2. The table provided shows economic data for the country of Louland. The base year is year 1, and the GDP deflator in year 2 is 115.

	Year 1	Year 2
Nominal GDP	800,000	1,035,000
Population	1,000	1,200

(a) Calculate real GDP in Louland in year 2. Show your work.

(b) How would the change in real GDP from year 1 to year 2 affect the demand for money and the nominal interest rate in Louland?

(c) Did the standard of living of the average citizen in Louland increase, decrease, or remain the same from year 1 to year 2 ? Explain using numbers.

(d) What was the numerical value of the inflation rate from year 1 to year 2 ?

(e) If nominal wages increased by 10% from year 1 to year 2, what happened to the real wages of workers in Louland during this time? Explain.

Begin your response to this question at the top of a new page in the separate Free Response booklet and fill in the appropriate circle at the top of each page to indicate the question number.