Title: The impact of a coordinated monetary and fiscal policy reaction to a pandemic shock

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Abstract: The aim of this paper is to provide an assessment of the impact of a coordinated response of the fiscal and monetary policymakers to a pandemic shock. Within the framework of a standard general equilibrium New Keynesian model, I show that the commitment of a central bank to buy the new flow of government debt issued by the fiscal authority to finance an economic stimulus may hinder the drastic fall in GDP compared to the case where the central bank leaves the onus of the stimulus on government alone. A coordinated fiscal and monetary policy intervention also leads to a mild increase in inflation and curbs the dynamics of the debt-to-GDP ratio.

JEL codes: E5; E63.

Keywords: Pandemic shock, policy coordination; monetary policy.