

A central tenet of mainstream economic theory is that capital is always completely utilized, i.e., there is never any unused capital in the economy. To keep advancing your career, the additional CFI resources below will be useful: 1–Economic Indicators 2– Gross National Product 3–Nominal GDP vs. Real GDP

Structural UnemploymentThe total output in the economy (GDP) depends on production technology (how efficient is cheese production relative to shoe production), the total level of capital stock in the economy, and the total number of workers.

Full Employment Output vs. Natural Level of Output The Natural Level of GDP is the GDP level corresponding to the natural rate of unemployment. The natural rate of unemployment is the average observed level of unemployment in the economy.

Separation Rate The separation rate is the rate at which the average employed worker in the economy loses his job. If an economic agent owns capital but is not using it to produce output (i.e., add to the GDP), then the economic agent is forgoing capital rent.

An economy never achieves full employment) because of labor market frictions. However, this does not mean that the capital in the economy is being used efficiently (capital could be stuck in inefficient industries).

The Production Possibility Frontier The production possibility frontier is a graphical tool used to analyze production activities in an economy. According to the Bureau of Labor Statistics, the natural rate of unemployment for the US economy is around 3.6% as of May 2019. Therefore, there is never any spare capital in the economy