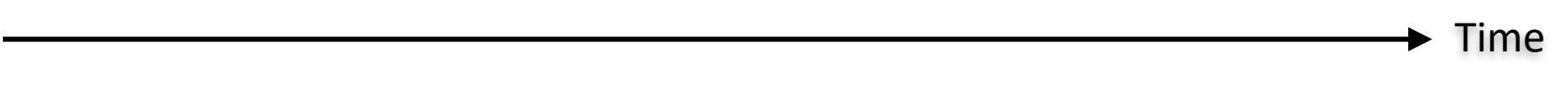
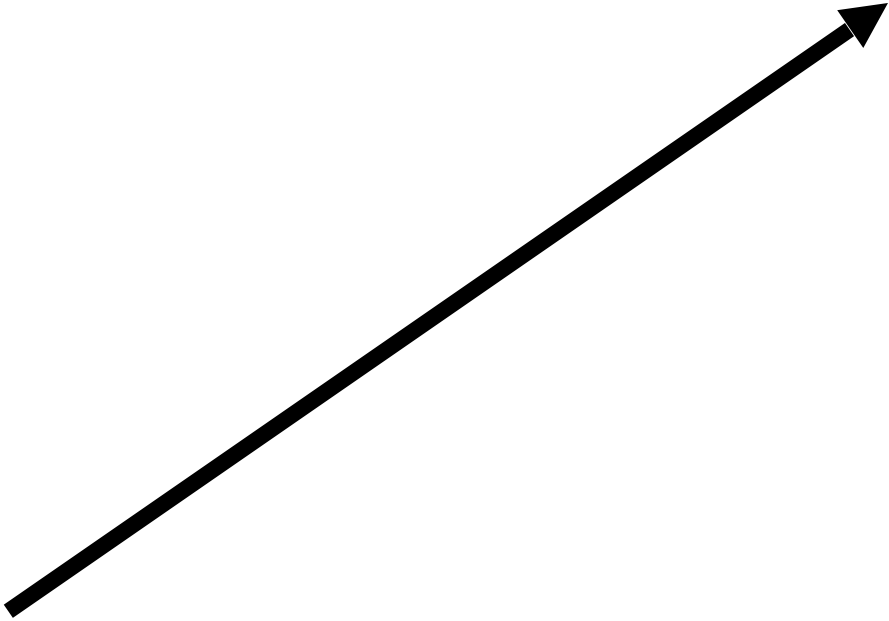


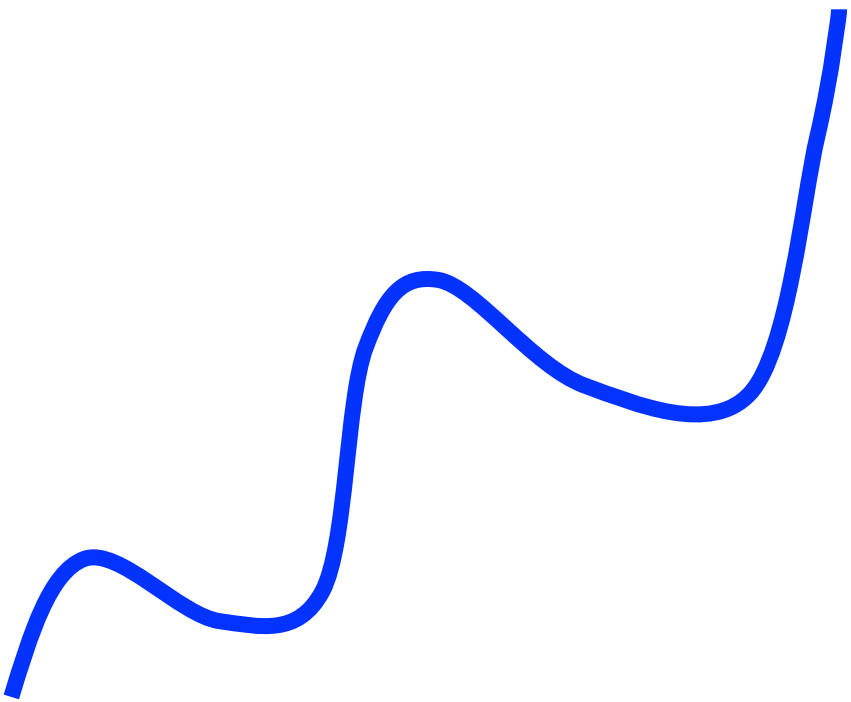
**Some years, we
produce to our
potential**

