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The economy in the time of the coronavirus: The different limits of the monetary and fiscal policies

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1. The economic problem

The dramatic coronavirus pandemic will likely have heavy and prolonged recessive effects on the European and international economic systems. A few weeks ago, it still made some sense to forecast an intense but short-term negative systemic shock that would have given way to a rapid and robust macroeconomic recovery (a so-called '**V**-shaped crisis'). Today, this perspective is vanishing. The epidemic peaked or will peak in different times in China, a part of Asia, Italy, the rest of the European Union (EU), and the United States; and these phase displacements risk postponing the return to "normality" in the daily life of the major global economic areas at least until the summer of 2020. The consequence of such a prolonged impact suggests a far more threatening '**L**-shaped crisis', that is, a phase of drastic fall in the GDPs of the advanced economic areas, followed by long-lasting economic stagnation.

Paradoxically, the same phase displacements in the epidemic peaks among the major economic areas of the world and within some of them also provide the opportunity to lower the chances that a '**L**-shaped crisis' will be so economically damaging as to result in an international recession or depression. In fact, the world economic system has the opportunity to flexibly compensate for the 'bottlenecks', which have already affected and will continue to affect the Global Value Chains (GVCs) due to breaks in productive activities and in the transport sector, by exploiting the fact that the epidemic peaks do not occur simultaneously throughout the world. The 'bottlenecks' can be mitigated by including in the GVCs substitute firms located in areas that - from time to time – either have already overcome or are not still affected by the maximum spread of the coronavirus.

The implementation of this flexibility requires the rapid completion of adequate investment projects as well as of effective productive adjustments. In this regard, a necessary (even if not a sufficient) condition is that the firms directly involved in the 'bottlenecks' and their potential substitutes are not constrained by a lack of liquidity. The problem is that these same firms are, by definition, in transition because they need a transformation; and it would be incorrect to think that the normal functioning of the market

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mechanisms will make banks and other intermediaries, even those with an excess of liquidity, ready to financially support the reconversion of these firms in transition.

At least as of the beginning of March, the banking sectors of the main economic areas have certainly not suffered from a lack of liquidity. For example, even disregarding the recent decisions taken by the European Central Bank (ECB) on March 12, 2020 (see sections 5 and 6 below), the main banking groups in the euro area have been indirectly benefiting from a third version of the quantitative easing program (QE3), albeit with a reduced monthly flow of bond purchases (20 billion euro) compared to the previous QE's programs, and have been directly benefiting from a generous re-financing program (T-LTRO) with possible negative interest rates (- 0.5%). Furthermore, many of the large efficient national or supranational firms have had positive net financial positions and have been subject to massive credit offers which they have often refused. Therefore, despite the winds of recession, there are huge amounts of liquidity buffers in the economic system. Nevertheless, after the international financial crisis of 2007-09, regulation of the banking sector has become more severe. The higher and more discretionary capital requirements, the greater constraints in the composition of liabilities and the obligations for a faster liquidation of non-performing loans and other problematic financial exposures have increased the selectivity in the supply of bank loans. The small and medium-sized firms with transition or profitability problems – even temporary ones – are the main negative targets of this more stringent banks' lending. This is particularly worrying in the euro area: due to the highly bank-centric financial markets, this type of firm has difficulty finding non-bank sources for external financing.

The economic impact of the coronavirus is weighing on the last abovementioned problems. By expanding the number of small and small-medium firms with productive slackening and negative or very low profitability, the pandemic strengthens financial discrimination. Moreover, by causing a breakdown in the stock markets and – mainly – in the quoted prices of banks' shares, it negatively affects banks' capital coefficients, thus increasing and extending banks' selectivity. Financial discrimination also involves – if not above all – the small and small-medium firms that should pursue rapid reconversion processes to overcome the 'bottlenecks' in GVC. Since this prolongs the poor functioning of GVCs, profitability and liquidity in the rest of the international manufacturing and services sectors will also be affected.

