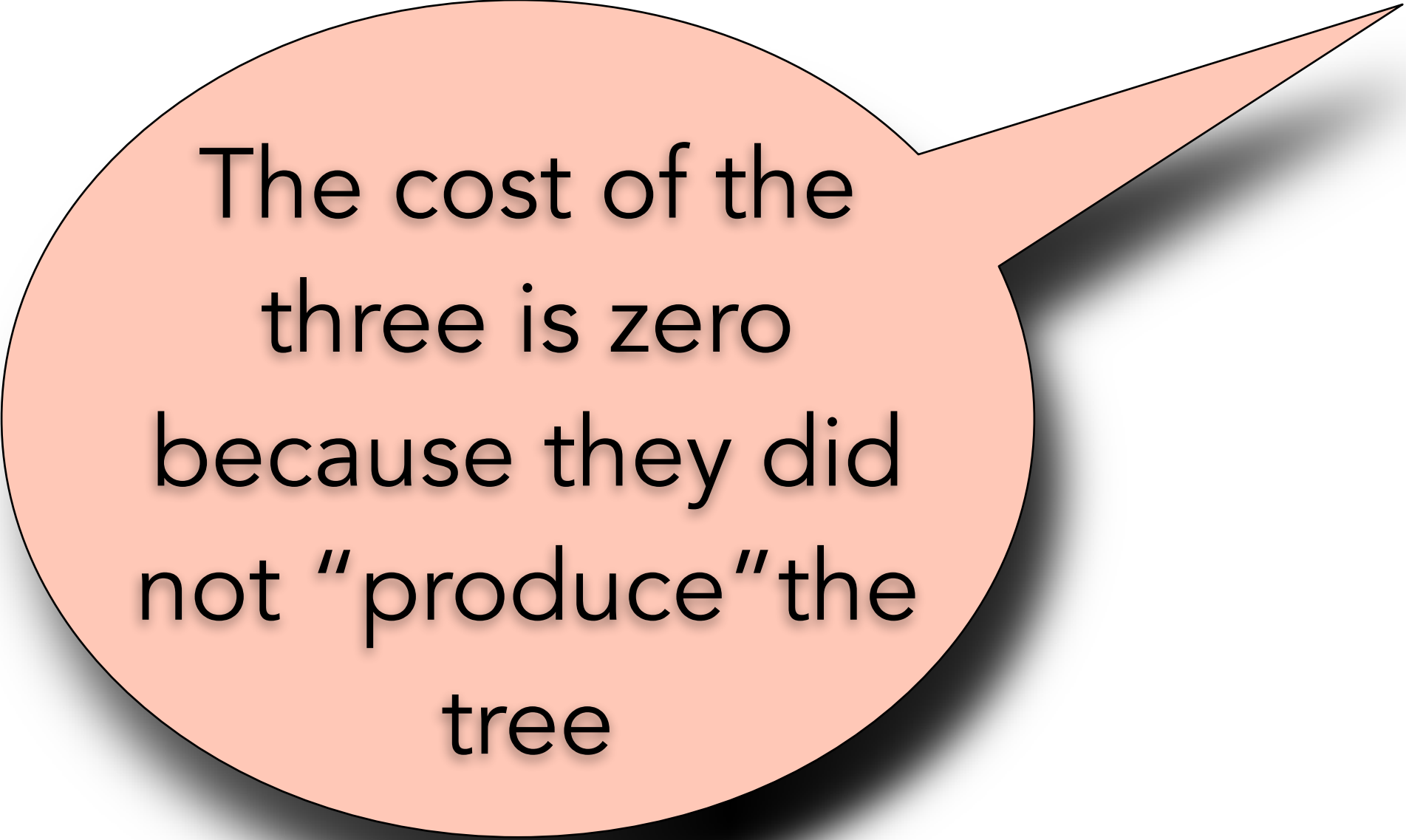




|  |          |             |             |
|--|----------|-------------|-------------|
|  | Produced | Sold it for | Value Added |
|--|----------|-------------|-------------|

GDP as the Sum of Value Added

Sum of Value Added = 2 + 8 + 5 + 15 + 5 = \$35



The cost of the  
three is zero  
because they did  
not "produce" the  
tree

Value Added = Sell Price - Cost of production

|  | Produced | Sold it for | Value Added |
|--|----------|-------------|-------------|
|  |          |             |             |

|                              |      |                 |  |
|------------------------------|------|-----------------|--|
| Indian community owns forest | Tree | $\$2 - 0 = \$2$ |  |
|------------------------------|------|-----------------|--|



|                              | Produced | Sold it for | Value Added   |
|------------------------------|----------|-------------|---------------|
| Indian community owns forest | Tree     | \$2         | $2 - 0 = \$2$ |

