Growth of labor productivity comes from:

Increases in the stock of capital and Improvements in technology

Growth of Potential GDP =

Potential GDP = Hours worked x Labor Productivity x Labor Force

Growth of Labor Productivity

+ Growth of Labor Force

Growth of Potential GDP =

Increases in the stock of capital

\+ Improvements in technology

\+ Growth of Labor Force

# of hours worked doesn’t change (8 hours/day)

Potential GDP = Hours worked x Labor Productivity
x Labor Force

Growth of Potential GDP = Growth of Labor Productivity
+ Growth of Labor Force

Growth of labor productivity comes from:
Increases in the stock of capital and Improvements in technology

Growth of Potential GDP = Increases in the stock of capital
+ Improvements in technology
+ Growth of Labor Force

Costs of Unemployment