1. | Year | Nom. GDP | Real GDP |
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>26,700</td>
<td>28,050</td>
</tr>
<tr>
<td>2</td>
<td>27,180</td>
<td>27,180</td>
</tr>
</tbody>
</table>

(Use prices in Year 2 and quantities for Year 1.)
(Using Year 1 as base year, GDP in Year 2 = 25,320.)

2. Inflation was 13% from 2000 to 2005.
   Technology!

3. a) Underground Economy
   b) Household Economy

Need to inflate 2005 GDP.

\[
\text{real } GDP_{2005} = \frac{\$1 \text{ trillion}}{\frac{88}{100}} = \$1.14 \text{T}
\]
4. Expected Interest = \( \frac{\$100 - \$92}{\$90} \)

\[ = 11.1\% \]

\[ E (\text{Interest}) = \frac{\$100 - \$92}{\$92} \]

\[ = 8.7\% \]

- B. D. H. might be promising to spend money on better projects.
- B. D. H. might have a better credit history.