


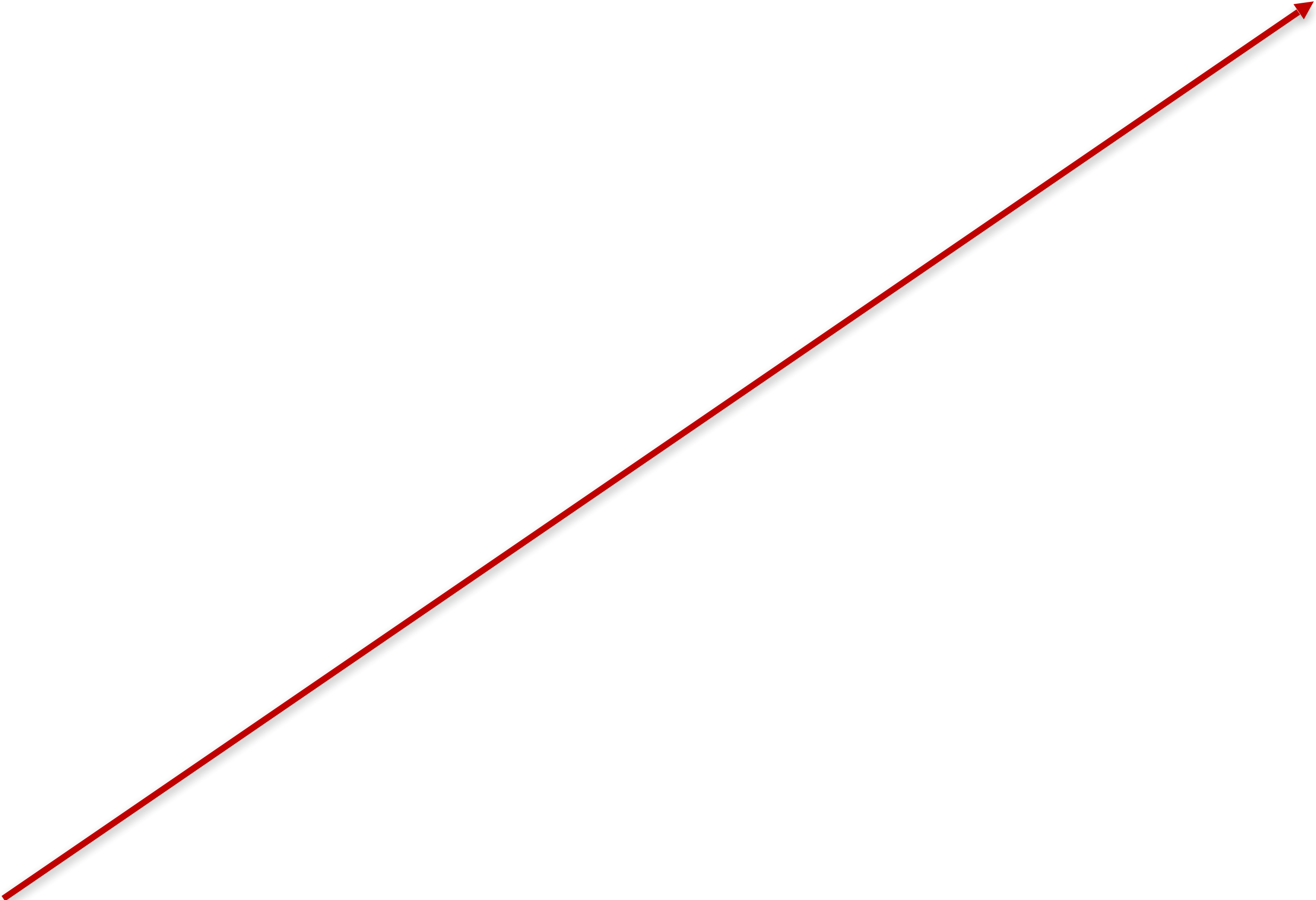



Total Production



A large, light green thought bubble with a soft drop shadow is the central focus. It has a scalloped, cloud-like border. A trail of five smaller, solid green circles leads from the top of the bubble towards the top center of the image. To the left of the bubble, three more solid green circles are arranged in a horizontal line, decreasing in size from left to right.