2. The ineffectiveness of monetary policies

The foregoing considerations cast doubt on the effectiveness of limiting the policy initiatives to strengthening expansionary monetary policies. If the latter policies use the monetary transmission channels (through some form of QE), they will not be able to selectively distribute the increased liquidity flowing into the economic system; if these same policies use the banking transmission channels (through some form of T-LTRO), they can partly condition the allocation of the new liquidity inflows but only by means of *ad hoc* ex ante incentives and by means of expensive and hard-to-implement ex post controls. Therefore, if the goal is to increase funding for small and small-medium firms – especially those crucial for overcoming the 'bottlenecks' in GVC, strengthening expansionary monetary policies alone will become ineffective. This is particularly true in the case of the European Economic and Monetary Union (EMU): further increases in the current absolute level of negative interest rates could have distortionary and – even – recessive effects on the working of national economic systems, prompting savers to increase their already excessive monetary hoarding. Moreover, given the low potential supply of government bonds issued by various 'virtuous' member states and the current constraints in the composition of QE purchases (the so-called 'capital key'), increased demand for bonds by the ECB would focus on private bonds, thus producing the unwanted effect of benefiting the large firms which issue corporate bonds and have, at least for now, abundant liquidity.

The limited effectiveness of further expansions in monetary policies has recently been reflected in the negative reaction of US and international investors to the unexpected 50 basis point cut in policy interest rates by the Federal Reserve (Fed). In addition to appearing overdetermined by the political pressure from the Trump administration, such a drastic reduction has been difficult to justify in terms of its expected positive impact on the US economic system.

The difficulty of justifying these monetary initiatives has an analytical foundation related to the peculiar nature of the current crisis. Unlike what happened in other times of disruption (for example, the recent 2007-09 crisis),[2] the coronavirus pandemic has produced an exogenous shock that did not directly affect the financial markets and/or the aggregate final demand but rather the aggregate supply and the demand for specific services (typically those related to tourism, transport and a large part of commercial distribution). Only as a consequence is the direct negative impact on the aggregate supply affecting the incomes and the temporary and even the stable positions of various employees and, in a contradictory and particularly 'irrational' way, the daily behavior of consumers and the decisions of financial investors. A radical strengthening of monetary expansion, especially if precipitous and aimed at supporting all incomes (both those already affected and those not yet affected by the crisis) through – for example – some form of monetary 'helicopter' (as experienced in Hong Kong), would have the result of accentuating supply-demand mismatches and of producing further distortions in the productive apparatus and in the same management of the pandemic problem.

This does not mean, of course, that expansionary economic policy initiatives are superfluous. In the countries affected first by the spread of the coronavirus (many Asian states), the economic system has entered a phase of recession or severe stagnation; and, in the case of Italy, the epidemic aggravated an already ongoing recession. Furthermore, the 99,9% probability that this epidemic will spread, with comparable intensity, in many other countries in the world's strongest economic areas carries the serious risk of a very severe international recession. It is therefore essential to urgently implement widespread support to the aggregate supply and, in particular, selective support and financial resources to various business sectors (for example, tourism, transport, and a large part of commercial distribution) and to firms strongly hit by the epidemic, and thus in temporary difficulty. It is equally urgent to protect the incomes and the employment of the workers in these sectors in order to weaken the social impact

[2] If anything, a parallel should be made with the two oil crises of the 1970s (the former, in particular). However, in that case, the oil shock was accompanied by other serious symmetrical shocks or endogenous shocks concerning individual countries (for example, the workers' struggles in Italy).

of the epidemic and the fall in aggregate demand. These initiatives should start from the most affected areas and countries.

3. Expansionary fiscal policies

To implement the support and protection listed at the end of the previous section, it is necessary to use at least three instruments: an expansionary management of the government budget, the design of *ad hoc* fiscal incentives, and the weakening of capital requirements as well as of constraints in the accounting of non-performing exposures for banks willing to finance firms in transition and/or temporary difficulties. However, to justify the recourse to these tools, we must enter into some details. This is why, in this section and the following three, the analysis will focus on Italy and the European area. In particular, the analysis relating to fiscal policy and fiscal incentives will use the Italian situation as a reference point and – only when explicitly underlined – will call into question the European institutions. Conversely, given the centralization of monetary policy as well as banking regulation and supervision in the EMU, the related considerations will refer to the euro area as a whole and – only when necessary – to the international Basel principles.

