



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

Growth of Potential GDP =

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





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





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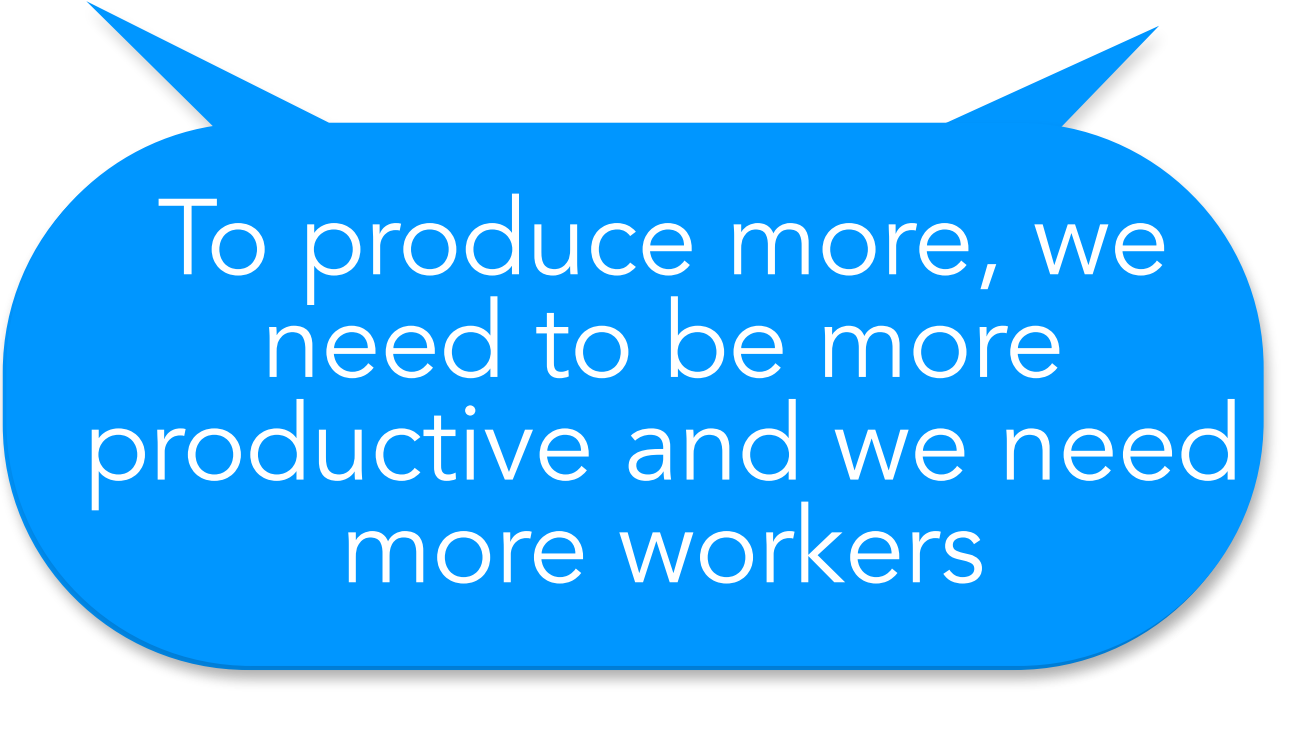
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How can we  
produce more?



To produce more, we  
need to be more  
productive and we need  
more workers



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# Costs of Unemployment