano (2015) argue that the interaction between culture and institutions reflects a dynamic, bidirectional process. Societies that share common cultural values tend to establish institutions consistent with those values, while institutional frameworks, in turn, reinforce and transmit prevailing norms across generations. Eruchimovitch *et al.* (2024) similarly emphasize that cultural dimensions and institutional structures jointly determine how societies address social and economic challenges. In particular, market-supporting institutions complement individualistic orientations by fostering self-reliance, private initiative, and entrepreneurial activity.

A growing body of research underscores the critical role of institutional quality in shaping crisis management outcomes. Kuokštis and Kuokštytė (2023) show that countries with stronger governance frameworks and greater economic freedom experienced significantly less severe economic fallout during the COVID-19 crisis. Institutional quality proved particularly salient in

the early phase of the pandemic, when the health and economic shocks were most acute. These findings are consistent with evidence that robust institutions mitigate the adverse effects of financial crises (Sever, 2022; Chen *et al.*, 2024) and reduce the likelihood of banking distress (Marchionne *et al.*, 2025).

Barra and Ruggiero (2023) show that institutional improvements can reduce public spending, although this effect diminishes as fiscal outlays expand. Complementary evidence from Rodríguez-Pose and Burlina (2021) indicates that regions combining weak formal and informal institutions suffered the most severe impacts of COVID-19, reflecting limited state capacity to implement timely and effective measures. Similarly, Liu *et al.* (2025) document that low institutional trust delays policy interventions and, when coupled with low individualism, leads to more stringent restrictions. In contrast, Ezcurra (2021) finds that individualism supports institutional stability and the consistent functioning of political systems, reinforcing the view that culture and institutions jointly shape the capacity for effective policy action.

Building on prior evidence that both culture and institutions jointly shape policy outcomes, we posit that high institutional quality and individualism are key determinants of government financial assistance during crises. Accordingly, we expect that the interaction between individualism and strong institutions amplifies the scale and effectiveness of fiscal interventions, which gives out third hypothesis:

H3: The positive relationship between individualism and government financial assistance during crises is stronger in countries with higher institutional quality, ceteris paribus.

We further examine whether the effect of individualism on government financial assistance is moderated by central bank independence. Fang (2024) documents a significant link between cultural traits and central bank autonomy: countries with collectivist values and high uncertainty avoidance tend to have stronger central bank independence, while individualistic societies are associated with greater policy flexibility and fewer constraints on government lending.

As Garriga (2025) notes, central bank independence (CBI) is a key tool for controlling inflation. However, 21st-century crises prompted unconventional interventions, sparking debate over the legitimacy and scope of central bank autonomy (Best, 2024; Quaglia and Verdun, 2025). During the global financial crisis, central banks shifted from an inflation focus to stimulating demand through liquidity provision and credit support (Capie and Wood, 2013). Similarly, in response to COVID-19, central banks rapidly implemented expansionary measures, including

lending facilities, asset purchases, and foreign exchange operations, to stabilize markets. Ramos-Francia and García-Verdú (2022) emphasize that the speed of these interventions was critical in preventing further economic deterioration. Elgin *et al.* (2021) show that more independent central banks introduced smaller rate and reserve reductions, yet countries with higher CBI deployed larger fiscal and macrofinancial support packages, underscoring the complementary roles of monetary and fiscal authorities in crisis management. Glinavos (2023) suggests that central bank independence does not materially affect the scale of crisis interventions, as the convergence of monetary and fiscal functions under exceptional conditions diminished its traditional importance.

Accordingly, our final hypothesis is as follows:

H4: The positive relationship between individualism and government financial assistance during crises is stronger in countries with lower central bank independence, ceteris paribus.

3. Data and methodology

To assess the influence of national culture on government financial assistance during the COVID-19 crisis, we compile a global sample of 67 countries spanning all continents and the period 2000q1-2000q4. We restrict our analysis to the year 2020 for two main reasons. First, our focus is on governments' immediate fiscal responses to the COVID-19 shock, as the pandemic triggered an unprecedented need for prompt intervention to stabilize the financial markets. Second, because most government financial assistance measures were implemented in 2020, we focus on this period to capture the immediate policy response. By exploiting the COVID-19 pandemic as a natural experiment that generated unexpected cross-country variation in fiscal actions, we obtain a cleaner identification of crisis-driven fiscal responses, uncontaminated by subsequent medium-term policy adjustments or recovery packages.