The Italian fiscal policies' response to the coronavirus epidemic should finance the increased costs of the existing automatic stabilizers (mainly, layoff earnings in derogation and other support for the population's incomes), and should extend these stabilizers to the business sectors that are not currently covered but are often the most affected by the crisis. Moreover, these policies should immediately implement those public investments in healthcare (and related 'research and development') that are required to better manage and stem the pandemic. The same policies should then design *ad hoc* fiscal incentives for those firms in industry and services that are forced to achieve rapid and partial reconversions in order to adapt to the "bottlenecks" of their productive cycle and to unexpected technical and organizational constraints. They should also prevent the bankruptcy of firms that have suffered a sudden breakdown in their activities but that have obtained positive results in the recent past and that maintain potential profitability for the future. Finally, fiscal policies should ensure the conditions for a prompt recovery of the Italian economy once the peak of the infections is overcome, limiting the fall in private investment fed by the fear of the epidemic, by the recession and by the uncertainty about the future. To this end, they should try to achieve two objectives: select those public investments that offer the most effective combination of short-term results and cost reduction for private investments; and prepare fiscal incentives for private investments that are able to strengthen the Italian supply structure quickly but with a long-term prospect.

In many respects, the initiatives that the Democratic Party-Five Star government coalition is taking are heading in this direction. The Italian Prime Minister and the Minister of Economy have, in fact, undertaken to: carry out interventions in the healthcare sector to overcome the growing shortages of staff, machineries, and infrastructures; safeguard the potential supply of goods and services in the geographical areas and in the business sectors most affected by the epidemic through tax delays, financial support, guarantees, and other incentives; ensure an income, tax relief and a reduction of various charges for employees who risk the interruption or loss of their current jobs. To translate these commitments into actual policy actions, the Italian government has decided to immediately increase net public expenditure for 2020 by slightly more than 15 billion euro. Taking into account the related adjustments on the public balance sheet's revenues (in particular, higher taxes), this increase would bring the expected ratio between Italy's nominal public deficit and GDP for the current year to just below the 3% threshold.

However, it should be noted that, with respect to the policy interventions suggested above, the first government package does not include adequate short-term interventions for the implementation of public investments and for more robust support to private investments. These interventions are postponed to a possible second phase (with an expected expenditure of about 10 billion euro). The amount of the overall government commitment, approved by the Italian Parliament, is therefore estimated at a maximum of 25 billion euro for 2020. This amount is below that required to carry out the fiscal policy that I suggested above. Although an accurate calculation would require a more careful examination, the approximate increase in public expenditure for the implementation of this latter policy would amount to about 35 billion euro under the assumption that - towards the end of May - the Italian economy will begin to gradually return to normality. It follows that, if implemented only at national level, in both cases the expansion of Italy's fiscal policy would entail a large overrun of the European rule of 3% as the maximum threshold for the nominal deficit/GDP ratio.

4. The contraindications of discretionary policies

It is assumed that, given the exceptional nature of the national and international economic situation induced by the coronavirus pandemic, the European Commission and the Council of the European Union will judge Italy's expected breach of the 3% threshold as compatible with the European Treaties.[3] However, it is also believed that, despite this flexibility of European constraints, the Italian government will be unable to effectively implement its overall package or would be unable to carry out the fiscal policy suggested here. Its inability is due to at least three reasons.

Firstly, especially in my previous proposal amounting to 35 billion euro, the fiscal policy requires very discretionary interventions. Not having had a preventive and credible development strategy for the national economy in the euro area and in the long term, the fragmented Italian government coalition would end up using this discretion in a distortionary way and for strengthening rent-seeking positions; on the other hand, since this policy should be applied to a rapidly changing situation, a minimization of the discretionary room would increase the expenditure required by each policy intervention and would feed the opportunistic behaviors of the beneficiaries. Secondly, in Italy, the inefficiencies of the

[3] Given that Italy is in the preventive arm of the Stability and Growth Pact and that Italian GDP will record a decrease in 2020, the European rules would not require any adjustment in the structural public deficit of the current year. Hence, the Italian government could follow the European rules and, in the meantime, reach a public nominal deficit on GDP ratio higher than 3%. As specified below, the problem is that an increasing public deficit and a decreasing GDP would dramatically increase the public debt/GDP ratio; and, in the case of Italy, the increase of this ratio could easily lead to the unsustainability of the public debt.

public administration are a serious obstacle to the rapid and rigorous implementation of the planned public investments. As happened in the recent past when Italy poorly utilized the flexibility granted by the European Commission (*Communication* of January 2015) to improve investments and reforms, the actual policies would stimulate an inefficient flood of current expenditure that could, perhaps, mitigate emergencies but not prepare the Italian economy for the post-crisis period. Thirdly, as a consequence of the first and - above all - of the second point, a nominal government deficit/GDP ratio above 3% would jeopardize the sustainability of the huge stock of Italian government debt accumulated to date (more than 135% of GDP), thus negatively affecting the country's future economic recovery and stability.

