



Growth of labor productivity comes from:

Increase 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

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Increase in the stock of capital  
+ Improvements in technology  
+ Growth of Labor Force





# of hours worked doesn't change: 8 hours/day

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# Costs of Unemployment