Our sample captures a wide spectrum of fiscal policy strategies, cultural norms, development levels, and institutional arrangements, providing a comprehensive setting to examine cross-country variation in crisis responses during the first fiscal wave of the pandemic. We begin with 74 countries that received government financial support during the pandemic, as reported in the IMF Fiscal Monitor Database of country fiscal measures in response to the COVID-19

pandemic, based on Kirti *et al.* (2022).[3] We then exclude four countries lacking individualism scores from Hofstede (2001) via www.theculturefactor.com, and an additional three countries with missing data for key control variables from the World Bank or Trading Economics databases. The resulting estimation sample consists of 67 countries, summarized in Table 1.

*** Table 1 ***

3.1. Government financial assistance in times of crisis

Our dependent variable captures total government financial assistance relative to GDP, sourced from the IMF database compiled by Kirti et al. (2022).[4] This measure captures the full spectrum of fiscal interventions, including tax reliefs and deferrals, equity participation, public loans, guarantees, asset purchases, and credit facilities. On average, government financial assistance amounts to 10.95% of GDP, with substantial cross-country variation, peaking at 42.08% in Japan and 33.3% in Poland, while remaining minimal at 0.4% in Sri Lanka and 0.78% in Nigeria.

*** Figure 1 ***

To assess the robustness of our estimates, we also examine key subcomponents of government financial assistance as alternative dependent variables. First, we consider guarantees-to-GDP, capturing total public sector guarantees, primarily classified as (i) credit guarantees for loans to the real economy and (ii) other guarantees supporting financial intermediaries. Second, we analyze asset purchases-to-GDP, reflecting the central bank's acquisitions of securities in the secondary market, including bonds, stocks, and commercial paper. Third, we include credit facilities-to-GDP, encompassing targeted financial instruments aimed at improving medium- and long-term credit availability via direct lending, repos, rediscounting, or modified lending terms. All subcomponents are expressed as a share of the year-end 2019 GDP. We focus on these measures due to their substantial volumes across countries. Guarantees reach 20.08% of GDP in

[3] Data on fiscal interventions are obtained from the supplementary materials accompanying the IMF Working Paper *Tracking Economic and Financial Policies During COVID-19: An Announcement-Level Database* (IMF, 2022) available at: https://www.imf.org/en/Publications/WP/Issues/2022/06/03/Tracking-Economic-and-Financial-Policies-During-COVID-19-An-Announcement-Level-Database-518896

[4] We compute quarterly and annual values by aggregating monthly data from the IMF Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, based on Kirti et al. (2022).

Italy and 17.17% in Germany, asset purchases account for 25.99% in Greece and 25.19% in Latvia, and credit facilities total 24.34% in France and 24.00% in Greece.

*** Table 2 ***

*** Table 3 ***

3.2. Individualism

The central explanatory variable in our analysis is the individualism index from Hofstede (2001), capturing the extent to which societies prioritize personal autonomy over collective welfare. Individualistic cultures are characterized by self-orientation and a tendency toward overconfidence. In our estimation sample, the average individualism score is 47.40, exhibiting significant heterogeneity across countries. The index ranges from 0 in Nigeria and 5 in Pakistan, Indonesia, and Bangladesh, to 89 in Denmark and 100 in the Netherlands.

Hofstede's cultural dimensions framework is widely adopted by the literature but has faced notable criticism, particularly in cross-national studies (Signorini *et al.*, 2009; Minkov & Kaasa, 2020; Taras *et al.*, 2023). Empirical evidence indicates that cultural traits, including individualism, have evolved since Hofstede's original data collection in the late 1960s, reflecting the dynamic nature of cultural values. Nonetheless, relative cultural distances between countries appear largely stable over time. To address these concerns, we enhance our analysis with robustness checks using alternative, updated measures of individualism, drawing on Minkov and Kaasa (2022) and the GLOBE Project Database, which refine and extend Hofstede's original framework.

