



Potential GDP

Measures how much the country could  
potentially produce if

◆ All workers were employed and

◆ The country's **entire** stock of capital was being used to produce goods and services

Potential GDP = Total Production with Zero  
Unemployment and Zero Excess Capacity

Potential GDP = Hours worked x Number of  
workers in the Labor Force x Labor productivity

A red speech bubble with a white background and a red outline. The bubble has a pointed tail at the bottom. Inside the bubble, the words "Zero" and "Unemployment" are written in a bold, red, sans-serif font, stacked vertically.

**Zero  
Unemployment**





**Zero Excess  
Capacity**

# Potential GDP

Zero

Unemployment

Zero Excess  
Capacity

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