

Q&A: Recovery

Q. When it comes, what will the recovery look like?

A. We won't know for certain what shape the recovery will take until it has been underway for some time. Economists use the alphabet to describe the way past recoveries have played out. Here are the letters they use:

V-shaped. The economy takes a rapid dive and then recovers just as quickly.

U-shaped. The economy slumps, stays depressed for a time and finally climbs back up again.

W-shaped. The economy slumps, starts to recover, then slumps again. Only after this second leg down does the recovery begin and continue in earnest.

Q. What can we say about the current recession?

A. So far, it looks decidedly U-shaped. It began in December 2007 and there's no conclusive evidence of recovery visible as of yet. That makes it the longest economic slump since the Great Depression.¹

Q. When have we had a W-shaped recovery?

A. We've had several. The Great Depression had a W-shaped recovery, since it consisted of two separate recessions. The first ran from 1929 to 1933, the second from 1937 to 1938. The economy also traced a W at the start of the 1980s, with one slump from January to July 1980 and a second from July 1981 to November 1982.¹

¹National Bureau of Economic Research, 2009.