Table 4 presents strong evidence that cultural differences are significantly associated with the average scale of government financial assistance in our sample. Countries with high individualism receive, on average, 7.98 percentage points more in total fiscal support compared to low-individualism countries. This pattern extends to the subcomponents of assistance: high-individualism countries receive, on average, 10.08 percentage points more in asset purchases and 6.64 percentage points more in credit facilities than their low-individualism counterparts. These differences, illustrated in Figure 2, underscore the robust positive relationship between individualism and the magnitude of government financial interventions, providing a basis for the subsequent empirical analysis.

*** Table 4 ***

*** Figure 2 ***

3.3. Methodology

To examine the impact of individualism on government financial assistance, we employ cross-sectional and panel estimation frameworks. This combined approach enables us to examine both static cross-sectional patterns and dynamic within-year developments in fiscal support. We begin with a linear regression model for the cross-sectional analysis, specified as follows:

$$Y_c = \alpha + \beta \times Individualism_c + \delta_1 \times GovDebtGDP_c + \delta_2 \times GDPGrowth_c + \delta_3 \times Inflation_c + \delta_4 \times CurrentAccountBalanceGDP_c + \delta_5 \times Population_c + \delta_6 \times CreditRating_c + \varepsilon_c \quad (1)$$

where Y_c represents the volume of government financial assistance in country c in 2020, $Individualism_c$ reflects the values of the Hofstede index, the set of macroeconomic controls includes government debt to GDP, GDP per capita growth, inflation, current account balance to GDP, population, and country credit rating, while ε_c denotes the standard error clustered at the country level.[5] Except for time-invariant cultural variables, all other regressors are lagged by one period, and to mitigate potential reverse causality, they are measured as of year-end 2019, prior to the onset of the COVID-19 pandemic.

Because our primary variable of interest—Hofstede's individualism index—is time-invariant, leveraging cross-country variation at a single point in time enables us to directly assess the relationship between individualism and the scale of government financial assistance during the COVID-19 crisis. This approach isolates the cross-country effect of culture without confounding it with temporal fluctuations, establishing a foundation for subsequent panel analyses that incorporate dynamic macroeconomic controls and time-varying shocks.

[5] As our key explanatory variable—*individualism*—is time-invariant, including country fixed effects would absorb its variation and prevent identification.

In the next step, we examine the impact of individualism on government financial assistance using panel data, estimating a random-effects generalized least squares (GLS) model with time fixed effects. This approach complements the cross-sectional estimates by exploiting both the between-country and within-country variation over time, allowing us to capture dynamic patterns and better control for unobserved heterogeneity across countries. The corresponding model is specified as follows:

$$Y_{c,t} = \alpha + \beta \times Individualism_c + \delta_1 \times GovDebtGDP_{c,t-1} + \delta_2 \times GDPGrowth_{c,t-1} + \delta_3 \times Inflation_{c,t-1} + \delta_4 \times CurrentAccountBalanceGDP_{c,t-1} + \delta_5 \times Population_{c,t-1} + \delta_6 \times CreditRating_{c,t-1} + \vartheta_t + \varepsilon_{c,t} \quad (2)$$

where $Y_{c,t}$ represents the volume of government financial assistance in country c in a certain quarter. ϑ_t reflects the time fixed effects, while $\varepsilon_{c,t}$ shows the standard error term clustered at the country level. The remaining variables follow the specification in Equation (1), with the distinction that we account for their dynamic behavior by using quarterly values.

In addition to the cultural dimension, we examine macroeconomic determinants that may shape government fiscal support, drawing on data from multiple sources. Key indicators of the macroeconomic environment are summarized in Table 2, with descriptive statistics reported in Table 3. Across our sample, government debt averages 60.73% of GDP, ranging from 3% in Hong Kong to 236.4% in Japan. GDP per capita growth averages 1.80%, with extremes of -18.94% in Qatar and 7.84% in Armenia. Inflation averages 3.56%, spanning from -4.46% in Qatar to 49.2% in Argentina, while the current account balance to GDP averages 0.47%, ranging from -20.56% in Ireland to 21.48% in Kuwait. Sovereign credit ratings average 64.54, with a minimum of 11 in Sri Lanka and a maximum of 100 in Switzerland, Denmark, Canada, and Germany. Prior research suggests that macroeconomic conditions significantly influence fiscal interventions. Higher government debt and revenues are typically associated with larger fiscal packages (Apeti *et al.*, 2021), while stronger sovereign credit ratings enhance the effectiveness and feasibility of fiscal support during crises (Benmelech and Tzur-Ilan, 2020).