Some years we
produce below our
potential





Some years,
we produce at
potential


Potential GDP

Each year, population grows: there are more workers

Each year, we build more factories and add more equipment: larger stock of capital

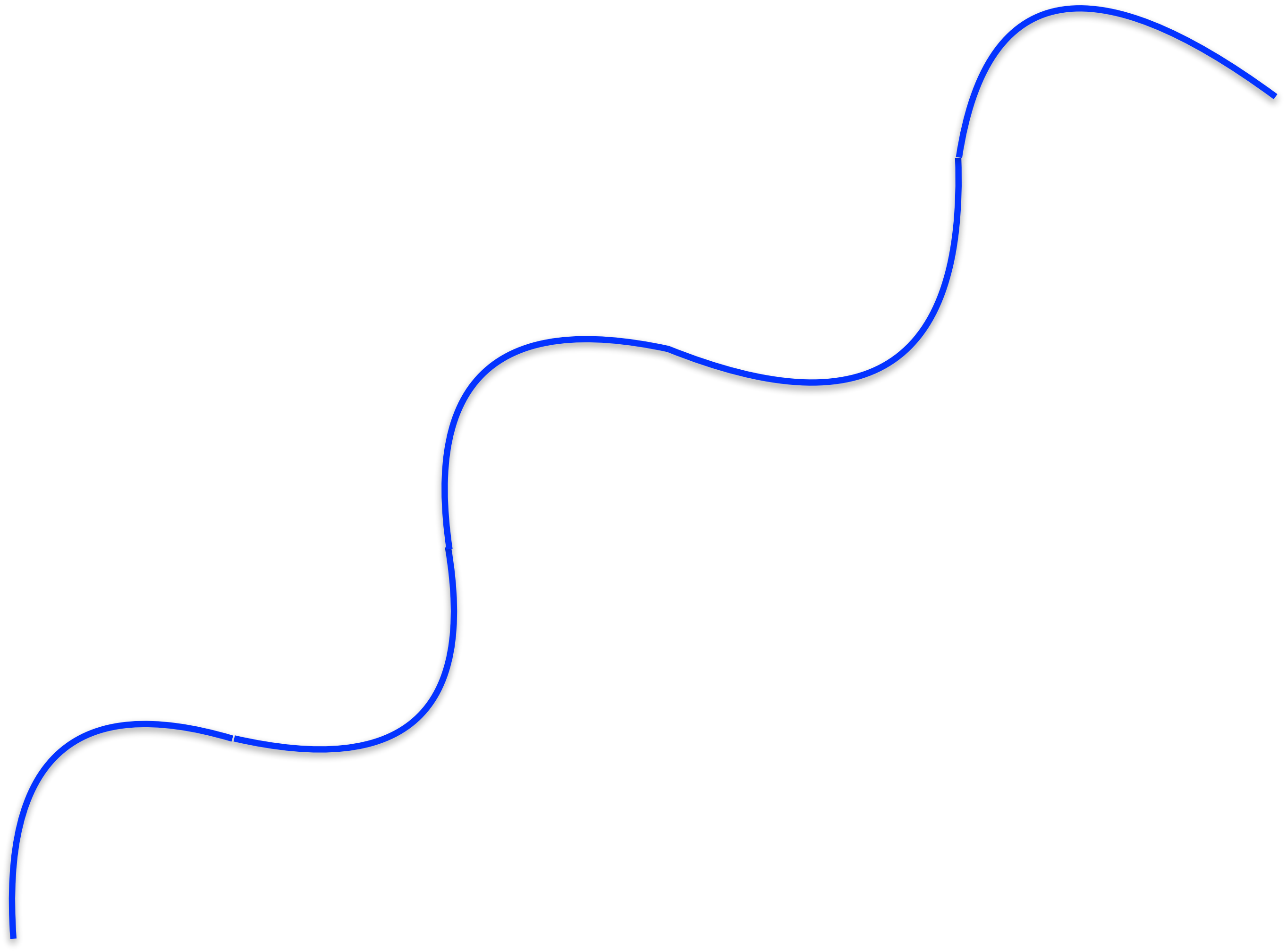
Each year, with more
workers and larger stock of
capital we can (potentially)
produce more

