On Monday, the National Bureau of Economic Research — the official body to date US recessions — said that the Covid recession was over in May 2020 as the economy troughed in April last year (in anticipation of this we’ve been showing the recession accordingly since last summer). A recession of just two months before growth returned is a welcome theme — particularly given the enormous shock of Covid. What should we make of it — is this surprising?

This is a good opportunity to zoom out and look at the very long run of cycle patterns, which we’ve written about many times before: the modern cycle drives longer expansions and promotes shorter recessions. Our chart above shows the “long arc of cycle history” with a substantial reduction in the length of recessions (x-axis) and substantial lengthening of expansions (y-axis). What’s bending the long arc of cycle history?

Three structural forces have driven cycle longevity:

- **Growth of services**: Over the very long run the economy’s output has shifted away from production towards services which are generally less volatile and so reduced the volatility of economic output, thus helping cycle longevity.

- **Compulsive stimulus**: Policy makers willingness to use stimulus liberally and consistently helps manage economic headwinds and extend expansions.

- **Anchored inflation**: Low and stable inflation provides policymakers with a robust foundation to manage the cycle — and it also gives policy makers time to respond slowly to any overheating, again stretching cycle longevity.

Two related forces are driving shorter recessions:

- **Overwhelming stimulus**: Policy makers growing willingness to provide overwhelming stimulus to contain systemic risk or bridge over an economic shock helps cut recessions short — with Covid triggering a bigger response than 2008.

- **Exogenous shocks**: Exogenous shocks have gained share of baseline cycle risk as other sources of risk — real endogenous shocks and policy errors — have declined. Exogenous shocks, even if severe, tend to be short-lived particularly if their knock-on effects are contained, thereby limiting recessions length.

To be sure, when economists talk about “recession” that is somewhat decoupled from a common or pragmatic interpretation: the end of the recession is not to say suffering doesn’t continue or that everyone’s economic fortunes have been restored. It’s a statement about growth having resumed, even if the performance of the economy might still be below pre-recession output levels.

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