**Monetary Policy and COVID-19**

The paper connects an epidemic framework with a standard New Keynesian model to evaluate various containment policies and investigate the role of monetary policy. The monetary authority faces a trade-off between its usual role of stabilizing the economy and containing the epidemic to save lives. The optimal monetary policy in a pandemic therefore depends strongly on the containment measures introduced by the government.

Epidemic model: The model extends the standard micro-founded SIR model by the possibility of being asymptomatic while infected. The asymptomatic infected are less infectious than the symptomatic and they behave the same as susceptible agents, since they are not aware of their infection.

Economic model: Households decide on consumption and labor supply and they are able to borrow from each other. Firms operate in a monopolistically competitive environment and set prices in a staggered fashion. The government can conduct containment policies and the monetary authority sets the interest rate according to a Taylor type rule.