These three reasons recommend limiting the fiscal policy autonomously launched by the Italian government to the actual emergency expenses that are required by the seriousness of the current healthcare and economic situation. Even in this case, without a detailed list and an accurate examination of each emergency intervention to be carried out, it is difficult to make a precise assessment of the total amount required. However, it seems reasonable to maintain that the increase in current public expenditure and related fiscal incentives could be limited to 10 billion euro. The latter amount would imply an increase of slightly more than 0.5 percentage points in the nominal government deficit/GDP ratio and would lead to a significant but manageable rise in Italy's government debt for 2020.

These emergency interventions would not be sufficient to stem the recession in the Italian economy and to prepare the country's production system for the phase following the epidemic peak. On the other hand, the expansionary fiscal program of 35 billion euro would be unattainable at national level. Hence, the proposal is to utilize the difference between the 35 billion euro and the 10 billion euro of emergency expenses to finance an Italian fiscal policy carried out in cooperation with the European institutions. This cooperation, which would involve neither a European aid program nor an ESM's precautionary intervention, should lead to an effective program (a kind of 'contractual arrangement', as proposed by the European Commission in 2012 and 2013) for achieving three results: the rapid overcoming of the Italian economic recession, which is aggravated but not caused by the coronavirus epidemic; the launch of feasible programs, designed and co-managed with the European institutions, to carry out public investments and to incentivize private investments; the involvement of the European institutions in the financing of these programs. By giving up part of its national sovereignty in fiscal and budgetary policies, Italy could use the current emergency to lay the foundations for its future sustainable development.

In recent days, the European Commission has provided an opportunity to proceed in this direction. President Ursula von der Leyen will propose to the other European institutions (European Council, European Parliament and Council of the European Union) the launch of a 37-billion-euro fund to counter the impact of the coronavirus pandemic on economies of the EU countries. It is a small fund, especially if we consider that the basic resources are already allocated or hoarded in European budgets and that the additional resources depend on generous leverage. Still, it would be incongruous if Italy did not take advantage of this European opening.

5. The need for European intervention

One of the objectives of the cooperation between the Italian government and the European Commission and/or other European institutions (for example, the European Investment Bank) for the definition and implementation in Italy of an expansionary fiscal policy, focused on public investment and on incentives for private investments, is to share the financial costs for the implementation of the various interventions. The hope is therefore that the modest fund launched by President von der Leyen is only the first step towards the implementation of a much more substantial European commitment temporarily financed through centralized deficits (issuance of euro-coronavirus bonds) or permanently financed through the activation of new own European resources (for example, significant taxation deriving from the fight against climate change). However, even if the direct financial involvement of the EU were limited to a fraction of this new fund (for example, 7.5 billion euro), it would be worthwhile for Italy to give up some of its autonomy and share responsibility for its national fiscal policy with the European institutions.

The management of Italy's government balance sheet during the 1980s and the first decade of the 2000s (2002-2007) was senseless; and the lack of adjustments in Italy's public debt between 2015 and 2017 lost the opportunity offered by the minimum levels in the structure of nominal and real interest rates. It follows that, today, Italy's fiscal capacity is very limited and the sustainability of its government debt is subordinated to the expansionary stance of monetary policy. Therefore, in Italy, all fiscal easing and the related increases in the government deficit/GDP ratio threaten with instability. Given the urgent necessity to plan and launch such a policy, the cooperation with the European institutions would amount to an explicit approval of this Italian move by the EU; and this approval would offer an indispensable, even if weak and informal, guarantee that expansive fiscal interventions will strengthen Italy's economic growth and, therefore, will place the dynamics of the related government debt under control.

Such cooperation would benefit not only the Italian government but also the European institutions. In implementing discretionary fiscal policies, there is a major risk of making mistakes or accommodating rent-seeking positions, and thus generating disequilibria in the economic system and increasing social inequalities. As already mentioned, if the Italian government managed these policies alone, this risk would significantly increase due to the political-institutional inefficiencies. The same result would occur in the case of a centralized management at European level due to a lack of detailed information on a number of specific situations. The cooperation between centralized and local level could mitigate the weaknesses of the two previous solutions, thus reducing the risks for the Italian economy; and the European institutions would put under control the potential instability of one of the most important member states of the euro area.