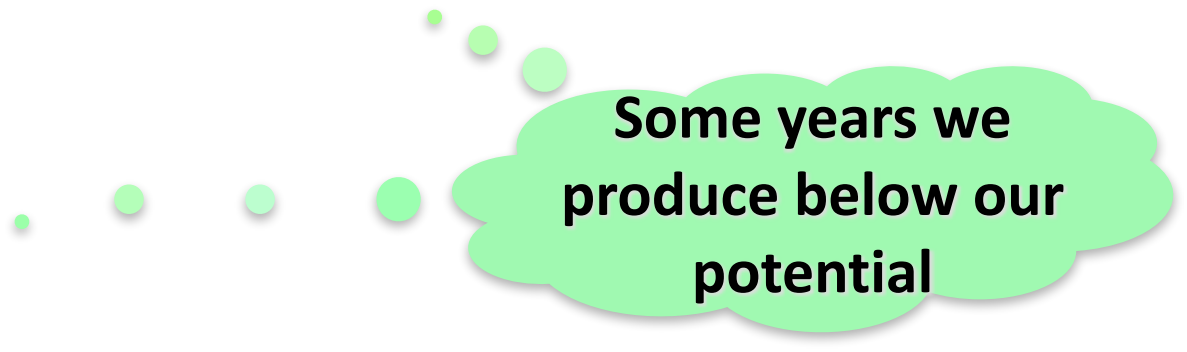




Total Production







**Some years we
produce below our
potential**

























Potential GDP

Each year, population grows and there are more workers

Each year, we build more factories and buy more equipment

Each year, with more workers
and larger stock of capital we
can (potentially) produce more

This line represents how much **could** be produced if Unemployment was **zero** and excess capacity was **zero**

This line represents how much was **actually** produced during a given year

**Some years we
produce above our
potential**





Potential GDP

Some years we produce above our potential

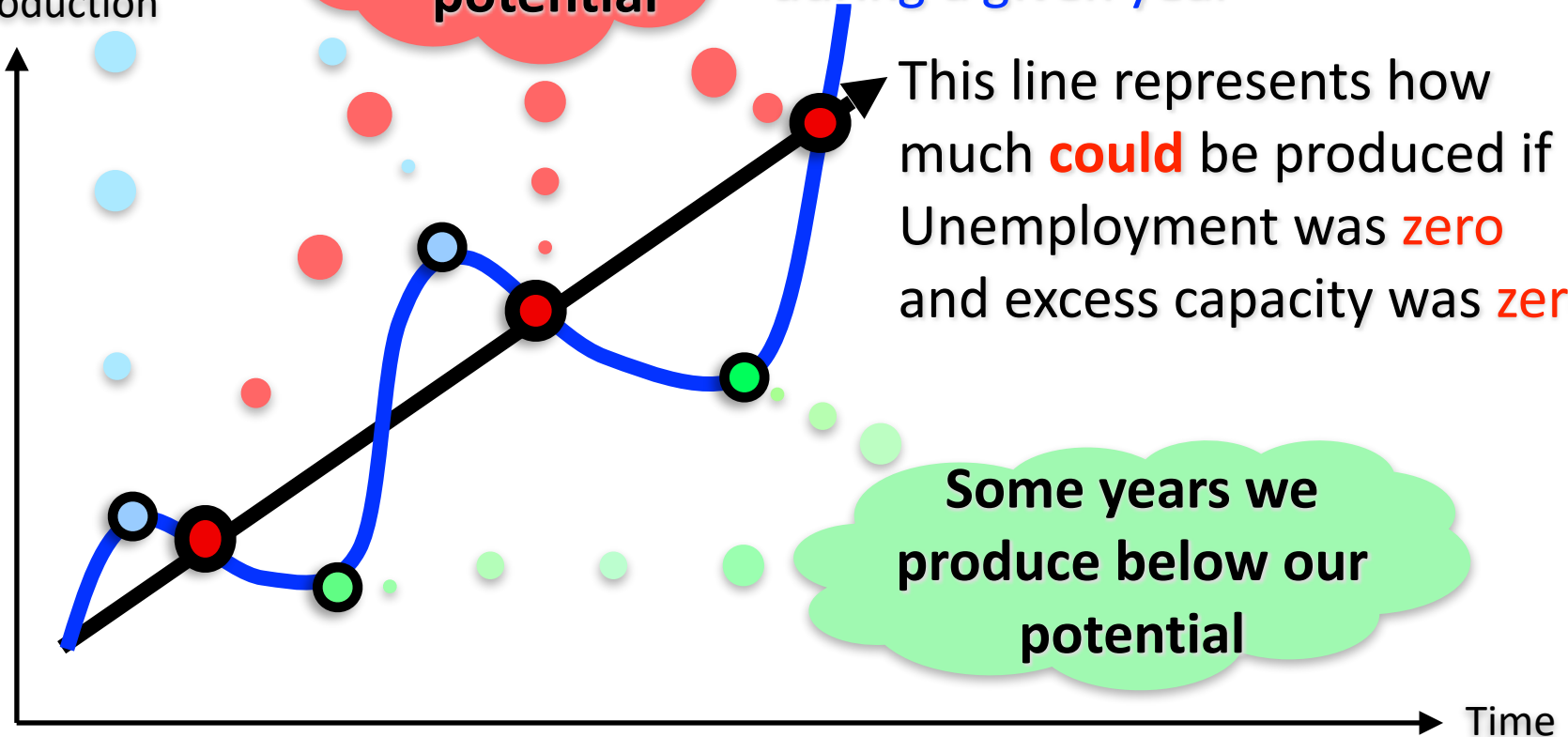
Some years, we produce to our potential

This line represents how much was **actually** produced during a given year

Total Production

This line represents how much **could** be produced if Unemployment was **zero** and excess capacity was **zero**

Some years we produce below our potential



Each year, population grows and there are more workers
Each year, we build more factories and buy more equipment

Potential GDP = Hours worked x Labor Productivity
x The Labor Force