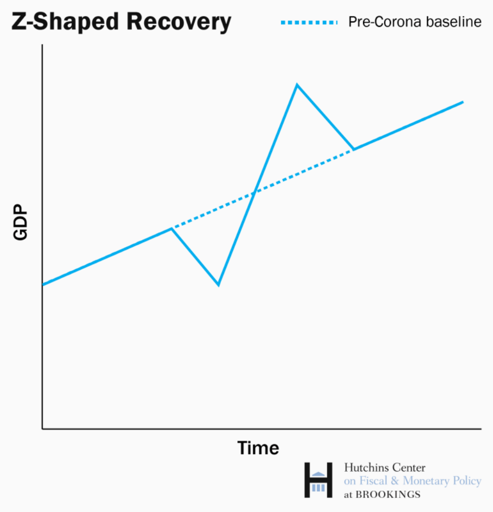
WHAT COULD THE RECOVERY LOOK LIKE?

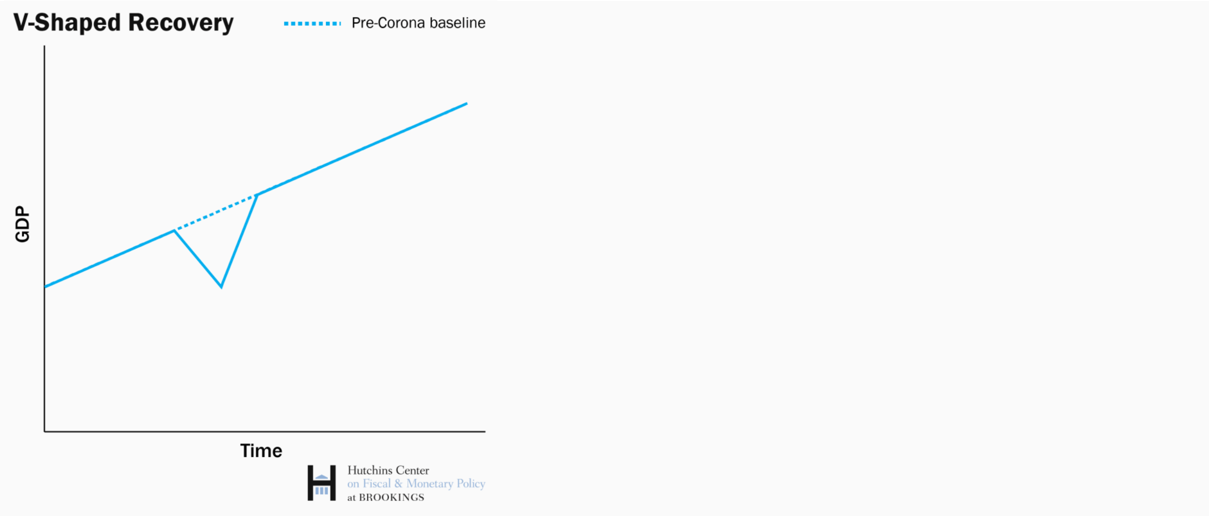
Most optimistic: The Z

The economy suffers a downturn during the pandemic, but then bounces back up above the level it would have been in a pre-pandemic baseline, as pent-up demand creates a temporary boom. In this scenario, a good part of the GDP foregone during lockdowns—the shopping we didn't do, the restaurant meals we didn't enjoy, trips we didn't take—was simply delayed, and is made up once the risk from the pandemic passes.



