1. Both the annual inflation rate and the economic growth rate fell in Pakistan between 2012 and 2013. Some economists suggested that the Government should try to lower inflation further by reducing government spending. Lower inflation might increase economic activity and reduce unemployment.

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| **(a)** | Define ‘unemployment’. | [2] |
| **(b)** | Explain **two** causes of economic growth. | [4] |
| **(c)** | Analyse why a fall in the inflation rate may reduce a country’s unemployment rate. | [6] |
| **(d)** | Discuss whether a decrease in government spending will reduce inflation. | [8] |

1. Chile produces a third of the world’s supply of copper. A change in demand for, or supply of, copper affects Chile’s Gross Domestic Product (GDP) and the current account position on its balance of payments.
   1. Define ‘Gross Domestic Product’. [2]
   2. Explain **two** benefits of an increase in Gross Domestic Product. [4]
   3. Using a demand and supply diagram, analyse the effect of an increase in the costs of producing copper on the market for copper. [6]

Discuss whether a rise in demand for copper would cause Chile to experience a current account surplus.