



Figure 7.1 An Expanded Circular-Flow Diagram: The Flows of Money Through the Economy
 Krugman and Wells: Macroeconomics, Third Edition
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2. Aggregate spending on domestically produced final goods and services = \$21,500

	American Ore, Inc.	American Steel, Inc.	American Motors, Inc.	Total factor income
Value of sales	\$4,200 (ore)	\$9,000 (steel)	\$21,500 (car)	
Intermediate goods	0	4,200 (iron ore)	9,000 (steel)	
Wages	2,000	3,700	10,000	\$15,700
Interest payments	1,000	600	1,000	2,600
Rent	200	300	500	1,000
Profit	1,000	200	1,000	2,200
Total expenditure by firm	4,200	9,000	21,500	
Value added per firm = Value of sales – Cost of intermediate goods	4,200	4,800	12,500	

3. Total payments to factors = \$21,500

1. Value of production of final goods and services, sum of value added = \$21,500

Figure 7.2 Calculating GDP
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