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



Some years we
produce above our
potential

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







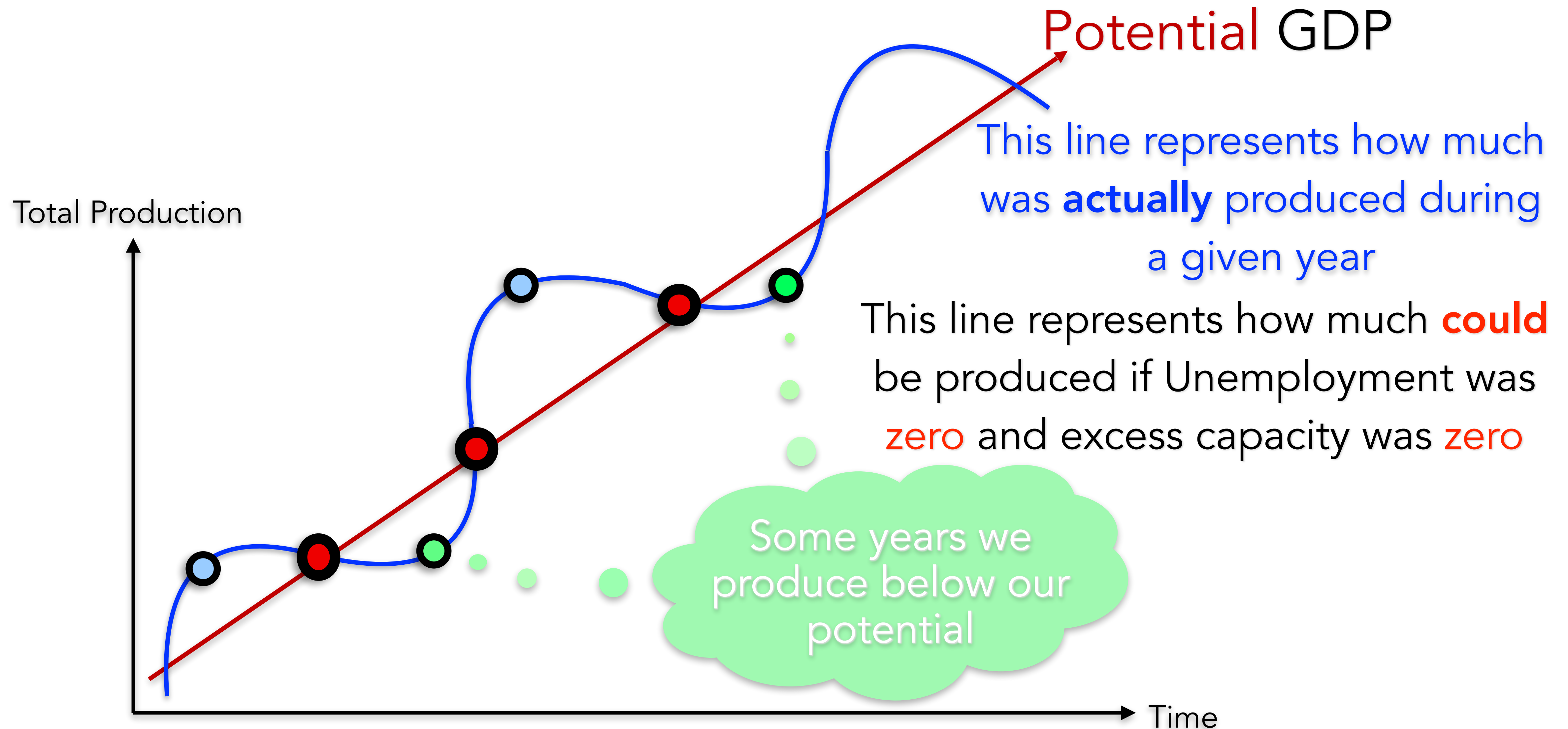












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Each year, we build more factories and add more equipment: larger stock of capital

Potential GDP = Hours worked x Labor Productivity x Labor Force