low end of the range, which is where the official unemployment rate for April is.

A Special Shock

The second quarter is undoubtedly a bad quarter for the labor market, with some of the worst unemployment numbers the U.S. has seen since the Great Depression. Even during the early 1980s, when the U.S. experienced the worst recession in the postwar era in terms of peak unemployment, the unemployment rate reached a high of 10.8%. The reported rate so far in this quarter is already much higher and would be considerably higher if the factors discussed above are included.

It is important to keep in mind that the shock the economy is experiencing is driven by the pandemic, not by some underlying problem in the economy. Health authorities have asked households and businesses not to work in some high-contact jobs that might spread the virus and, therefore, not to produce as much as normal. Because of that, one could view the partial-shutdown policy as an investment in national health by refraining from ordinary economic production. Consequently, this shock, while having devastating impacts on the daily life of many wage earners and businesses across the country, should be interpreted differently from more traditional shocks that have occurred in the U.S. economy since World War II.

See Faria-e-Castro, Miguel. " [Back-of-the-Envelope Estimates of Next Quarter's Unemployment Rate](https://www.stlouisfed.org/on-the-economy/2020/march/back-envelope-estimates-next-quarters-unemployment-rate)." St. Louis Fed On the Economy Blog, March 24, 2020.This calculation was also based on the assumption that the labor force remains at its February level and that individuals who were unemployed in February remain without a job in the second quarter and do not drop out of the labor force.This total includes seasonally adjusted data for the week ended March 21 through the week ended May 23.For more details, see " [Frequently asked questions: The impact of the coronavirus (COVID-19) pandemic on The Employment Situation for April 2020](https://www.bls.gov/cps/employment-situation-covid19-faq-april-2020.pdf)" from the BLS.Ibid, p. 11.

The Regional Economist offers insights on regional, national and international issues. Views expressed are not necessarily those of the St. Louis Fed or Federal Reserve System.

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- **May 27, 2020**. Remarks. Bullard Discusses Two Solutions to the Current Crisis, C.D. Howe Institute webinar.

Bullard Discusses Two Solutions to the Current Crisis

May 27, 2020

St. Louis Fed President James Bullard shared his views on the partial-shutdown policy that has been in place for the U.S. economy as an investment in national health. He also discussed two ways to solve the crisis from the COVID-19 pandemic. He spoke during a C.D. Howe Institute webinar.

Bullard said that the shutdown policy was appropriate initially, but that continuing it too long would risk a financial crisis and would risk depression.

He then talked about two solutions to the crisis, which he said are happening to some degree already—ubiquitous testing and a risk-based stay-at-home approach. He added that both economic and health outcomes would be better using those two solutions than under the shutdown policy.

Bullard said the testing would solve an information problem, allowing people to know where the virus was at all times. A highly productive economy that would also have very low fatalities from COVID-19 would result, he added.

A risk-based stay-at-home approach would rely on data on who is being affected by the disease, Bullard explained. He suggested using other mortality risks, such as from accidental injuries, to size the mortality risk from COVID-19. Based on current projections, he said, the risk posed by