Even if it were solid and efficient, cooperation between European institutions and the Italian government for the implementation of an expansionary fiscal policy would not solve all the problems. At least in the short term, this policy would be facilitated if there was a solution for the liquidity problems of the Italian (and European) firms that are in temporary difficulty or that operate in the 'bottlenecks' of the production cycles and need to be converted. As noted above (see sections 1 and 2), the mere strengthening of expansionary monetary policies (conventional and unconventional) is not suitable for the purpose because it is incapable of discriminating the allocation of liquidity. Instead, it is necessary to make it worthwhile for lenders (i.e. banks) that have a dominant position in the European financial markets and that are forced to meet severe capital requirements and stringent timing constraints in the liquidation of their non-performing loans to provide credit to these risky firms.

Despite the mistaken and unfortunate statement concerning the ECB's indifference towards 'spreads' inside the euro area,[4] the decisions taken by the ECB's Governing Council in the meeting of March 12th mirror the current limits of the European monetary policy and offer some promising ways out. In fact, the ECB decided to leave the policy interest rates unchanged, to moderately increase bond purchases in the QE3 program (an additional amount of 120 billion euro by the end of the current year), to significantly strengthen the T-LTRO program (from June 2020 to June 2021) and to fill the time gap from today to next June by launching a new temporary LTRO program.

6. Monetary policy and banking supervision

As emphasized by President Lagarde in her introductory statement, the latter two initiatives (that is, the new LTRO and the strengthened T-LTRO3) are quite generous. Analogously to the first 2011-12 LTROs, the new temporary one refinances the European banking sector with "full allotment" of the borrowers' total demand at a fixed interest rate; moreover, this rate will be equal to the "average rate on deposit facilities", which can reach – 0.5%. Hence, the new LTRO will solve any liquidity constraint that could affect the weak components of the European banking sector in the upcoming quarter. Then, in the yearly period June 2020 – June 2021, the enhanced T-LTRO3 will be ready to refinance each European bank for a maximum amount set by the "stock of eligible loans" in its balance sheet by the end of February 2019. This refinancing will be charged with an interest rate of 25 basis points below the average rate applied to ECB's "main refinancing operations", and borrowers will be entitled to ease the quality of their collaterals. Hence, the new T-LTRO3 will incentivize banks to finance the economic system by borrowing at negative costs. In particular, the European banks able to keep their credit provisions at least at an unchanged level will pay a negative interest rate equal to -0.75%, the others a negative interest rate equal to -0,25%.

The ECB maintains that T-LTRO3 will be dedicated explicitly to "supporting bank lending" in favor of firms "affected most by the spread of coronavirus" and in favor of small- and medium-sized enterprises. However, as President Lagarde explicitly or implicitly recognized during the Q&As session, this

[4] This statement, made by the ECB's President (Christine Lagarde) during the Q&As session of the recent (March 12, 2020) monthly meeting, implies a technical mistake since increases in the spreads between the government bonds of different member states of the euro area can be due to country-specific risks as well as to a 'fly to quality' during turmoil. In the latter case, which obviously applies to the current situation, 'spreads' matter a lot for the ECB's policy since they hinder the effectiveness of the monetary policy by distorting the transmission channels. The point was recognized by President Lagarde herself during a subsequent interview.

selective allocation can only be achieved either if European and national agencies offer *ad hoc* guarantees to banks or if European regulators (European Banking Authority: EBA) and supervisors (Single Supervisory Mechanism: SSM) are willing to loosen, even temporarily but selectively, the application of international and European rules.

In this last regard, the SSM and the EBA took important decisions in concurrence with the ECB's recent meeting. The EBA decided to postpone its current stress-test exercise to 2021. On its side, the SSM is temporarily authorizing euro-area banks to mobilize their liquid and capital reserves as well as their exceeding capital coefficients to cover their actual or expected losses on credit. Moreover, the SSM is temporarily allowing the use of Tier 1 and Tier 2 instruments "to meet the Pillar 2 requirements"; and it is admitting that the minimum necessary threshold in capital requirements can be temporarily set below that deriving from the full inclusion of: discretionary coefficients as stated by Pillar 2; the preservation and the counter-cyclical buffers; the liquidity coverage. Finally, the SSM has committed itself and the national supervisory authorities under its control to be less-demanding towards individual banks in the annual scrutiny (the so-called SREP); and this will specifically apply to the guidance on accounting and liquidation of non-performing exposures.