4. Empirical results

We first present our main estimates linking individualism to government financial assistance, followed by robustness and endogeneity analyses. We then examine the mediating role of democratic governance and the moderating effects of institutional quality and central bank independence.

4.1. Main results

Our results show that national culture, captured by the degree of individualism, is a significant determinant of government financial assistance, with consistent evidence across both cross-sectional (static) and panel (dynamic) specifications.

Table 5, Panel A, reports the cross-sectional estimates, providing clear support for Hypothesis *H1a*. The results from column (1) indicate that the individualism index is both statistically significant and positively associated with the total volume of government financial assistance. Economically, a one–standard deviation increase in the individualism index is associated, on average, with a 35% higher level of government financial assistance as a share of GDP.

The results remain robust when disaggregating total government financial assistance into its main components—guarantees, asset purchases, and credit facilities—as shown in columns (2)–(4). The magnitude of the effect increases across these categories, corresponding to 39% for guarantees, 45% for asset purchases, and 54% for credit facilities relative to GDP. These findings suggest that individualism is particularly associated with interventions that entail direct market intervention and liquidity provision. Together, these results indicate that governments in more individualistic societies not only commit larger overall resources but also employ a wider range of fiscal instruments, consistent with a more proactive and multidimensional crisis response strategy.

The results are further reinforced when analyzed using quarterly panel data, as reported in Table 5, Panel B. Exploiting within-year temporal variation allows us to account for the timing and intensity of government interventions, confirming that the positive association between individualism and fiscal support persists once temporal dynamics are considered.

This pattern indicates that governments in more individualistic societies are more likely to intervene with large financial packages, consistent with the overconfidence and self-oriented

tendencies characteristic of individualistic cultures (Hofstede, 2001). This finding is also in line with von Neumann and Morgenstern's (1944) expected utility framework, which posits that agents facing uncertainty choose actions that maximize their perceived utility. In individualistic societies, utility often derives from self-fulfillment, achievement, and social recognition, manifested through media approval or political credibility (Grossmann and Santos, 2016). Individualists emphasize autonomy and personal agency, pursuing self-realization and decisive action (Triandis, 1994; Oettingen *et al.*, 2008; Cheng *et al.*, 2020; Baoguo and Xiaobing, 2024). Empirical evidence supports this behavioral profile. Individuals in individualistic cultures tend to adopt assertive and proactive strategies (Gunkel *et al.*, 2016; Yamini *et al.*, 2023, 2025), display greater confidence in personal judgment (Belotelova & Martin, 2025), and accept higher levels of risk (Frijns *et al.*, 2022).

Translating these traits into fiscal behavior, policymakers in more individualistic environments may be less constrained by concerns over public expenditure and more inclined toward visible, large-scale interventions. Moreover, political incentives reinforce this tendency, as decision-makers often seek to enhance their personal or party reputation, cultivate voter approval, and gain international recognition. Consequently, fiscal activism in individualistic societies may reflect both cultural predispositions toward risk-taking and political motivations for signaling competence and responsiveness during crises.

*** Table 5 ***

Within our set of control variables, government debt to GDP emerges as a key macroeconomic driver of fiscal support. Higher debt ratios are linked to larger government financial assistance, indicating that countries with constrained fiscal capacity rely more heavily on intervention. Sovereign credit ratings also play a significant role, with higher-rated countries better positioned to deploy substantial fiscal packages. Our findings complement and extend prior research on COVID-19 fiscal responses. Consistent with Elbourne *et al.* (2025), we observe that pre-existing debt does not constrain policymakers, as highly indebted countries often implement larger fiscal packages. Similarly, Bergant and Forbes (2023) document that developed economies with limited fiscal space are still able to deploy substantial stimulus measures. These patterns contrast with earlier crises, where lower debt-to-GDP ratios were more strongly associated with expansionary policy and milder post-crisis outcomes (Romer and Romer, 2019). Our findings are

also consistent with Kyriacou (2016) and Sariyer *et al.* (2023), who show that countries with higher credit ratings implemented the largest fiscal packages. These results underscore the critical role of both fiscal capacity and cultural context in designing effective crisis intervention measures.