Logging Company buys tree for  
\$2 transforms it into a log

Log

\$10

$10 - 2 = \$8$

|  | Produced | Sold it for | Value Added    |
|--|----------|-------------|----------------|
| Indian community owns forest                               | Tree     | \$2         | $2 - 0 = \$2$  |
| Logging Company buys tree for \$2 transforms it into a log | Log      | \$10        | $10 - 2 = \$8$ |

Wood Company buys logs for  
\$10 transforms into plywood

Plywood

\$15

$$15 - 10 = \$5$$

|  | Produced | Sold it for | Value Added     |
|--|----------|-------------|-----------------|
| Indian community owns forest                               | Tree     | \$2         | $2 - 0 = \$2$   |
| Logging Company buys tree for \$2 transforms it into a log | Log      | \$10        | $10 - 2 = \$8$  |
| Wood Company buys logs for \$10 transforms into plywood    | Plywood  | \$15        | $15 - 10 = \$5$ |

Furniture Manufacturer buys  
plywood for \$15 makes table

Table

\$30

$$30 - 15 = \$15$$

|  | Produced | Sold it for | Value Added      |
|--|----------|-------------|------------------|
| Indian community owns forest                               | Tree     | \$2         | $2 - 0 = \$2$    |
| Logging Company buys tree for \$2 transforms it into a log | Log      | \$10        | $10 - 2 = \$8$   |
| Wood Company buys logs for \$10 transforms into plywood    | Plywood  | \$15        | $15 - 10 = \$5$  |
| Furniture Manufacturer buys plywood for \$15 makes table   | Table    | \$30        | $30 - 15 = \$15$ |

Macy's buys table for \$30 places  
on showroom for display

Table in  
showroom  
\$35

$$35 - 30 = \$5$$



|  | Produced          | Sold it for | Value Added      |
|--|-------------------|-------------|------------------|
| Indian community owns forest                               | Tree              | \$2         | $2 - 0 = \$2$    |
| Logging Company buys tree for \$2 transforms it into a log | Log               | \$10        | $10 - 2 = \$8$   |
| Wood Company buys logs for \$10 transforms into plywood    | Plywood           | \$15        | $15 - 10 = \$5$  |
| Furniture Manufacturer buys plywood for \$15 makes table   | Table             | \$30        | $30 - 15 = \$15$ |
| Macy's buys table for \$30 places on showroom for display  | Table in showroom | \$35        | $35 - 30 = \$5$  |

Price paid by final user \$35

35

|  | Produced          | Sold it for | Value Added      |
|--|-------------------|-------------|------------------|
| Indian community owns forest                               | Tree              | \$2         | $2 - 0 = \$2$    |
| Logging Company buys tree for \$2 transforms it into a log | Log               | \$10        | $10 - 2 = \$8$   |
| Wood Company buys logs for \$10 transforms into plywood    | Plywood           | \$15        | $15 - 10 = \$5$  |
| Furniture Manufacturer buys plywood for \$15 makes table   | Table             | \$30        | $30 - 15 = \$15$ |
| Macy's buys table for \$30 places on showroom for display  | Table in showroom | \$35        | $35 - 30 = \$5$  |
| Price paid by final user \$35                              |                   |             | \$35             |

# GDP as the Sum of Value Added

Value Added = Sell Price - Cost of production

|  | Produced          | Sold it for | Value Added      |
|--|-------------------|-------------|------------------|
| Indian community owns forest                               | Tree              | \$2         | $2 - 0 = \$2$    |
| Logging Company buys tree for \$2 transforms it into a log | Log               | \$10        | $10 - 2 = \$8$   |
| Wood Company buys logs for \$10 transforms into plywood    | Plywood           | \$15        | $15 - 10 = \$5$  |
| Furniture Manufacturer buys plywood for \$15 makes table   | Table             | \$30        | $30 - 15 = \$15$ |
| Macy's buys table for \$30 places on showroom for display  | Table in showroom | \$35        | $35 - 30 = \$5$  |
| Price paid by final user \$35                              |                   |             | \$35             |

Sum of Value Added =  $2 + 8 + 5 + 15 + 5 = \$35$

# GDP