It is worth noting that these initiatives, which are compliant with current European rules and do not oppose the application of Basel 3, remain within the supervisory discretionary power and could have a positive and significant impact on banks' lending. This impact would be further strengthened if the SSM maintained that this discretionary power privileged those banks ready to utilize the ECB's strengthened T-LTRO3 to increase their lending to the set of small and small-medium firms particularly affected by the coronavirus.

The initiatives taken by the ECB in its recent March meeting were completed by the moderate strengthening of the QE3. As noted in section 5, the ECB Governing Council decided to increase the public and private bond purchases by an additional amount of 120 billion euro. This additional amount will be spent by the end of the current year following an unspecified timing. According to the previous analysis (see section 2), this decision is superfluous due to the abundant liquidity buffers still available in the economic system as a whole. However, in this case, the ECB is probably pursuing a forward-looking approach and has opened a glimmer of hope for a more selective utilization of QE.

In the first respect, the ECB is probably worried that an **L**-shaped crisis could lead to deflation and to shortage of circulating liquidity in the future. Currently, the break in the production activity and the difficulties in the transport sector could cause temporary inflation. However, the break-down in the financial markets and the augmented risk-aversion of consumers could also lead to a shortage of aggregate demand when the peaks of the epidemic are overcome and firms re-start their usual activities. In that situation, the current expansionary stance of the monetary policy could be insufficient. Hence, it could be appropriate to gradually stock some munitions. In the second respect, answering a number of questions on the ECB's compliance with the capital-key rule in the composition of the additional purchase of public bonds, President Lagarde codified a flexible approach when she stated that the capital-key rule will be fully met only at the final settlement. This statement could allow for temporary but explicit and significant deviation from this rule in the next months. Given the phase displacement in the epidemic peaks, this could open unexpected and virtuous interactions between the QE and the national fiscal policies. The main beneficiaries of this flexible use of QE would be the EMU member states with poor fiscal capacity, such as Italy.

7. Conclusions

The considerations made in this paper have various implications that are often problematic. The following section will limit to highlighting three possible drawbacks.

First, in advocating close cooperation between the European institutions and member states for the implementation of expansionary fiscal policies, we have stressed the necessary discretionary nature of these policies. Conversely, until recently, many economists have recommended rules-based policies. We are aware that it is almost never appropriate to move the pendulum between rules and discretion too violently. Still, the impact of the coronavirus pandemic has led to a situation that is so serious and peculiar as to create one (albeit risky) exception.

Secondly, and even more so after the 2007-09 international crisis, regulation and supervision should be applied to financial markets with a lot of rigor. Conversely, the analysis in the previous section supported widened discretionary margins of banking supervision in order to weaken the criteria adopted by it and to incentivize banks to finance small and small-medium firms with high risk. Moreover, this request leads to an unintended and undesirable outcome: the independence of SSM, carefully safeguarded in the governance of the ECB thanks to the separation of competences between the ECB Governing Council and the SSM itself, is at least partially sacrificed here since the supervisory choices are influenced by the requirements of effective monetary and fiscal policies.

This second implication leads to the third. It has been pointed out above that, in itself, the banking transmission channel does not allow T-LTRO to allocate additional liquidity in favor of specific types of firms. Yet, if at least a part of the banks is encouraged by the supervisors to finance precisely these firms, the strengthening of the T-LTRO will restore effectiveness to monetary policy as a tool to complement fiscal policies and to ease the economic recession. In other words, the use of the supervisor's discretion to loosen the enforcement of crucial banking rules creates renewed space for monetary policies. That is why it is hoped that the strengthening of the T-LTRO program will be combined with the decisions taken by the SSM. In saying this, however, there arises even more serious harm to governance than that induced by the second point: supervisory decisions are subordinated to the requirements for an effective monetary policy.

Under normal circumstances, these three implications would have been sufficient to nip the above analysis in the bud. Today, however, the coronavirus pandemic is so threatening that it legitimizes some strain. The spectrum of tools here analyzed could be appropriate to counter at least the virus's economic impact, and to allow for a promising recovery of the Italian and European economies after the epidemic peaks.