4.2. Robustness checks

To assess the robustness of our findings, in Table 6 we re-estimate the empirical models using alternative measures of cultural traits, addressing common critiques of Hofstede's (2001) framework. First, we incorporate the Collectivism Societal Practices indicator from the GLOBE database, which captures the extent to which societies promote collective action, group cohesion, and prioritization of group objectives. Conceptually, this measure is the inverse of Hofstede's individualism index and is therefore expected to exert a negative effect on government financial assistance. Second, we employ the individualism index from Minkov and Kaasa (2022), which reflects the degree to which individuals prioritize personal autonomy and self-oriented goals over social interdependence and collective objectives. Reassuringly, the main results remain robust across both alternative cultural measures, underscoring the stability of our findings.

*** Table 6 ***

Extending our analysis, in Table 7 we incorporate additional macroeconomic determinants of government financial assistance, including general government consumption, domestic credit to the private sector (as a share of GDP), the Democracy Index, and a dummy for advanced economies. Domestic credit to the private sector captures the financial resources provided by financial institutions to private entities, while the Democracy Index evaluates the quality of democratic governance across electoral processes, government effectiveness, political participation, political culture, and civil liberties (Woodside *et al.*, 2023; Bonaparte, 2024). Consistent with prior evidence (Elgin *et al.,* 2021), we find that more democratic countries implement larger fiscal packages. Moreover, advanced economies typically deploy more substantial government financial assistance, reflecting stronger pre-crisis sovereign credit positions and greater access to external financing (Bianchi *et al.*, 2020). These additional controls confirm the robustness of our main findings.

*** Table 7 ***

4.3. Endogeneity analysis

While the robustness checks in Section 4.2 help strengthen the validity of our results, potential endogeneity concerns remain. In particular, unobserved factors, such as historical institutional development, political culture, or omitted economic shocks, may simultaneously influence both individualism and government financial assistance, biasing our OLS estimates. To address these concerns, we employ an instrumental variable (IV) strategy using two-stage least squares (2SLS) estimation. This approach allows us to isolate the exogenous variation in individualism and better identify its causal impact on government financial assistance during crises.[6]

Our first instrument, Pathogen, developed by Fincher *et al.* (2008), captures the historical prevalence of nine pathogens with significant health impacts at the country level. The theoretical foundation rests on the parasite-stress theory of sociality, which posits that societies historically exposed to higher pathogen loads evolved stronger collectivist norms as adaptive mechanisms to reduce contagion risk and enhance in-group cooperation (Murray and Schaller, 2010; Fincher and Thornhill, 2012). Conversely, societies with lower pathogen prevalence faced weaker evolutionary pressures toward collectivism, thereby fostering more individualistic orientations. Hence, pathogen prevalence serves as a theoretically grounded and plausibly exogenous instrument for individualism, influencing government interventions indirectly through cultural traits, rather than directly through policy or economic channels. Consistent with this view, prior studies have employed pathogen prevalence as an exogenous determinant of individualism (Boubakri and Saffar, 2016; Boubakri *et al*., 2016; Gorodnichenko and Roland, 2017; Nikolaev *et al.*, 2017).

The second instrument, Polite, developed by Davis and Abdurazokzoda (2016), quantifies the proportion of a country's population whose language lacks distinctions of politeness. This measure serves as a proxy for cultural orientation, positing that individualistic societies emphasize self-oriented politeness that reflects values of autonomy, whereas collectivist societies adhere to context-dependent politeness conventions that reinforce hierarchy and group cohesion (Kashima and Kashima, 1998; Ting-Toomey and Kurogi, 1998). Linguistic evidence indicates that languages lacking formal politeness markers are more prevalent in societies with strong individual autonomy (Matsumoto, 1988; House, 2012). By reflecting deeply rooted cultural norms that are exogenous

[6] Although our identification strategy mitigates reverse causality concerns, unobserved institutional or historical factors may still influence both culture and government intervention behavior.

to contemporary economic conditions, the politeness measure provides a plausibly exogenous instrument for individualism, influencing government financial assistance only indirectly through cultural norms. This instrument has been utilized in prior research examining the impact of cultural values on economic outcomes, such as firm default risk (Nadarajah *et al.*, 2024) or macroprudential interventions (Nistor and Fărcaș, 2025).

