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| **Unit 4 Outcome 1 – Monetary Policy -** Practice SAC (20 marks)NAME:  |

**Question 1 (11 marks)**

a. Outline the role of the RBA with respect to monetary policy as outlined in its charter

2 marks

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b. Explain how the Reserve Bank of Australia (RBA) has used conventional monetary policy over the last 12 months to increase interest rates in the economy.

3 marks

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c. Outline one example of an unconventional monetary policy tool from the past two years

2 marks

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d. Identify the stance of monetary policy in 2023 and explain the affect this stance would have on the goal of low inflation, ceteris paribus.

4 marks

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**Question 2 (9 marks)**

a. Explain the impact that a loosening of monetary policy would have on aggregate demand. In your answer, refer to the asset prices and wealth channel, and the cash flow channel.

4 marks

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b. Analyse the strengths and weaknesses of using monetary policy to affect aggregate demand and influence the achievement of the goal of full employment in Australia.

5 marks

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**Extra Writing Space**

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