

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

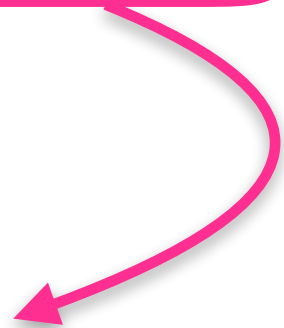
x Labor Force

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)

$$\text{Potential GDP} = \text{Hours worked} \times \text{Labor Productivity} \\ \times \text{Labor Force}$$

$$\text{Growth of Potential GDP} = \text{Growth of Labor Productivity} \\ + \text{Growth of Labor Force}$$

Growth of labor productivity comes from:

Increases in the stock of capital and Improvements in technology

$$\text{Growth of Potential GDP} = \text{Increases in the stock of capital} \\ + \text{Improvements in technology} \\ + \text{Growth of Labor Force}$$

Costs of Unemployment