Table 8, columns (1) and (6), present the first-stage results, showing that both instruments are significantly correlated with individualism in the cross-sectional and panel specifications. In columns (2)-(5) and (7)-(10), respectively, we present the second-stage 2SLS estimates, which reinforce our primary findings that higher individualism is positively associated with government financial assistance, consistent with Hypothesis *H1a*. At the bottom of the tables, we report diagnostics for underidentification. The Kleibergen-Paap and Cragg-Donald Wald test statistics indicate that the instruments are both relevant and exogenous, validating the exclusion restriction and supporting the causal interpretation of the individualism effect on fiscal interventions.

*** Table 8 ***

4.4. Effect of individualism on government financial assistance via democratic institutions

We next examine whether democratic institutions serve as a channel through which individualism shapes government financial assistance. Specifically, we investigate the relationship between individualism and two established measures of democracy: the Democracy Index from the Economist Intelligence Unit (EIU) and the Additive Polyarchy Index from the Varieties of Democracy (V-Dem). The Democracy Index evaluates democracy across multiple dimensions, including electoral processes, government functionality, political participation, political culture, and civil liberties.[7] The Additive Polyarchy Index captures the extent to which democratic principles are realized, emphasizing the freedom of political and civil society organizations, electoral integrity, and whether the chief executive is selected through competitive elections. Both

[7] The Democracy Index was retrieved from from the Economist Intelligence Unit (EIU): https://www.eiu.com/topic/democracy-index/.

measures allow us to assess how institutionalized democracy may amplify or constrain the fiscal response in individualistic societies.[8]

To examine the mediating role of democratic institutions, we adopt a two-stage approach similar to a control function method (Petersen, 2009; Wooldridge, 2015). In the first stage, we regress each democracy measure on individualism using Equations (1) and (2) to capture the variation in democratic institutions associated with cultural preferences. In the second stage, we include both individualism and the residuals from the first-stage regressions in the main empirical specification. This approach isolates the component of democracy that is orthogonal to individualism, allowing us to identify the portion of the effect of individualism on government financial assistance that operates indirectly through democratic institutions. This method is particularly appropriate in a cross-country setting where standard mediation tests may be biased due to endogeneity and unobserved confounders (VanderWeele, 2015).[9]

The results in Table 9 provide robust support for Hypothesis *H2*, which posits that individualism shapes the scale of government financial assistance through democratic institutions. In Panel A, the cross-sectional estimates show a positive and significant relationship between individualism and both democracy measures in the first-stage regressions. In the second stage, individualism and the residuals capturing the democracy component exert positive and statistically significant effects. Panel B confirms that these findings hold in the dynamic panel framework, reinforcing the robustness of the results across both static and temporal specifications.

*** Table 9 ***

Overall, the evidence indicates that in more individualistic societies, stronger democratic institutions create an environment favourable to a higher scale of government financial assistance. These findings align with theoretical expectations, as individualism underscores the importance of personal autonomy, accountability, and the protection of individual rights, values that are strongly reinforced in democratic systems. In this context, governments encounter heightened pressures for transparent and equitable policy implementation, which enhances the credibility and social

[8] The Additive Polyarchy Index was retrieved from the Varieties of Democracy (V-Dem) Database, developed by Lindberg *et al.* (2024) and maintained by the V-Dem Institute (https://www.v-dem.net/).

