1. **Title**: Locked-down in a welfare state: visible costs and hidden gains*

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3. **Abstract**: I exploit the variation related to lock-down measures put in place in Italy (March 9, 2020) and Norway (March 12, 2020), to estimate the aggregate net costs for the government budget from unemployment insurance (defined as the most important building block of a welfare state) in both countries. The welfare state is often judged by voters in terms of its visible costs for the government budget and potential distortions, whilst the hidden gains are rarely mentioned due to the missing counterfactual (Moene, 2018). I argue that the lock-down measures allow to improve estimation of net costs of social insurance for two reasons. First, they allow to select the increase in unemployment (mainly laid-off workers) purely caused by the strict measures in place. Second, they allow social insurance recipients not to face the classic trade-off between labour supply (strongly reduced by the measures) and leisure (with subsidy). Social insurance’s net costs for both countries are estimated through the comparison between government budgets in two different states of the world: [1] the observed state with subsidy expenditure net of revenues from taxation of (i) income support and (ii) increased consumption; and [2] a theoretical counterfactual without social insurance expenses, generating however no taxation revenues. The potential different estimates in the two countries under analysis will be further investigated with respect to type of employment and generosity of the unemployment insurance schemes.

4. **Data description**: For Norway, data on unemployed individuals and public expenditure on unemployment subsidies is obtained from Statistics Norway’ Labour force survey (LFS) and their micro data online service https://microdata.no. For Italy, data on unemployed individuals and public expenditure on unemployment subsidies is obtained from INPS and from the Italian National Statistical Agency ISTAT, available here: https://www4.istat.it/it/archivio/127792.

5. **JEL Classification**: H55, H75, I38.

6. **Keywords**: Social insurance; Lock-down measures; public expenditure; welfare state.

**References**


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