Still very optimistic: The V

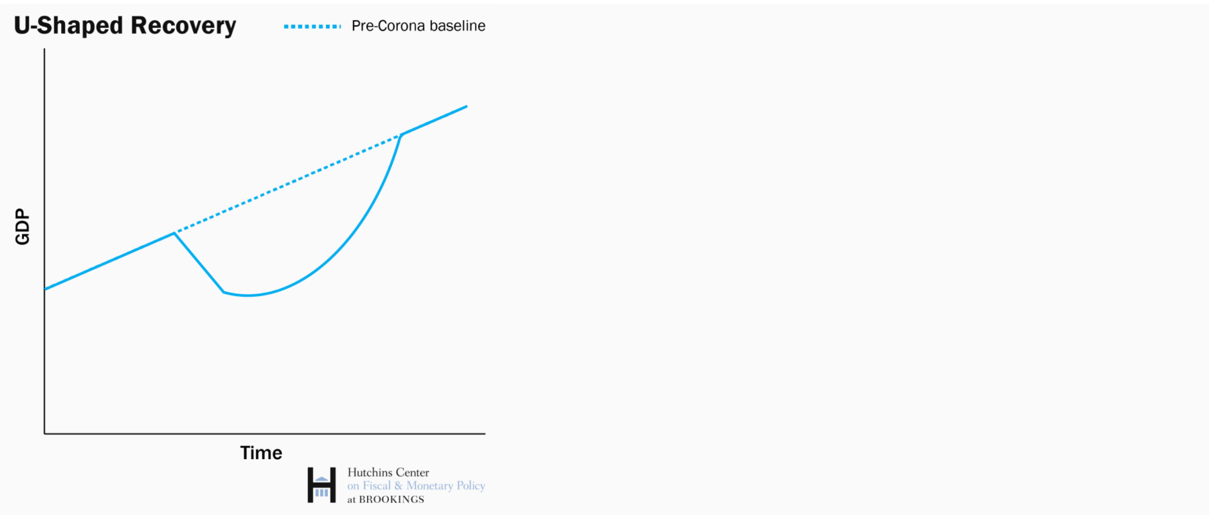
The economy permanently loses the production that would have occurred absent the pandemic, but very quickly returns to its pre-pandemic baseline once social distancing is lifted. Trips not taken, restaurant meals not purchased, and concerts not attended are forgone, rather than delayed, but once life returns to normal, everything is just as it would have been before.



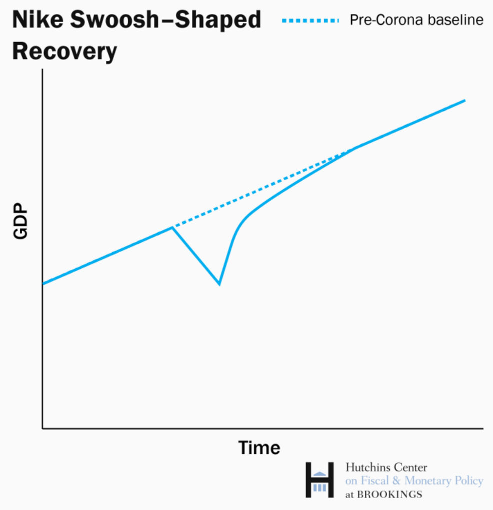
Somewhat pessimistic, and probably more likely: The U or the Nike Swoosh

The effects of the pandemic on economic activity last well beyond the end of the social distancing, and GDP recovers slowly. Even after the health risks recede, the economy still doesn't quickly go back to where it would have been, though it does get there eventually.

This basic story has many possible shapes. In the U-shape, the level of GDP stays low for a while (perhaps because social distancing norms last a long time), but then recovers back to baseline slowly.

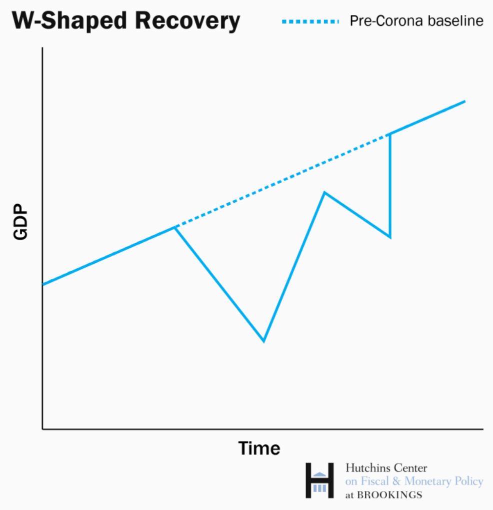


In the Swoosh, borrowed from Nike's logo, the economy starts to bounce back sharply, as restrictions are lifted and economic activity increases, but consumers, businesses, and state and local governments are still hesitant to spend, and it takes a long while for the economy to get back to pre-pandemic trajectory.



Also possible: The W

If the response to the pandemic is a first round of openings that is followed by a surge in COVID-19 cases and another round of closures in the fall, the recovery could be W-shaped.



But then the question will be, what does the recovery from the second (or third, if we do that multiple times) downturn look like?

Most pessimistic: The L

The pandemic has a permanent effect on GDP. Lost investment during the crisis, a rethinking of global value chains, a permanent change to fiscal policy, and a slowdown in productivity growth all have the potential to cause the trajectory of GDP to be lower than it otherwise would. This is basically what the recovery from the Great Recession looked like. (Despite the fiscal stimulus of the American Recovery and Reinvestment Act of 2009 and all the efforts of the Federal Reserve, it took six years for per capita GDP to return to 2007 levels, and real GDP is still well below pre-recession projections.)