[9] By controlling for the part of democracy correlated with individualism, the control function approach enables a cleaner estimation of the indirect channel, consistent with prior studies on institutional mediation in macro-level policy research (Acemoglu *et al*., 2019; Tsai et al., 2023).

acceptability of fiscal interventions (Acemoglu *et al*., 2019). More broadly, our results highlight that the scale of government financial assistance is influenced not only by economic resources and institutional capacity but also by the interaction between cultural norms and political institutions (Alesina and Giuliano, 2015). Additionally, our findings complement existing evidence that emphasizes the critical role of democratic governance in facilitating effective fiscal responses during crises (Kaim and Kubbe, 2025).

4.5. Moderating factors

Having established that individualism is positively associated with the magnitude of government fiscal interventions during crises, we further ask which factors may moderate this effect, focusing on formal institutions and the regulatory framework. In particular, we examine the moderating role of governance quality, as captured by voice and accountability and political stability, and central bank independence. These measures capture complementary dimensions of institutional and regulatory quality that may either strengthen or weaken the translation of cultural values into fiscal policy responses.

To conduct this analysis, we first consider the Voice and Accountability Index from the World Bank, which reflects citizens' ability to participate in political processes and exercise freedoms of expression, association, and access to independent media. This measure captures the degree of democratic inclusiveness and institutional accountability within a country. Higher scores indicate stronger mechanisms for public oversight and participation, which can enhance the transparency and legitimacy of fiscal decisions, particularly during periods of crisis.

Second, we use the Political Stability Index, also from the World Bank, which assesses the likelihood of government destabilization or political violence. This measure reflects the resilience of political institutions and the government’s ability to implement policies without disruption. Higher scores of the index indicate a lower risk of political instability, which can enhance policy continuity and reinforce the effectiveness of fiscal interventions during crises.

Third, we first examine the effects of central bank independence, as defined by Romelli (2022), using the Board Independence Index. This measure captures the extent to which the appointment and dismissal of central bank board members are insulated from executive or political

influence. Higher values indicate greater autonomy in the conduct of monetary policy and reduced government interference in central bank governance. Central bank independence is a multidimensional concept encompassing legal, operational, and political autonomy (Cukierman *et al.*, 1992; Garriga, 2016). While alternative indices capture broader legal or policy-related aspects of independence, we focus on board independence, which captures the extent to which the selection and tenure of central bank board members are protected from direct government intervention. This dimension is particularly relevant in the context of our analysis, as it directly captures the potential for political influence over monetary governance—a key institutional factor that interacts with cultural preferences to shape fiscal responses during crises.[10]

To assess how the institutional factors condition the impact of individualism on fiscal responses, we augment our baseline specification with interaction terms between individualism and each moderating variable. A statistically significant coefficient on these interaction terms indicates that the effect of individualism on government financial assistance varies systematically with the institutional quality and central bank independence.

Table 10, Panel A, reports evidence consistent with Hypothesis *H3*. Columns (1) and (2) indicate that institutional quality strengthens the positive association between individualism and government financial assistance. Specifically, the coefficients on the interaction terms between individualism and the Voice and Accountability Index and the Political Stability Index are positive and statistically significant, suggesting that more transparent and stable political environments enhance the scale of fiscal packages in individualistic societies. These results are corroborated by the panel estimates in Panel B, which account for temporal variation and confirm that the moderating role of institutional quality is robust over time.

*** Table 10 ***

A plausible interpretation of these findings is that higher levels of voice and accountability provide more effective channels for citizens to articulate preferences, allowing individualist values such as autonomy and fairness to be reflected in fiscal policy decisions. Political stability

[10] We use the Board Independence Index from Romelli (2022) as proxy for central bank independence, the most updated and comprehensive global measure of central bank independence. Compared with earlier indices (Cukierman *et al.*, 1992; Garriga, 2016), Romelli's CBI captures institutional reforms over time and provides broader cross-country coverage, offering a more accurate proxy for political independence.

reinforces this mechanism by lowering uncertainty and enabling governments to credibly commit to sustained support programs without the risk of abrupt policy reversals. These results suggest that individualism, by itself, is insufficient to explain cross-country variation in government financial interventions; its impact depends critically on the institutional context that mediates cultural demands. This mechanism helps explain why countries with similar economic fundamentals may adopt markedly different crisis responses, a pattern consistent with Sever (2022), Kuokštis and Kuokštytė (2023), and Chen *et al.* (2024).

