HW 4/15

1.

Year	Nom GDP	Real GDP
1	26700	28650
2	27180	27180

(Use prices in Year 2 and quantities for Year 1.)
(Using Year 1 as base year, GDP in Year 2 = 25320.)

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

3. a) Underground Economy
b) Household Economy
c)

Need to ~~inflate~~ 2005 GDP.

$$\text{real } GDP_{05} = \frac{\$1 \text{ trillion}}{88/100} = \$1.14\,T$$

4. $$\text{Expected Interest} = \frac{\$100 - \$90}{\$90}$$

$$= 11.1\%$$

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

$$= 8.7\%$$

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