Results reported in column (3) of Panels A and B indicate that greater central bank independence attenuates the positive association between individualism and government financial assistance, consistent with Hypothesis *H4*. The result implies that greater autonomy by central banks constrains fiscal discretion, whereas closer alignment between central banks and governments facilitates coordinated policy responses. Consequently, institutional frictions associated with high central bank independence may dampen the translation of cultural preferences for visible intervention into fiscal outcomes. A possible explanation is that, during the pandemic, functional independence played a diminished role relative to coordinated fiscal–monetary actions. Rather than adhering strictly to inflation-targeting mandates, central banks prioritized market stabilization, liquidity provision, and favorable financing conditions across sectors. These measures are essential for supporting recovery and preserving medium-term price stability. The rapid and comprehensive policy response reflects institutional learning from previous global crises, where central banks had developed both the tools and flexibility to act decisively under uncertainty. Overall, the evidence complements Glinavos (2023), who argues that crisis conditions blur traditional policy boundaries, reducing the effective autonomy of monetary authorities.

Therefore, the moderating effects of voice and accountability, political stability, and central bank independence indicate that the influence of individualism on fiscal support is not uniform but contingent on a country's institutional environment. The predictive margins of all three moderators, illustrated in Figure 3, further underscore the magnitude and consistency of these effects across institutional settings.

*** Figure 3 ***

5. Conclusions and policy implications

In summary, our analysis provides robust evidence that national culture, as captured by Hofstede's (2001) individualism index, significantly influences the scale and composition of government financial assistance. Using a global sample of 67 advanced and emerging economies, we show that more individualistic countries implemented larger fiscal support programs during the COVID-19 crisis. We focus exclusively on 2020 to capture the initial, high-uncertainty phase of the pandemic, when governments confronted exceptional policy trade-offs and fiscal actions most accurately reflected immediate crisis responses rather than later recovery efforts. This approach enables a clearer identification of the cultural determinants shaping the first wave of fiscal interventions and establishes a foundation for future research on the multi-stage dynamics of crisis management.

Quantitatively, a one–standard deviation increase in individualism corresponds to roughly 35% higher fiscal support, with even larger effects for asset purchases and credit facilities, underscoring its strong link to direct market and immediate relief interventions. This pattern reflects stronger citizen demands for visible protection and greater political incentives for policymakers to act decisively in individualistic societies. The effect of individualism is further amplified in countries with higher institutional quality, while weaker central bank independence also strengthens fiscal responses. We further show that democratic governance serves as an indirect channel through which individualism affects fiscal support. In more individualistic societies, higher levels of democracy provide a more favorable environment for government interventions, consistent with the view that both citizen preferences and institutional accountability influence policy choices.

Our findings extend the literature on crisis policy by highlighting culture as a systematic determinant of government intervention, complementing traditional economic, institutional, and political explanations. From a policy perspective, the results imply that effective crisis management depends not only on fiscal space or institutional capacity but also on the degree of cultural alignment between policymakers and citizens. Fiscal intervention frameworks designed without regard to national cultural traits risk lower effectiveness and public acceptance. Incorporating cultural and institutional heterogeneity into policy design can enhance credibility, compliance, and the overall impact. Finally, recognizing how democracy mediates cultural effects

enables governments and policymakers to more efficiently stabilize financial systems and address economic shocks.

While our analysis provides new cross-country evidence on the cultural determinants of government financial assistance during crisis, several limitations warrant further investigation. First, culture is inherently slow-moving, yet its interaction with rapidly evolving political and economic conditions may vary over time. Second, future research could examine the dynamic interaction between culture, political institutions, and fiscal behavior using micro-level or within-country data. Further analysis of how cultural norms shape the efficiency and targeting of government financial assistance programs could provide valuable insights into the mechanisms linking culture to policy outcomes.

Data availability statement

The data and Stata code that support the findings of this study are available from the authors upon request. All materials will be publicly available on the Harvard Dataverse (https://dataverse.harvard.edu/).

Declaration of generative AI use

During the preparation of this manuscript, the authors used ChatGPT-5 to assist with proofreading. After using this tool, the authors carefully reviewed and edited the text as necessary and take full responsibility for the final content of the published article.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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